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QUARTERLY REPORT TO 31 MARCH 2002

HIGHLIGHTS

- **Austpac has signed an agreement with BeMaX Resources N.L. for ERMS chrome-removal roasting technology for heavy mineral deposits near Pooncarie in southwestern New South Wales. Successful testwork undertaken for other resource owners in the Murray Basin is expected to lead to further agreements for the use of Austpac's roasting technology.**
- **The engineering and costing estimates for the initial ERMS and EARS synthetic rutile plant near Portland in Victoria were completed during the quarter. Further sites are now being evaluated, with a view to increased production capacity of the first plant to provide higher returns.**
- **Austpac, Ticor and Indian Rare Earths are finalising a new AusRutile Joint Venture Agreement to facilitate the development of a full scale commercial synthetic rutile plant of at least 100,000 tpa capacity. This project is based on IRE's world class heavy mineral deposit at Chatrapur in Orissa, India.**
- **Austpac has continued to evaluate a number of new heavy mineral projects in India to create more opportunities for the Company's future development.**
- **New drilling opportunities have been identified in E.L. 4521 by the Austpac-Ticor Joint Venture for action in the June quarter.**
- **WIM 150 fine grain testwork continued with the successful preparation of a clean ilmenite concentrate. This will allow a larger quantity of high grade synthetic rutile to be produced at Newcastle during the June quarter.**

AGREEMENT WITH BEMAX RESOURCES

During the quarter Austpac and BeMaX Resources N.L. (as operator of the BIP Joint Venture) reached agreement on the commercial terms for the use of Austpac's ilmenite roasting technology to produce a high TiO₂, low chrome ilmenite from BeMaX's planned mineral sand project in the Pooncarie area of the Murray Basin.

The agreement followed extensive testwork on ilmenite samples from BeMaX's Ginkgo deposit, undertaken at Austpac's Kooragang Island pilot plant. BeMaX is currently acquiring sufficient sample for

a definitive testwork program, which will be conducted at Newcastle during the coming quarter. The objective of this work is to optimise final plant design.

The agreement reached with BeMaX also covers the construction and commissioning of the roasting and magnetic separation plant, and Austpac will participate in a consortium led by Ausenco Limited, which will provide the detailed engineering design, commissioning support and performance guarantees for this plant. Testwork to reduce the chrome levels in ilmenite concentrate was successfully completed for several other groups active in the Murray Basin, and further agreements for the use of Austpac's roasting technology may also be signed during 2002.

FIRST ERMS SYNTHETIC RUTILE PLANT

During the quarter Austpac continued the evaluation of the economics and logistics of building the first integrated ERMS and EARS synthetic rutile (SR) plant in Australia. Austpac and Ticor had originally planned to build a 10,000 tpa demonstration plant in India through the AusRutile Joint Venture. However, as Indian Government approval for this plant had not been received by November 2001, it was decided to examine the feasibility of locating a small plant in Victoria that could process not only Indian ilmenite, but also treat ilmenites from the Murray Basin.

Following the development of the final ERMS and EARS flowsheets, engineering and costing estimates for a demonstration plant near Portland, Victoria, were completed to a +/-10% confidence level. In addition, other sites with existing established infrastructure are now being evaluated, as is the throughput of the initial plant to enhance the viability of the first ERMS SR project.

A key element for the initial plant is a guaranteed supply of feedstock. While IRE has undertaken to sell ilmenite to the plant, arrangements for the supply of Australian ilmenite are not yet in place. Transport costs for small ilmenite shipments from India are very high and an additional source is necessary to assist the project on a long-term basis. Our aim is to advance this project during the coming quarter because it is essential to meet our objective of commencing work on a full-scale commercial ERMS SR plant.

AUSRUTILE PROJECT, INDIA

Austpac, Ticor and IRE are finalising modifications to the AusRutile Joint Venture Agreement that will allow AusRutile to move directly to the construction of a full scale 100,000 tpa plant in Orissa once the demonstration plant is operational and producing high grade synthetic rutile. AusRutile will have access to IRE's high grade heavy mineral deposit at Chatrapur, and the commercial plant will comprise a mine, mineral separation plant and an integrated ERMS and EARS SR plant. The agreement is expected to be signed during the June quarter.

NEW OPPORTUNITIES IN INDIA

Following approaches from a number of Indian companies, discussions continued during the quarter regarding participation in mineral sand projects in India through the application of the ERMS and EARS technologies. Such projects are at the formative stage, but we expect to firm up at least one opportunity during the coming quarter. India is a country with very large, high grade heavy mineral deposits, which in total comprise over 20% of the world's ilmenite resources, and Austpac's ERMS SR process is ideally suited to high iron Indian ilmenites.

MURRAY BASIN - E.L. 4521, HORSHAM, VICTORIA

Metallurgical assessment of fine grained ore from the Drung South bulk sample site within WIM 150 continued during the quarter, as part of a two-year program to find a commercial solution for this very large, heavy mineral deposit. The bulk sample site has been reclaimed and filled with water to provide a large dam as agreed with the landowner.

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.