

QUARTERLY REPORT TO 31 MARCH 2001

Indian synthetic rutile plant on track; Murray Basin testing successful

HIGHLIGHTS

- The Directors of Austpac Resources N.L. confirm the AusRutile project at Orissa, in which Austpac holds a 37% direct interest, is on schedule. The study report scheduled for completion in July 2001 is on track, and construction is anticipated to begin in the second half of this calendar year, following joint venture and Government approval. Stage 1 production (10,000 tpa) from the Orissa plant is scheduled to begin in 2002.
- As provided for the Austpac/Ticor Joint Venture, the AusRutile project, including the testwork at Newcastle, is being 100% funded by Ticor which has now provided Austpac with capital for all project expenditure since March 2000.
- Direct access to heavy minerals from IRE's Chatrapur (OSCOM) deposit has been negotiated to feed the plant's expanded Stage II capacity (200,000 tpa). Studies indicate the Chatrapur deposit could support production at this level for over 30 years.
- The Company has now also successfully completed bulk sampling of the Murray Basin WIM 150 resource, with 400 tonnes of heavy mineral sand mined. An initial parcel has been successfully treated at bench scale using Austpac's proprietary ERMS process.
- Negotiations continue with a large corporation for a commercial licence for the use of ERMS front-end technology in the Murray Basin to remove chromite from ilmenite concentrate, providing further opportunities for the use of Austpac's proprietary technology.

AUSRUTILE PROJECT, ORISSA, INDIA

Concerted effort during the March quarter has ensured that engineering and costing studies for this important project will be completed on schedule in July 2001, paving the way for construction to begin in the second half of this calendar year.

The design and costing study as prepared by Ausenco (the Ausenco report) for the 10,000 tpa integrated ERMS and EARS synthetic rutile plant at Chatrapur in Orissa is well advanced. Extensive roasting and leaching trials have been completed at the Kooragang Island Pilot Plant to verify plant design parameters. Austpac and Ausenco staff have conducted site visits to assist project planning, and Jacobs H & G of Mumbai will complete their environmental impact assessment work in June 2001.

From January 2001, all work on the AusRutile project is being funded by Ticor Limited, including the ERMS and EARS testwork at Kooragang Island. Ticor has reimbursed Austpac for project expenditure incurred since March 2000. These funds are provided under the Austpac/Ticor Joint Venture, where Austpac's share is provided by Ticor as a project loan. Austpac's share of the development costs of the 10,000 tpa plant will be similarly provided by Ticor.

The Ausenco study report will require ratification by the boards of the AusRutile joint venture participants, Indian Rare Earths (IRE), Tigor and Austpac, as well as normal State and Central Government approvals. The Government approval process is underway and it is anticipated that all necessary approvals will be in place.

IRE holds the mining rights over the high grade Chatrapur (OSCOM) heavy mineral deposit which contains over 23 million tonnes of ilmenite. IRE has agreed to sub-lease the northern part of the deposit to AusRutile India, the joint venture company. This northern sector contains sufficient ilmenite to support the long term production of 200,000 tpa synthetic rutile. Once the 10,000 tpa plant is fully operational and long term sales contracts have been obtained, it is envisaged that production will be expanded by 100,000 tpa or more, depending on the TiO₂ market in 2004-2005.

EXPLORATION LICENCE 4521, MURRAY BASIN

This quarter, the Company's focus in Australia was on conducting an initial bulk sampling program from the heavy mineral horizon of the WIM 150 deposit to assess the deposit's commercial potential.

Extensive previous drilling by CRA indicates the WIM 150 resource contains at least ten million tonnes of ilmenite, six million tonnes of "Hi-Titanium" minerals (rutile and leucosene) and four million tonnes of zircon. The mineralisation excavated at the bulk sample site appears to be typical of that reported elsewhere in the deposit, with fine grained sands that require upgrading if they are to be commercially viable.

Sufficient ilmenite concentrate for bench scale testing was produced from a parcel of the WIM 150 heavy mineral ore by magnetic separation at the Kooragang Island Pilot Plant.

Initial testwork on this material, including roasting, leaching and agglomeration of the synthetic rutile product, is very encouraging and will continue throughout the next quarter.

Over 400 tonnes of ore from the heavy mineral section have been stockpiled for further treatment as required. The sample site has been rehabilitated.

CORPORATE

On 27 March 2001, Austpac announced the appointment of Mr Terry Cuthbertson to its Board of Directors as a non-executive Director. Mr Cuthbertson is currently Chairman of Telco Australia Limited, Managing Director of Technology Licensing Limited, and a non-executive Director of Open Telecommunication Limited.

Mr Cuthbertson brings extensive international and domestic corporate experience to Austpac, including a first hand knowledge of business practices and structures in India. His appointment will strengthen the financial and corporate expertise of Austpac as the company enters the next important stage of its development.

During the quarter, Austpac also appointed Mr John Downie to the position of General Manager - Project and Technology Development. John will supervise the completion of the AusRutile project design study for the 10,000 tpa ERMS and EARS synthetic rutile plant in Orissa, India, and the implementation of this project as it is developed. He is also responsible for the ongoing development of Austpac's technologies at the company's pilot plant in Newcastle.

John Downie has over 30 years of Australian and international business experience at a corporate level. He is specialised in the design, development and optimisation of mineral processing plants and has a strong commercial and technical background in the chemicals and mining sectors.

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