

**NINETEENTH ANNUAL GENERAL MEETING
WEDNESDAY 13 NOVEMBER 2002**

CHAIRMAN'S ADDRESS

Ladies and Gentlemen

The 2001 - 2002 financial year to 30 June 2002 together with the period to date, has been a tough one for the company in terms of progressing Austpac's strategic policies, namely: -

- The commercial application of the ERMS and EARS technologies through a new synthetic rutile project using our technology and in which Austpac has an equity interest.
- The implementation of programs for continuing development and advancement of the company's mineral sands processing technologies - our core business.
- The enhancement of the Kooragang Island pilot plant including the incorporation of our proprietary continuous leaching system.
- The continuation and broadening of ilmenite roasting programs for client companies as well as ourselves.
- The generation of income streams and future cash flows for the company as part of corporate financial stability.

The 2002 Annual Report has been sent to shareholders, copies are available at this meeting and the Managing Director in his address will enlarge on the company's activities.

At last year's Annual General Meeting I stated that planning for the AusRutile 10,000 tonnes per annum demonstration plant at Orissa was on hold pending the approval by the Indian Government of foreign capital investment into the AusRutile joint venture project.

At that time and in order to progress a synthetic rutile project, Austpac and Ticor were also evaluating sites in the Murray Basin for a demonstration plant of 5,000 tonne capacity and this was contingent upon Austpac and Ticor gaining access to a long term ilmenite resource in the Basin. We were on track to complete the evaluation by January 2002, and expected to proceed with this project during the first half of the year.

However early this year Ticor decided to shelve these plans and essentially ceased funding the Austpac-Ticor Joint Venture. This resulted in protracted negotiations to replace the exclusive world-wide arrangement with Ticor for the development of our synthetic rutile technologies, with a new non-exclusive arrangement. The new agreement was eventually signed by the two parties in September 2002.

The AusRutile three-party agreement (Austpac-Ticor-Indian Rare Earths) is also being varied to move straight to a 100,000 tonne per annum commercial operation in India, at an appropriate time in the future, by-passing the 10,000 tonne demonstration plant.

Austpac therefore continues to have an interest, funded by Ticor until the project commences, in an enlarged AusRutile project in India. Austpac will also have a similarly funded interest in any projects that Ticor initiates in the future that use our technologies.

As shareholders are well aware, these changes freed Austpac from the exclusive agreement with Ticor, only recently enabling the company to seek new partners for a synthetic rutile plant.

This leads me to talk about Austpac's plans in the present capital raising environment.

Small equity placements and the occasional rights issue have thus far been our vehicle to obtain funds to sustain the company in order to develop its processes. However this approach has become more difficult in recent years, and our last placement took five months. Austpac cannot achieve its strategic objectives whilst living from hand to mouth financially.

On the positive side, we are undertaking an increasing number of contract test programs at Kooragang Island for client companies. These have assisted us to offset costs and, while the current year has been the best yet in terms of revenue generation, it does not satisfy our financial requirements.

The difficulty in raising equity funds in today's uncertain capital market is now inhibiting the next technical development stages of our ERMS and EARS processes. For example, we have yet to incorporate a full scale version of our patented continuous leaching system at the pilot plant, and we need to enlarge the EARS pyrohydrolysis roaster to reduce the scale-up risk before we move to a commercial ERMS SR plant. These developments have a capital cost of around \$1 million and are on hold until funds are available.

Over the past two years we have been working closely with the Brisbane-based process engineering and construction group, Ausenco Limited, to develop the flowsheets, design criteria and costs for a range of SR plants. A pleasing outcome of this is that Ausenco now have sufficient confidence in our technologies to assist us with performance guarantees. This will be a boon for future plant financing.

With our changed circumstances following the withdrawal of Ticor funding for a demonstration plant, we commenced evaluating other options. Using the data bank we developed with Ausenco, we consider that an ERMS synthetic rutile plant of between 30,000 to 50,000 tonnes annual capacity would be an attractive economic entity and would suit the production capacity of many ilmenite deposits.

Austpac, in order to progress, will only succeed by participating in some way with its technology and ownership in a future synthetic rutile development.

We have identified a number of potential partnership opportunities, and these are being pursued by the company. Geographically, they range from the Murray Basin to other Australian deposits and to a spread of overseas locations. Negotiations are continuing.

A crucial factor for the company to move ahead is a stable financial position for the next few years until our first ERMS SR project is underway. Your board is well aware that small placements will not achieve this stability, and they absorb a disproportionate amount of management time and cost.

Austpac has not geared its capital funding with external debt, primarily because of the uncertainty of meeting scheduled repayment obligations before achieving a cash flow.

We are therefore examining a number of options to achieve longer term corporate stability, including forms of financial gearing, significant capital injection by a new partner and merger or acquisition.

In summary, Austpac's future is dependent upon the commercial application of the company's technologies, preferably through joint venture partnerships with companies with good quality ilmenite deposits ready for development. We recognise the need for a new approach to raising capital and are addressing this issue as a matter of urgency. We have a number of formative projects and partners in the wings, some of which our Managing Director will touch on in his review. We have an excellent synthetic rutile technology "ready to go", and we can't wait to get our teeth into the right project. Despite our setbacks in 2002, I am looking forward to a much better year in 2003.

A.L. Paton
Chairman