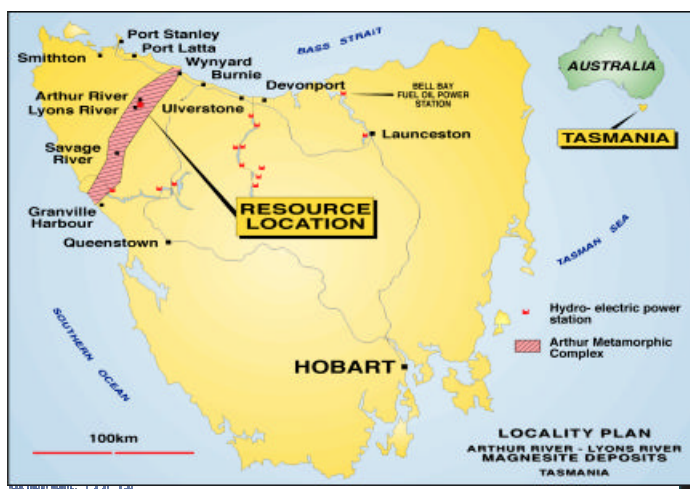


DRAFT 4 - 30/04/01

CONFIDENTIAL INFORMATION MEMORANDUM

SALE OF TASMANIAN MAGNESIUM PROJECT



May 2001

1. EXECUTIVE SUMMARY

1.1 Purpose of this Memorandum

The optimal development of Indcor's magnesite resources involves the development of a magnesium metal plant. However, Indcor recognises that the development of a magnesium metal project requires substantial financial strength and is likely beyond the financial capabilities of a company the size of Indcor. As a result, this Memorandum has been prepared to present Indcor's wholly owned TasMag Project to potential acquirers with the capability to take this world-class deposit into commercial production of magnesium metal.

Other less capital intensive options identified and studied by Indcor include the development of a pharmaceutical grade magnesia project.

1.2 TasMag Project Description

The TasMag Project proposes to produce magnesium metal (Mg) and magnesium alloys (Mg-alloys) from magnesite by means of technology jointly developed by UTI (Ukraine) and VAMI (Russia). The technology has been proven industrially over a long period and is similar to that recently implemented at the Dead Sea Magnesium Project at Sdom, Israel.

The TasMag Project consists of:

- Two retention licenses in north-west Tasmania, Australia, each of 5km². Indcor has delineated a measured resource of 13Mt grading 43.4% MgO, 1.9% CaO, 1.3% Fe₂O₃ and 4.9% SiO₂; sufficient to sustain over 30 years of operations at 90,000tpa Mg. The measured resource is contained within just 250 metres of strike length of an ore body known to be approximately 5 kilometres long.
- Exclusive Australian and New Zealand rights to the UTI/VAMI know-how and technology patents in relation to the production of magnesium metal. The rights exist for the life of the TasMag project and are exclusive for the first 20 years of operations and thereafter are royalty free, but non-exclusive.
- Feasibility and optimisation reports and analysis prepared by BHPE (7 volumes), Hatch (4 volumes) and Multiplex and their respective sub-consultants.
- Results of testwork undertaken at the request of Indcor. Magnesium metal has been produced via pilot scale laboratory tests based upon the proposed TasMag process flowsheet at facilities in Canada, Germany and Russia.
- Exploration data including geochemical and geophysical surveys and the results, including drill core of approximately 8,100 metres of diamond and RC drilling.
- Other financial, economic and technical material held by Indcor.
- Expenditure on the TasMag Project to date amounts to some A\$20 million.

1.3 Comparative Advantages

The TasMag Project has a number of advantages over other proposed magnesium projects.

1.3.1 100% Unencumbered Ownership

The TasMag Project is wholly owned by Tasmania Magnesite NL, which is in turn a wholly owned subsidiary of Indcor. The Project is totally unencumbered other than minor royalties based on material mined. Indcor will make 100% of the Project available for sale.

1.3.2 Project Location

As a country with very low sovereign risk, excellent infrastructure, stable Government, low fixed operating costs, a robust economy and a technically and commercially sophisticated workforce, potential acquirers can invest in Australia with confidence.

1.3.3 Proven Technology

Indcor has secured exclusive rights in respect of Australia and New Zealand to the UTI/VAMI know-how and technology patents in relation to the production of magnesium metal. UTI/VAMI technology forms the basis of all magnesium metal produced in Russia and the former CIS. Parts of this technology have also been incorporated into plants in China, USA and Canada. The Dead Sea magnesium plant commissioned in Israel in 1997 is based upon UTI/VAMI technology.

As a result of optimisation work undertaken, Hatch concluded that the selected TasMag process represents an improvement over that at the Dead Sea project and should provide significant benefits to the TasMag Project once operations commence.

1.3.4 Process Risks Reduced

The principal steps to producing magnesium metal in the TasMag flowsheet are:

1. Acid leaching to produce a purified 20% MgCl_2 solution;
2. Production of a hot extract solution containing KCl, NaCl and MgCl_2 from 20% MgCl_2 solution and spent-electrolyte;
3. Production of carnallite crystallisate;
4. Dehydration of the carnallite crystallisate; and
5. Electrolysis of the dehydrated carnallite to produce metallic magnesium, chlorine and spent-electrolyte.

Each of these process steps has been tested and has confirmed the amenability of the TasMag ore to treatment via the UTI/VAMI process.

Process step 1 testwork by Process Research ORTECH of Mississauga, Canada confirmed that TasMag's magnesite resource is amenable to the

production of a pure magnesium chloride brine suitable for the production of carnallite.

Process steps 2 and 3 testwork by Kali-Umwelttechnik (K-Utec) of Sondershausen, Germany and partly by MESSO-Chemietechnik (MESSO) of Duisburg, Germany confirmed that pure electrolytic grade carnallite crystallisate can be produced from MgCl_2 solution and spent electrolyte.

Carnallite crystallisate of more than 50kg produced from steps 2 and 3 formed the basis for steps 4 and 5 of the process which were undertaken by VAMI of St Petersburg, Russia and produced magnesium metal in the form of twelve magnesium metal ingots.

1.3.5 World Class Resource

Extensive exploration drilling has shown that the overall TasMag deposit is of a very significant size and of very high quality with low impurity levels. A measured resource of 13Mt grading 43.4% MgO , 1.9% CaO , 1.3% Fe_2O_3 and 4.9% SiO_2 has been delineated sufficient to sustain over 30 years of operations at 90,000tpa Mg . A further 16Mt grading 42.3% MgO is currently in the indicated resource category. The measured resource covers just 250 metres of an ore body known to be approximately 5 kilometres long. Total magnesite resources may be up to 180Mt.

1.3.6 Access to Existing World-Competitive Reliable Power Supply

Dependent on location, electrical power can represent 25% to 35% of direct cash operating costs for the production of magnesium metal.

The south-eastern Australian power industries have been deregulated and linked in a common grid so that competitive pricing is available from any generator within the grid. This area has surplus generation capacity and has several low cost power sources. Tasmania will soon be connected to this common grid by the construction of a high voltage direct current (HVDC) sub-sea cable (commonly referred to as Basslink).

Tasmania also has a large hydro-electric resource, although this is almost fully committed. The State Government has engaged Duke Energy to bring off-shore gas to Tasmania for development of new industry. Construction of the sub-sea pipeline to bring gas ashore at Bell Bay in north-eastern Tasmania and convert the oil-fired power station at Bell Bay to gas is expected to be completed in 2002.

Discussions held by Indcor with potential energy suppliers have shown that the following power costs are achievable:

- Power A\$23.50 – A\$30.00 / MWhr (US\$12 – US\$15)
- Natural Gas A\$3.00 / GJ (US\$1.50)
- Steam A\$6.50 – A\$9.00 / tonne (US\$3.25 – US\$4.50)

1.3.7 Competitive Operating Margin

The largest operating costs (power supply, labour and mining) account for over two-thirds of operating costs and are all A\$ denominated.

Operating cost estimates of approximately US\$0.66 / lb are based upon an A\$1.00:US\$0.61 exchange rate. At current exchange rates of A\$1.00: sub-US\$0.50, operating costs would be expected to fall below US\$0.55 / lb. As a US\$ revenue earner and A\$ cost incurrer, the TasMag Project will benefit from the relative strength of the US\$.

1.3.8 Negligible Holding Costs

Apart from reporting and nominal rent requirements (rent for the year to March 2002 was A\$510 + GST for each retention license), no minimum expenditure commitments exist. The retention licenses have been in place since 1988 and have been successfully renewed at each tri-annual expiry date.

1.3.9 Flexible Development Options

Notwithstanding the level of work undertaken on the Project to date, Indcor recognises that a major sponsor will be required to develop the TasMag Project and has remained flexible as to the ultimate plant size and location such that final determinations may be made by the ultimate project developer.

1.3.10 Project Not Overcapitalised

The Project is carried at cost in Indcor's accounts. At 31 December 2000, this amounted to \$19.725 million reflecting the extensive exploration, evaluation, securing of technology and financial assessments undertaken.

For international entities the timing of this Memorandum provides a unique window of opportunity for potential acquirers to capitalise on the present weakness in the Australian dollar.

1.4 Work Program to Date

Indcor has spent approximately \$20 million on the acquisition and development of the Project since May 1998.

As much of the resource delineation had occurred prior to Indcor's purchase of the Project, Indcor's focus has been on in-fill drilling to improve the resource classification to measured status, further geological interpretation, technology advancement, process testwork, process evaluation, feasibility studies, optimisation work and preliminary design work.

Under the direction of Indcor, BHP Engineering ("BHPE") completed a preliminary feasibility in October 1998 with the primary objectives of:

- Determining the technical and economic feasibility of the Project, utilising UTI/VAMI technology, preparing a preliminary process flow sheet, preliminary design and equipment selection, conceptual plant layout, site selection and capital and operating cost estimates to $\pm 20\%$; and
- Providing Indcor with a technical risk assessment study.

Consistent with the recommendations of the BHPE, Indcor entered into an agreement with UTI/VAMI on 5 October 1998 whereby Indcor obtained an

option to acquire an exclusive license throughout Australia and New Zealand to use UTI/VAMI's know how and technology to produce magnesium metal. Option fees totalling US\$1.35 million have been paid.

Upon completion of the BHPE report, Indcor commenced the optimisation phase of Project development and engaged Hatch to undertake an optimisation study which was directed towards:

- Process testwork development;
- Updating process definition and flowsheets;
- Metsim process model refinement;
- Environmental planning for the mine and plant DPEMP in Tasmania;
- Updating plant layout and engineering definition;
- The review and recasting of capital and operating cost estimates; and
- Marketing support for potential off-take agreements.

From February 1999 to October 1999, Multiplex Constructions Pty Ltd ("Multiplex") managed the Project on behalf of Indcor. The period of Multiplex management included completion of the Hatch optimisation study on 31 May 1999. Multiplex no longer has any direct involvement in the TasMag Project, although it is now Indcor's largest shareholder.

Key findings of the optimisation study were:

- The leach testing program at Process Research ORTECH in Mississauga, Canada confirmed that TasMag's magnesite resource is amenable to the production of a pure magnesium chloride brine suitable for the production of carnallite.
- Testing at Kali-Umwelttechnik (K-Utec) in Sondershausen, Germany confirmed that pure electrolytic grade carnallite crystallisate can be produced from $MgCl_2$ solution and spent electrolyte.
- Hatch concluded that the selected process represents an improvement over that at the Dead Sea magnesium plant in Israel (commissioned in 1997 using UTI/VAMI technology) and should provide significant benefits to the TasMag Project once operations commence.
- Based upon the work undertaken at that time, Hatch concluded that subject to confirmation of long delivery items, the preliminary program for plant start up within 3.5 years of the date of their report was feasible.

Subsequent testwork on the K-Utec produced carnallite at VAMI in St Petersburg, Russia produced magnesium metal in the form of twelve magnesium metal ingots.

1.5 Project Economics

With the assistance of consultants, Indcor has developed a comprehensive financial model for the TasMag Project. The base assumptions adopted therein are summarised below:

Item	Assumption	Memorandum Reference
Production Rate	85,000tpa Mg metal, plus 5,000tpa Mg alloys	
Project Life	30 years	
Capital cost	A\$1.151 billion	9.2
Magnesium Price	US\$1.25 / lb Mg metal US\$1.27 / lb Mg alloys	
Operating cost	US\$0.64 for Mg metal ¹	9.3
- Electricity cost	A\$25 / MWhr	7.4
- Steam cost	A\$8 / tonne	7.4
- Gas cost	A\$3 / GJ	7.4
Royalties	2.0% of revenue	11.3
Ramp-up period	2 years	
Exchange Rate	A\$1 : US\$0.60 ²	
Debt : Equity Ratio	65% : 35%	
Debt Period	10 year amortising debt	
Interest Rate	8.0%	
Australian Tax Rate	30%	
Inflation Rate	2.0%	

Note 1: Additional US\$0.03/lb to produce Mg alloys.

Note 2: Approximately 20% higher than the exchange rate at the end of April 2001.

Based upon these assumptions, at full production the following would apply:

	US\$ million	A\$ million
Gross revenue	248.2 *	413.7
Royalties	(5.0)	(8.3)
Net revenue	243.3	405.4
Operating Expenses	(127.6)	(212.7) *
EBITDA	115.7	192.7

Note: A\$1 : US\$0.60 assumed. Base currency is noted with an asteric “*”.

The computed NPV_{10%} (geared after tax) of the TasMag Project, after the required equity capital contribution, is US\$386.5 million. The geared, after tax, IRR is 15.1%.

If current A\$:US\$ exchange rates of approximately A\$1.00:US\$0.50 are applied, the NPV_{10%} would rise to US\$554 million and the IRR to 22.3%.

CONFIDENTIAL INFORMATION MEMORANDUM

This confidential information memorandum (“**Memorandum**”) has been prepared by Indcor Limited, (formerly Crest Magnesium NL) (“**Indcor**” or “**the Company**”) and HP JDV Limited (“**Corporate Adviser**” or “**Hartley Poynton**”) pursuant to Hartley Poynton’s engagement as exclusive corporate adviser in connection with the sale of Indcor’s wholly owned subsidiary Tasmanian Magnesite NL (“**TasMag**”).

TasMag is the 100% owner of mineral tenements, mining information and data and technology licenses collectively known as the “**TasMag Project**” or “**the Project**”.

The Memorandum is being distributed to a limited number of interested parties for the sole purpose of considering a potential acquisition of either TasMag or the TasMag Project.

This Memorandum has been prepared from information held by Indcor to assist interested parties in making their own independent evaluation of the TasMag Project and does not purport to contain all the information that a prospective acquirer may require.

Indcor, Hartley Poynton and their respective directors, officers and employees, agents and advisers do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Memorandum or any other written or oral communication by them and each of them expressly disclaims any and all liability arising in connection with any such information or communication, errors therein or omissions therefrom.

Forecasts included in this Memorandum are not representations as to future matters, but are based on a number of assumptions and are subject to significant uncertainties and contingencies. Actual future events may vary significantly from the forecasts. Such forecasts include statements as to resources, exploration potential or deposits, mining methods, stripping ratios, metallurgical extraction methods and related matters, planned levels of exploration and other expenditures, operating costs (in terms of input usage rates and unit costs), capital costs, production rates and local, State and Federal Government regulations and consents. Factors that could cause actual results to differ materially include, amongst others, unanticipated grade, geological, mining, metallurgical, processing or other problems, results of current or planned exploration activities and environmental costs and risks and changes to Government regulations, consents, royalties and native title issues. Many of these factors are outside the control of Indcor. Each recipient should make its own enquiries and investigations regarding the assumptions, uncertainties and contingencies which may affect the TasMag Project’s future operations and values and the impact that the different future outcomes may have on the TasMag Project. Only those representations and warranties contained in a definitive sale agreement shall have any legal effect.

In furnishing this Memorandum, Indcor and Hartley Poynton reserve the right to amend or replace this Memorandum at any time. However, Indcor, Hartley Poynton

and their respective advisers shall not be taken to be under any obligation to correct, update or revise the Memorandum or any written or oral communication transmitted to the recipient in the course of its evaluation of the TasMag Project. In all cases, interested parties should conduct their own investigation and analysis of the TasMag Project.

This Memorandum does not constitute an offer or solicitation in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation. This Memorandum is not, and under no circumstances is it to be construed as, a prospectus, a public offering or an offering memorandum as defined under applicable securities legislation.

Indcor and Hartley Poynton reserve the right at any time in their sole discretion and without notice to interested parties and without any liability whatsoever by any of them to any person whomsoever, to amend or terminate the sale process, to decline to permit an interested party to participate in the sale process, to terminate discussions with any or all interested parties, to reject any or all proposals or to negotiate with any party with respect to a transaction involving all or part of TasMag or the TasMag Project.

This Memorandum and the information contained herein forms Disclosed Information as defined in the Confidentiality Agreement executed by, or on behalf of, the recipient. By accepting this Memorandum, the recipient agrees to maintain the confidentiality of the information contained herein or made available in connection with any further information of TasMag or the TasMag Project, in accordance with the terms of the Confidentiality Agreement. This Memorandum may not be photocopied, reproduced, or distributed to others at any time, except in accordance with the terms of the Confidentiality Agreement. Upon request, the recipient will promptly return all material (including this Memorandum) received from Indcor, its employees, directors, agents or advisers, including Hartley Poynton, without retaining any copies thereof and destroy or erase all documents (and electronic documents) and other material and all copies thereof made from such material and all information made available, all in accordance with the terms of the Confidentiality Agreement.

Interested parties must not attempt to engage in any discussions or communications of any kind with any employees, shareholders, creditors, suppliers or customers of the Company or any agents or representatives of the foregoing, without the express written consent of an Indcor Director. Recipients of the Memorandum who do not wish to pursue this opportunity are required to return the Memorandum immediately to the attention of one of the contact persons listed in section 2.2. All enquiries should be directed to the contact persons listed in section 2.2.

All financial figures in this document are expressed in Australian dollars unless otherwise noted.

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2. SALE PROCESS, CONTACT PERSONS AND TIMETABLE

2.1 Corporate Adviser

Hartley Poynton, an associate company of RBC Dominion Securities Inc, has been retained by Indcor as the exclusive corporate adviser for the proposed sale of either TasMag or the TasMag Project.

2.2 The TasMag Project

Included in the TasMag sale is:

- 100% of the issued capital of TasMag or, alternatively 100% of the TasMag tenements and associated Project information. TasMag is a holding vehicle whose only asset is the TasMag Project. Its only liability is an intercompany loan to Indcor;
- Exploration data including geochemical and geophysical surveys and the results, including drill core of approximately 8,100 metres of diamond and RC drilling;
- Reports prepared by CRAE and held by Indcor;
- Feasibility reports and analysis prepared by BHPE, Hatch and Multiplex and their respective sub-consultants;
- Rights held by Indcor to the UTI/VAMI technology patents; and
- Other financial, economic and technical material held by Indcor.

2.3 Consideration for Sale

It is Indcor's preference to sell TasMag and/or the TasMag Project for cash consideration with no deferred payments. However, cash consideration with a royalty stream may be considered by Indcor.

2.4 Sale Process

Interested parties who have signed a Confidentiality Agreement and reviewed the Memorandum will be asked to submit a non-binding Letter of Intent outlining an indicative purchase price for TasMag or the TasMag Project (guidelines for interested parties are outlined below).

Following a review of those expressions of interest, short-listed interested parties may be invited to visit the TasMag data room (located in Indcor's offices in Perth) and visit the Project area before submitting binding offers.

Interested parties should lodge their Letter of Intent by Friday, 22 June 2001.

2.5 Timetable

An indicative timetable for conducting the sale process is shown in Table 1.

Table 1: Indicative Timetable for the Sale Process

Date	Activity
Monday, 14 May 2001	Memorandum review period commences
Friday, 22 June 2001	Letters of Intent due
Tuesday, 26 June 2001	Short listing of interested parties
Monday, 2 July 2001	Data room visits, site visits commence
Tuesday, 14 August 2001	Binding offers due
Monday, 20 August 2001	Review of offers and selection of purchaser
Friday, 7 September 2001	Execution of sale agreement

2.6 Contact Persons

All enquiries with respect to the proposed sale and requests for further information should be directed to:

Peter Anderton
Executive Chairman
Indcor Limited
Level 1, 11 Ventnor Avenue
West Perth WA 6005

Tel No: (618) 9322-9110
Fax No: (618) 9322-1007

email: peter@crestmagnesium.com.au

Grey Egerton-Warburton
Investment Banking Manager
Hartley Poynton
Level 7, Hartley Poynton Building
141 St Georges Terrace
Perth WA 6000

Tel No: (618) 9268-2851
Fax No: (618) 9268-2727

email: grey_warburton@poyntons.com.au

Damian Gordon
Executive Director
Indcor Limited
Level 1, 11 Ventnor Avenue
West Perth WA 6005

Tel No: (618) 9322-9110
Fax No: (618) 9322-1007

email: damian@crestmagnesium.com.au

Martin Pyle
Investment Banking Director
Hartley Poynton
Level 7, Hartley Poynton Building
141 St Georges Terrace
Perth WA 6000

Tel No: (618) 9268-3675
Fax No: (618) 9268-2727

email: martin_pyle@poyntons.com.au

2.7 Letters of Intent

Letters of Intent are to be received by **5pm Perth time on Friday, 22 June 2001**, unless before this time the addressee of this Memorandum has been notified in writing of a revised later date. Interested parties will be given notice of whether they have been short-listed for further participation in the sale process shortly thereafter. Bids should be made on the basis of a purchase of either TasMag or the TasMag Project tenements for cash consideration. However, cash consideration with a royalty stream may be considered by Indcor.

Letters of Intent should be marked confidential to the attention of:

Grey Egerton-Warburton
Investment Banking Manager
Hartley Poynton
Level 7, Hartley Poynton Building
141 St Georges Terrace
Perth WA 6000
Australia

Tel No: (618) 9268-2777

Fax No: (618) 9268-2727

Email: grey_warburton@poyntons.com.au

Interested parties should submit their offers expressed in either United States or Australian dollars.

Letters of Intent may be submitted by fax, mail or personal delivery. As Indcor is obliged neither to accept nor consider bids received after the offer expiry deadline, interested parties are advised to obtain receipted evidence of delivery of Letters of Intent delivered by mail, fax or by hand.

Indcor and Hartley Poynton may, for the purposes of evaluating the Letters of Intent, meet with some or all interested parties.

Neither Indcor nor Hartley Poynton will provide representations, warranties or indemnities of any kind except as set out in the definitive sale agreement entered into with a purchaser.

Interested parties must support their Letter of Intent with evidence of their financial capacity to purchase either TasMag or the TasMag Project tenements and associated assets at the nominated bid price. Purchasers may be asked to provide substantive evidence of their financial capacity.

The submission of a Letter of Intent will constitute a representation by the interested party that:

- if notified that its bid has pre-qualified it to conduct further due diligence, the interested party must make immediate arrangements to conduct all necessary due diligence including visit(s) to the data room and the TasMag Project tenements;
- the interested party has the necessary power and authority and all the necessary corporate and other action has been taken to enable it to make the offer and to execute a sale agreement and any other documentation necessary to implement the transaction; and
- the interested party is acting as principal and would acquire the entire legal and beneficial interest in the tenements which comprise either TasMag or the TasMag Project tenements.

This Memorandum does not constitute a binding offer by, or obligation on, Indcor to sell either TasMag or the TasMag Project tenements.

Each interested party shall bear its own costs associated with its due diligence and offer.

Indcor and Hartley Poynton reserve the right to request from any interested party such further information as they, at their discretion, may consider appropriate, including regarding that party's sources of finance.

Indcor and Hartley Poynton expressly reserve the right at any time, with or without providing notice or reasons, to:

- (i) amend or terminate the sale process;
- (ii) decline to permit any interested party to participate in the sale process;
- (iii) terminate discussions with any or all interested parties;
- (iv) reject any or all offers; or
- (v) negotiate with any party with respect to a transaction involving the sale of TasMag or any other transaction involving the TasMag Project tenements,

without any liability to Indcor or Hartley Poynton. In addition, Indcor and Hartley Poynton reserve the right to amend any information that has been made available to interested parties either by way of addition, deletion or amendment.

Recipients of the Memorandum who do not wish to pursue this opportunity are requested to return the Memorandum (and any copies made by them or their Third Parties as defined in the Confidentiality Agreement) immediately to Hartley Poynton.

2.8 Data Room and Site Visit

Following review of Letters of Intent, Indcor and Hartley Poynton may at their absolute discretion elect to invite a party or parties to inspect further information relating to TasMag and the TasMag Project by visiting the data room and visiting the TasMag Project tenements. The data room will be located at:

Indcor Limited
Level 1, 11 Ventnor Avenue
West Perth WA 6005

(All appointments must be scheduled through Grey Egerton-Warburton at Hartley Poynton)

Inspection of such further information will be subject to the terms of the Confidentiality Agreement entered into by recipients of this Memorandum and such guidelines for the site visits and administration of the data room as Hartley Poynton may determine from time to time.

The data room will be open from **2 July 2001** until **14 August 2001**. Following receipt of an invitation from Hartley Poynton the interested parties are asked to contact Grey Egerton-Warburton at Hartley Poynton to arrange a visit to the data room and the TasMag Project site.

Indcor and Hartley Poynton reserve the right, without ascribing any reason, to deny access to some or all of the further information to any interested party notwithstanding receipt of a signed Confidentiality Agreement.

The successful bidder will be expected to enter into a definitive sale agreement shortly after acceptance of its final bid. Interested parties should therefore carry out due diligence enquiries into title and related legal matters during their visits to the data room and the TasMag Project site prior to submitting final binding bids.

3. INTRODUCTION AND PROJECT HISTORY

3.1 Background

The Arthur River magnesite deposit was first discovered in 1925. In 1970, Mineral Holdings Australia Pty Ltd (“Mineral Holdings”) was granted an exploration license covering the area. Exploration up to 1981 resulted in the discovery of high quality magnesite outcrops in the Lyons River area, 3.5 kilometres along strike to the south of the Arthur River deposits.

In 1982, CRA Limited (now Rio Tinto Limited), having been attracted by the high purity of the magnesite resource, formed a joint venture with Mineral Holdings to explore and evaluate the Arthur/Lyons River magnesite deposits in north-west Tasmania for a magnesium chemicals project. CRA held a 75% interest in the joint venture.

Drilling undertaken during the CRA/Mineral Holdings Joint Venture delineated two large magnesite resources at Arthur-Keith River and Lyons River.

The CRA/Mineral Holdings Joint Venture applied for and obtained, on 3 March 1988, two retention licences over these deposits, namely RL8717 and RL8718. Each RL is 5km². The CRA/Mineral Holdings Joint Venture put trial pits on both RL's in late 1988 and early 1989. The RL's, now held by TasMag, remain in place.

By the late 1980's, CRA concluded that “a magnesite zone exists under alluvial cover between the Arthur and Keith Rivers. The zone is at least 3,800 metres long by 150 to 400 metres wide and at least 165 metres deep”. At Lyons River, CRA “delineated a magnesite zone 1,200 metres long, up to 200 metres wide and at least 270 metres deep.” CRA also concluded that “physical beneficiation based on flotation achieved plus 96% MgO dead burned basis magnesite concentrate with 1.4% CaO, 0.5% SiO₂ and 0.85% Fe₂O₃.”

Principal uses for magnesite deposits at that time, and hence the focus of the CRA work, were as:

- Dead burned magnesia, used in the manufacture of basic refractory products;
- Caustic calcined magnesia, which has a wide range of uses from agricultural feedstuffs, cements, pharmaceuticals and general chemicals; and
- Magnesium metal feedstock. However, prior to the late 1980's, magnesite was not used to any significant extent as a source of magnesium metal – existing operations and production facilities at that time used mainly dolomite and brine as feedstock.

CRA investigated the deposits and the usage of magnesite. As magnesite to magnesium production was in its infancy and the Australian power industry had not yet been deregulated, CRA's approach to magnesium metal appears to have been focussed upon using the deposits as feed for other magnesium metal plants rather than the development of a metal production facility plant. Alternatively, CRA focussed on the mining of between 600,000 and 1,000,000tpa of magnesite to produce between 340,000 and 570,000 tpa of caustic magnesia.

Although CRA concluded that mining magnesite to produce chemical quality magnesium was achievable, CRA concluded that magnesia markets were highly competitive, too small in size and were not markets which CRA wished to enter. CRA relinquished its joint venture interest in the CRA/Mineral Holdings Joint Venture in the early 1990's.

3.2 Current Project Ownership

Following CRA's withdrawal from the CRA/Mineral Holdings Joint Venture, Mineral Holdings retained 100% ownership of the tenements.

Indcor, via its wholly owned subsidiary TasMag, acquired the TasMag Project tenements from Mineral Holdings on 25 May 1998 and, in February 1999, Multiplex agreed to fund project feasibility work to earn an interest in the Project. Multiplex were responsible for Project management until October 1999 when Indcor and Multiplex agreed to terminate their relationship and Indcor agreed to reimburse Multiplex for the funds it had spent on the Project.

In February 2001, a final agreement was reached whereby part of the sum owing to Multiplex would be converted into an ownership stake in Indcor, such that Multiplex is currently Indcor's largest shareholder with a 30% shareholding in the Company. Multiplex now has no contractual, legal or ownership stake in the Project.

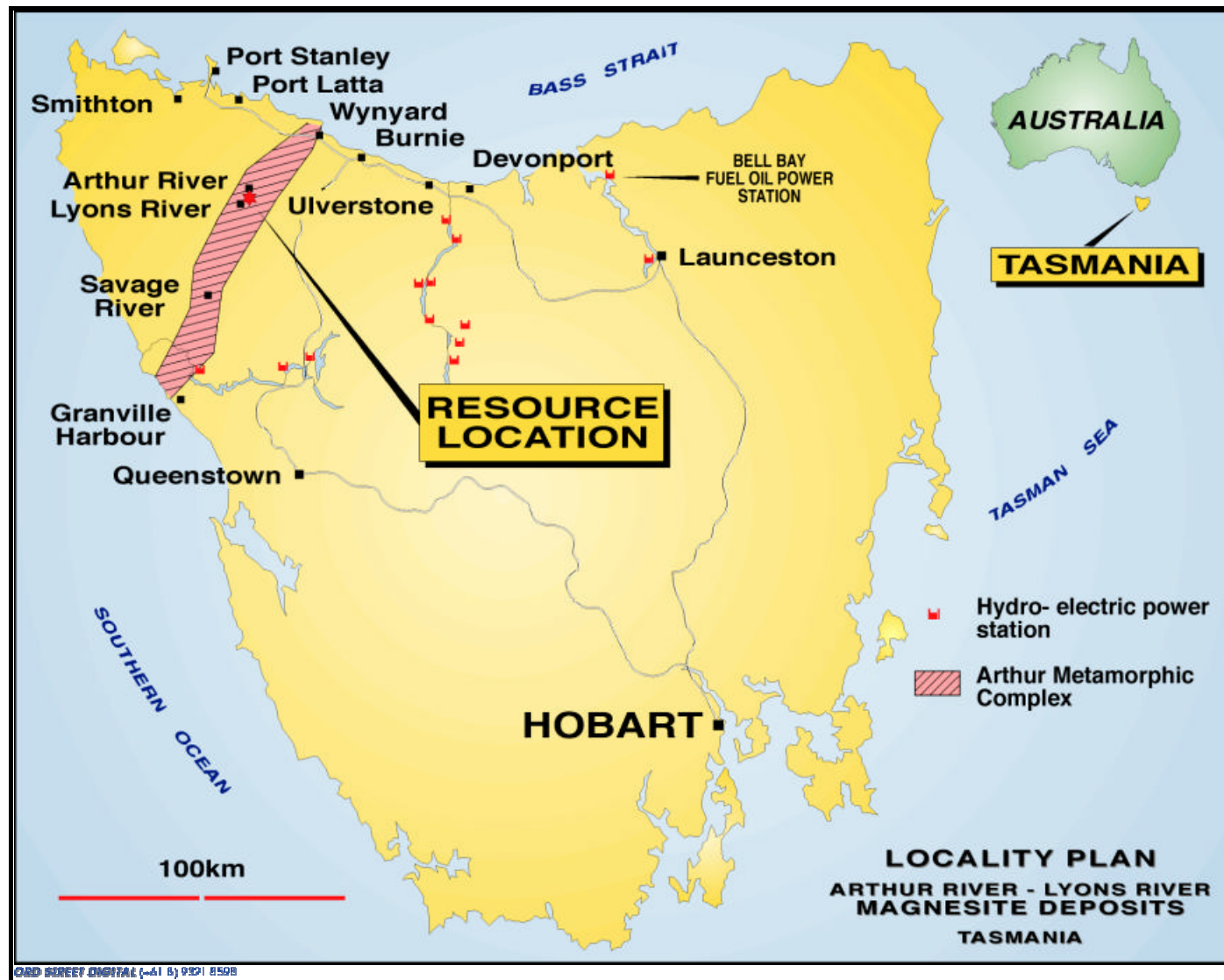
TasMag holds unencumbered title, save for a royalty payable to Mineral Holdings as described in section 11, over 100% of TasMag and the Project.

3.3 Location

The Lyons and Arthur Rivers Magnesite Project is located in the West Takone region of north-western Tasmania, and some 52 kilometres south-west of the city of Burnie (Figure 1).

Access from Burnie is by a sealed bitumen highway (33km) followed by a further 19km via a graded gravel road which runs along the western side of the Arthur River and just short of the Keith River, which is spanned by the Wenzel Bridge (5 tonne capacity).

Figure 1 – TasMag Resource Location



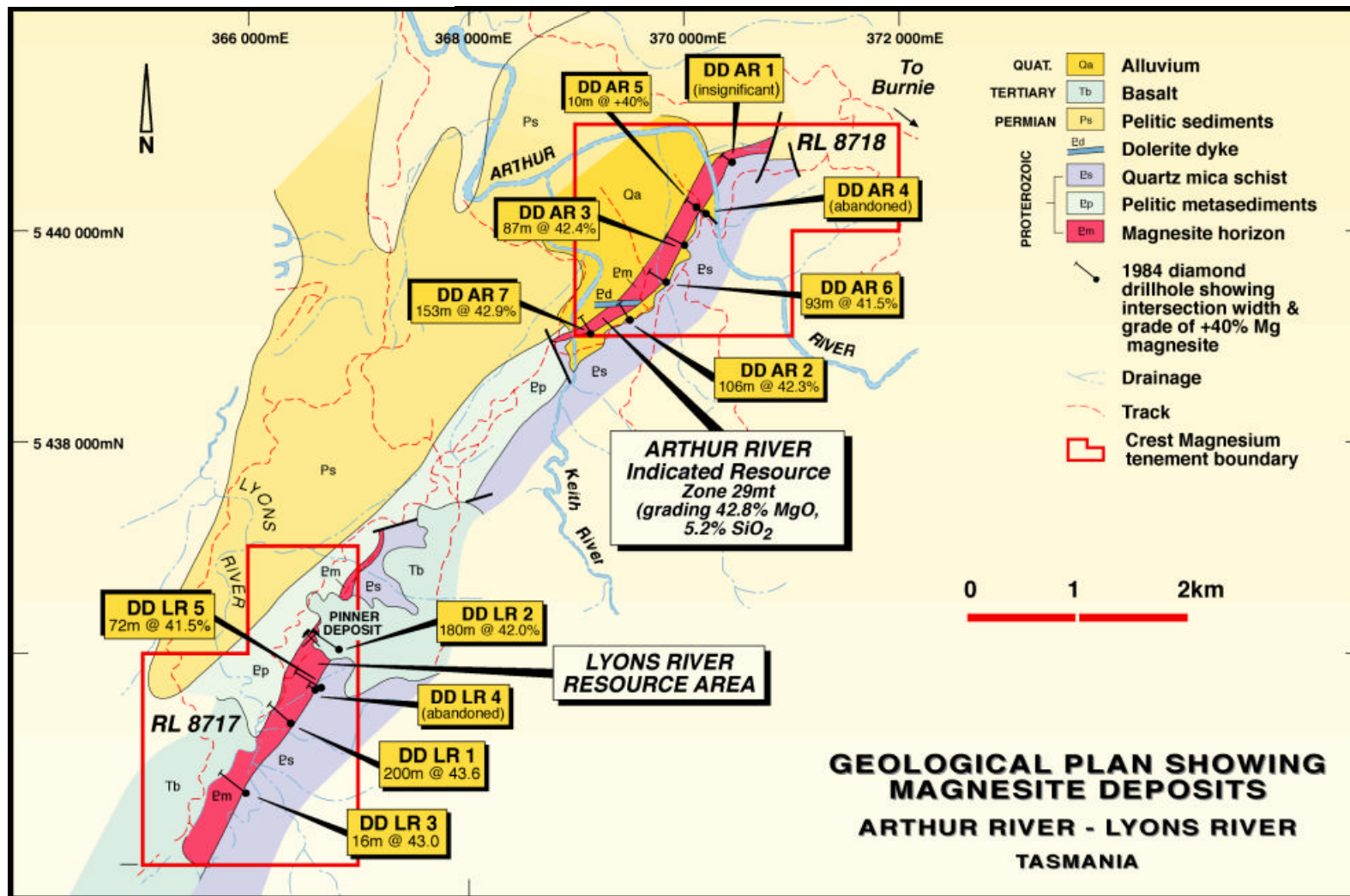
3.4 Tenement Holdings

Two retention licenses RL8717 and RL8718, each of 5km² in area, are held by Tasmania Magnesite NL, a wholly owned subsidiary of Indcor. RL8717 is located at Lyons River some 4 kilometres south-west of RL8718 and covers the southern extension of the Arthur River magnesite resource (Figure 2).

Apart from reporting and nominal rent requirements (rent for the year to March 2002 was A\$510 + GST for each RL), no minimum expenditure commitments exist. The RLs have been in place since 1988 and have been successfully renewed at each tri-annual expiry date.

In February 1999, Indcor applied for a mining lease (1M/99) having an area of approximately 195 hectares within RL8718. This proposed mining lease covers about 1.5 kilometres strike length of high grade magnesite mineralisation. The proposed mining operation will be located in the south-western corner of the mining lease. During 2000, Indcor also applied for a further Mining Lease, 8M/2000, covering an area to the south of RL8718.

Figure 2 – TasMag Deposit Location



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