

QUARTERLY REPORT TO 30 SEPTEMBER 2001

HIGHLIGHTS

- Austpac and Ticor are examining the viability of establishing a synthetic rutile facility in the Murray Basin. This plant would employ the ERMS and EARS technologies and would have the flexibility to process ilmenite from heavy mineral deposits in the region. The preliminary assessment will be completed by the end of 2001.
- Drilling has commenced in the western portion of Exploration Licence 4521 (50% Austpac, 50% Ticor) in the south of the Murray Basin. The targets are coarse grained heavy mineral deposits similar to those discovered by Basin Minerals on adjoining ground.
- The Kooragang Island Pilot Plant continued at a high rate of activity, completing continuous runs on Orissa ilmenite, extensive testwork on Wemen ilmenite for Murray Basin Titanium, as well as testwork on an ilmenite concentrate from the Gingko deposit for BeMaX Resources.
- Austpac (37%) is awaiting Indian Government approval for its first production plant in India for the AusRutile joint venture with Ticor (37%) and Indian Rare Earths (26%). The project would produce very high quality synthetic rutile from one of the highest grade ilmenite resources in the world.

MURRAY BASIN

Ilmenite production in the Murray Basin is soon likely to reach a level sufficient to support a value-adding synthetic rutile complex. In August 2001, Austpac and Ticor commenced a study to evaluate potential plant locations within the broader Murray Basin region and to examine raw material supply options (including ilmenite, coal or other energy sources, and water), infrastructure and Government incentives. The study is being conducted under the Austpac-Ticor Joint Venture for the worldwide application of Austpac's ERMS and EARS technologies.

A synthetic rutile complex in the Murray Basin would use the ERMS and EARS processes to upgrade the ilmenite to a high grade feedstock for chloride-route TiO₂ pigment producers. Austpac has already confirmed through pilot plant work at Newcastle that its processes are ideally suited to the upgrading of Murray Basin ilmenites. These ilmenites are generally not amenable to traditional Becher synthetic rutile technology, as used in Western Australia. An ERMS/EARS facility could have the flexibility to remove chromite and so produce saleable ilmenite, as well as high grade synthetic rutile for export.

Data collection, collation and analysis are underway and a preliminary assessment will be completed during the fourth quarter of 2001.

During the quarter Austpac undertook a program of testwork for Murray Basin Titanium Pty Ltd (MBT), jointly owned by Sons of Gwalia Ltd and RZM Pty Ltd, the operator of the Wemen mine, which commenced production in February 2001. Wemen is producing zircon, rutile and ilmenite, and some of the ilmenite is being stockpiled. Like most ilmenites in the Murray Basin, Wemen ilmenite concentrate contains chromite, which restricts market acceptance. Austpac's aim is to use the ERMS technology to improve the commercial acceptability of ilmenite from Wemen. The work has been undertaken at our Newcastle pilot plant, and is focussed on producing a high TiO₂ low chrome ilmenite, suitable for high quality pigment production by both the sulfate and chloride processes. Results are now being incorporated into a feasibility study being undertaken by Murray Basin Titanium to derive capital and operating costs for an ERMS chrome removal plant. It is anticipated that this will lead to negotiations with Murray Basin Titanium for a technology licence.

Austpac has also recently undertaken a testwork program for BeMaX Resources to lower the chromite content in a portion of their ilmenite concentrate from the Gingko deposit. The results are being incorporated into BeMaX's feasibility study scheduled for completion early next year. It is also anticipated that negotiations for a technology licence for chrome removal will be undertaken with BeMaX.

Exploration Licence 4521 covering 933 sq km was granted to Austpac Resources N.L. and Tigor Limited on 1 December 2000 for a period of two years. This licence covers the fine grained WIM 150 deposit, from which a bulk sample was excavated earlier this year. Parcels of this ore have been progressively shipped to the Kooragang pilot plant for sample preparation and magnetic separation of a predominantly ilmenite concentrate. A series of bench scale roasting and leaching tests have been undertaken, yielding progressively better quality synthetic rutile products. Austpac has successfully agglomerated this fine grained material to produce acceptably sized, hard synthetic rutile pellets. These have been made without using a binder, thus avoiding product contamination. This work is ongoing and will lead to market investigations once we are satisfied with the product and the commercial viability of our agglomeration process.

In August 2001, Austpac and Tigor commenced a phased exploration program to delineate coarse grained strand line heavy mineral deposits within the western half of E.L. 4521. A low level airborne geophysical survey was completed in September 2001 and interpretation of the results will assist target definition. The majority of the work will entail close spaced drilling, which has recently commenced, together with subsequent sampling and analysis. This initial program is being managed by Austpac and funded by Tigor.

INDIA

The AusRutile Joint Venture, comprising Austpac (37%), Tigor (37%) and Indian Rare Earths (IRE; 26%) was formed with the initial objective of constructing a 10,000 tpa integrated ERMS and EARS synthetic rutile plant in Orissa, India. This plant would process ilmenite produced from IRE's mining operations at OSCOM, which are based on a very large high grade heavy mineral deposit near Chatrapur. The joint venture arrangements give AusRutile access to sufficient resources to support a 200,000 tpa synthetic rutile facility. It is envisaged that once the first plant has demonstrated the technical and financial viability of the ERMS and EARS processes and produced sufficient synthetic rutile for TiO₂ pigment manufacturers to enter into forward sales contracts for AusRutile's high grade synthetic rutile, operations would be expanded to include a large scale mine and synthetic rutile complex.

By July 2001, Ausenco Limited of Brisbane had completed the process and engineering design for a 10,000 plant, and by August 2001 Jacobs H & G of Mumbai, India, had completed the collection of field data for the environmental impact assessment for plant construction approvals. A critical approval for the project is that of India's Foreign Investment Promotions Board. In April 2000 the Board recommended that the Minister of Commerce and Industry approve the AusRutile project. The AusRutile plant meets all Government criteria for a mineral sand value addition project, and the joint venturers believe the project should be approved, but the slow pace of the Ministerial approval process is now delaying the project's implementation.

The continuing objective of Austpac is participation in a large scale synthetic rutile plant based on India's large, high grade heavy mineral resources. TiO₂ market analysts predict an increased demand for high grade feedstock for TiO₂ pigment manufacture by 2005. Austpac and Tigor are therefore now examining alternatives for the initial plant that will allow a large scale facility to meet the predicted market window for synthetic rutile.

CORPORATE

On 11 October 2001, Austpac announced the placement of 15,000,000 fully paid ordinary shares at 8 cents each to raise \$1,200,000 for working capital. This issue ranks equally with the existing issued capital of the Company. The placement was arranged by Intersuisse Corporate Pty Limited.

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