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QUARTERLY REPORT TO 30 SEPTEMBER 1999

HIGHLIGHTS

- Negotiations are at an advanced stage for Indian project financing.
- A definitive joint venture agreement, covering the development of the 10,000 tonnes per annum ERMS synthetic rutile plant in India, was signed with Indian Rare Earths Limited (IRE) in August 1999.
- Ausenco Limited has commenced work on the design and final capital cost estimate for the Indian plant.
- The company placed 6.25 million shares through Burdett Buckeridge Young to raise \$250,000 for working capital.

INDIAN SYNTHETIC RUTILE PLANT

On 2 August 1999 Austpac signed a definitive joint venture with IRE for the development of the first commercial demonstration of the Company's ERMS technology. Austpac and IRE will respectively hold a 74% and 26% contributing interest in an Indian joint venture company, AusRutile India Pvt. Limited, being formed to operate the project.

The AusRutile joint venture proposes to construct an ERMS synthetic rutile plant adjacent to IRE's existing mineral sand mining and beneficiation complex, OSCOM, in Orissa State, India. AusRutile will obtain ilmenite and regenerated hydrochloric acid from OSCOM, as well as access to utilities, facilities and infrastructure, which will assist the implementation of the plant. The plant will produce 10,000 tpa of high grade (>96% TiO₂) ERMS synthetic rutile.

Ausenco Limited, the Brisbane-based engineering group, has been commissioned to undertake a site specific study to finalise plant layout and capital cost, and Austpac will complete definitive testwork at its Newcastle pilot plant on a bulk sample of OSCOM ilmenite to assist Ausenco's final design. Austpac and Ausenco engineers visited OSCOM in October to review the proposed site and obtain data on supplies, logistics and equipment suppliers. The Newcastle testwork program is scheduled to be substantially completed by the end of the year.

The study is scheduled to take 18 weeks and the final report is expected to be completed early next year. Plant construction will take 15 months, so provided all necessary approvals and financing are in place by mid-2000, AusRutile will commence synthetic rutile production in 2001.

Once the demonstration plant is fully operational, AusRutile will consider establishing larger synthetic rutile plants in India. The mineral sand deposit at Chatrapur is a world class resource, with the potential to produce 200,000 tpa of synthetic rutile for export within the next decade.

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.