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QUARTERLY REPORT TO 31 MARCH 2003

- **Two new projects were initiated and progressed during this quarter through negotiations with two substantial international corporations. One project envisages the establishment of a 30,000 tonnes per annum ERMS SR plant, and the other project will use Austpac's "LTR" low temperature roasting technology. Both projects are in commercial confidence until agreements are finalised.**

- **Contacts with Indian groups continued with the objective of ultimately creating a synthetic rutile complex to upgrade Indian ilmenite.**

- **BeMaX has appointed Ausenco as prime contractor for the construction of Austpac's LTR system for the separation of ilmenite at their Pooncarie Project in the Murray Basin.**

- **Gold mining major Newcrest conducted a follow-up drilling program on Austpac's E.L. 4521 near Horsham in the Murray Basin region of Victoria seeking copper and gold mineralisation.**

- **Austpac received a $300,000 Government tax concession cash refund for R&D studies conducted at the Kooragang pilot plant.**

- **Austpac completed a placement of 10,000,000 shares with an Australian institution and international investors to raise $330,000 for working capital.**

NEW PROJECT DEVELOPMENTS

During the last quarter new opportunities for the application of our technologies were identified and negotiations were initiated with the objective of developing an ERMS SR plant. We are focussing on a commercially viable plant with 30,000 tonnes per annum production capacity. Arrangements for the supply of ilmenite to this plant, and for the sale of the high grade ERMS synthetic rutile product, have progressed during the quarter.

A second project, which will use Austpac's low temperature roasting technology, is also well advanced. Austpac has successfully completed initial testwork and our engineers are continuing to work on the design and costing of this project.

Both projects involve substantial international corporations at geographically attractive locations, but they are confidential pending the finalisation of commercial arrangements. Details of both projects will be released as soon as agreements are finalised, which is expected during the next quarter.

INDIA

Contact was maintained during the quarter with a number of groups regarding the establishment of a large-scale synthetic rutile complex to value-add to India's high-grade heavy mineral resources, which are ideal for the ERMS SR process. However in the absence of a major international partner for an Indian project at this time, Austpac is focussing on developing the first ERMS SR plant elsewhere. India remains a long term opportunity for Austpac.

BEMAX RESOURCES' POONCARIE PROJECT, MURRAY BASIN

In common with most ilmenite concentrates from the Murray Basin, the chrome levels in the ilmenite from BeMaX's Pooncarie Mineral Sands Project must be reduced to produce a readily saleable concentrate. During 2002 Austpac undertook extensive pilot plant testwork for BeMaX and developed low temperature roasting and magnetic separation techniques, which allow the production of ilmenite concentrates suitable for both sulfate and chloride TiO_2 pigment, manufacture. Austpac then collaborated with Ausenco Limited who used the testwork data to provide engineering design and costing for the ilmenite roasting and magnetic separation plant proposed for the Pooncarie Project.

In December 2002, BeMaX called for tenders for the key elements of their project. BeMaX recently nominated Ausenco as the preferred tenderer to build the mineral separation plant and the ilmenite roaster, which will use the low temperature roasting scheme developed by Austpac. BeMaX has announced that a final development decision on the Pooncarie Project is subject only to the completion of financing, which they anticipate will be achieved in August 2003.

GOLD-COPPER EXPLORATION - E.L. 4521, HORSHAM, VICTORIA

Newcrest Operations Limited drilled 76 air core drill holes totalling 3,225m within the western half of Austpac's E.L. 4521 near Horsham in the Murray Basin region of Victoria, targeting substantial new copper and gold deposits within the basement volcanic rocks. While some of the air core holes did not penetrate to basement, other holes intersected weathered volcanic material with a wide range of composition. Several holes intersected interesting brecciation, sulphide mineralisation and hydrothermal alteration. Newcrest completed a follow-up drilling program of 11 holes totalling 411m during February 2003. Weakly anomalous base metal values were recorded in several holes. Newcrest has advised that petrology studies on selected samples from both drilling programs will now be undertaken. In addition quantitative modelling of the magnetic and gravity data is planned for the following quarter.

WIM 150 FINE GRAINED MINERALS PROGRAM - E.L. 4521, HORSHAM, VICTORIA

Synthetic rutile produced from WIM 150 ilmenite concentrate, contains only 0.03% Cr_2O_3. Testwork at the Newcastle pilot plant is focussing on the agglomeration of this fine synthetic rutile. Initial testwork on the leaching of a WIM 150 zircon concentrate showed encouraging reduction in radioactive elements.

TAX CONCESSION RECEIVED FOR R&D ACTIVITIES

In March 2003, Austpac received a $300,000 Government tax concession cash refund for research and development in recognition of the ongoing R&D activities at the Company's Newcastle pilot plant. Austpac's ERMS SR (synthetic rutile) and EARS (acid regeneration) processes are ready for commercialisation. The refund recognises the Company's continuing commitment to R&D as it develops new techniques for processing fine grained heavy minerals, low temperature roasting, solids cooling, leaching and pyrohydrolysis. These programs are ongoing.

SHARE PLACEMENT

Austpac completed a placement of 10,000,000 shares with an Australian institution and international investors to raise $330,000 for working capital.

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.