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QUARTERLY REPORT TO 31 DECEMBER 2001

HIGHLIGHTS

- **The engineering and costing estimate for the initial integrated ERMS and EARS synthetic rutile plant in Victoria will be completed in February 2002. This plant will process ilmenite from India as well as the Murray Basin.**
- **Austpac, Ticor and Indian Rare Earths have agreed to modify the AusRutile Joint Venture to facilitate the construction of a full scale commercial synthetic rutile plant in Orissa, India. IRE will supply ilmenite to the Australian ERMS plant.**
- **Austpac has recently evaluated a number of new heavy mineral opportunities in India and is progressing discussions with several Indian companies to create more opportunities for the Company's future development.**
- **Austpac's work on Murray Basin and other ilmenites has led to the development of a new low temperature roast providing flexibility to produce feedstock for both chloride and sulphate route pigment plants.**
- **Testwork on ilmenite from BeMaX's Ginkgo deposit in the Murray Basin was successfully completed. In January 2002 Ausenco, through Austpac, provided BeMaX with the design and capital and operating cost estimates for a 100,000 tpa roasting plant to reduce chrome levels in the ilmenite concentrate. This has been incorporated into BeMaX's feasibility study on Ginkgo and we have commenced negotiations with BeMaX for the use of the technology.**

AUSTRALIAN SYNTHETIC RUTILE PLANT

In late November 2001 Austpac and Ticor announced that they had decided to investigate building an integrated ERMS and EARS synthetic rutile plant in Australia. The parties had originally planned to build a 10,000 tpa plant in India through the AusRutile joint venture with Indian Rare Earths Limited (IRE). The engineering and costing estimates for the Australian plant are almost complete. Portland, Victoria, is being considered as a preferred location, though the final site has not been selected. The initial Australian plant will process not only Indian ilmenite, but will also treat ilmenites from the Murray Basin. This will place Austpac and Ticor in a position to rapidly implement a full scale plant once the technologies are shown to be "bankable" and commitments are obtained for product sales.

AUSRUTILE PROJECT, INDIA

In recent discussions Auspac, Ticor and IRE agreed in principle that the initial Australian plant would process Orissa ilmenite, and that the existing arrangements for the full scale plants, agreed to in November 2000, would remain in place. The joint venture 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 synthetic rutile plant. This arrangement will be incorporated into a formal agreement during the first quarter of 2002.

NEW OPPORTUNITIES IN INDIA

Discussions have been held with a number of Indian companies regarding participation in new mineral sand projects in India through the application of the ERMS and EARS technologies. Such projects are at the formative stage and details are in commercial confidence. Our objective is to maximise our involvement in India, a country with a number of very large, high grade heavy mineral deposits, which in total comprise over 20% of the world's ilmenite resources.

MURRAY BASIN - BEMAX RESOURCES

A major advance during the quarter was the refinement of roasting and separation techniques for ilmenite from the Ginkgo deposit in NSW. BeMaX Resources provided a 500kg ilmenite concentrate for testwork at Auspac's pilot plant at Kooragang Island. Auspac has developed a new low temperature roast (LTR), to remove deleterious minerals such as chromite, which complements our ERMS high temperature roast (HTR). The LTR provides flexibility to produce suitable feedstock for both the chloride and sulphate route pigment plants.

Ausenco was commissioned by Auspac to complete the design and capital and operating costs estimates for a 100,000 tpa HTR and/or LTR plant, under an agreement between BeMaX and Auspac. This work was part of BeMaX's feasibility study, which is due for completion shortly. Negotiations for the use of the technology are underway.

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

Ticor funded an air core drilling program within Exploration Licence 4521, and a total of 462 holes were completed (for a total drilling metreage of 8,768m). The program tested a number of potential areas, which were believed to host coarser grained strand line mineralisation. Coarse grained minerals were intersected in a number of holes but analysis confirmed they contained low levels of valuable heavy minerals. There are no plans for further exploration for coarse grained minerals within E.L. 4521.

The drilling program however confirmed the presence of significant amounts of finer grained WIM-style mineralisation to the west of WIM 150, as indicated by previous RioTinto drilling.

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.

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.