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QUARTERLY REPORT TO 30 SEPTEMBER 2009

HIGHLIGHTS

- **The Newcastle Iron Recovery Plant on Kooragang Island**

The Newcastle Iron Recovery Plant will use the EARS acid regeneration and DRI direct reduction sections of the ERMS SR Demonstration Plant at Newcastle, to commercially recover high grade iron and hydrochloric acid from steel mill by-products (mill scale and spent pickle liquor). The Plant is expected to start operating early in 2010.

- **Refurbishment of Plant Underway**

Following detailed planning and design, refurbishment work on the Plant to ensure the success of long term commercial operations is underway. The removal of equipment and relocation of some other items is 90% complete and the fabrication and re-installation of the improved equipment is commencing.

- **Briquetting System to Increase Marketability of Austpac's Iron Product**

"Austpac Reduced Iron" (ARI), the very pure iron product that will be made at the Plant, will be briquetted to produce a high quality feedstock for electric arc furnaces. Independent briquetting testwork by the CSIRO will be completed in early November 2009, and will provide sample ARI briquettes for market assessment.

- **Licences and Approvals**

Applications for relevant licences from local and State authorities to operate the Newcastle Iron Recovery Plant are advancing on schedule.

- **Supply and Sales Agreements**

Negotiations for the supply of spent pickle liquor and mill scale and the sale of regenerated hydrochloric acid and ARI briquettes are at an advanced stage.

- **New Applications for Austpac's Technologies**

A number of international companies have approached Austpac during the quarter regarding specific applications for our technologies. Test work is underway for some of these groups and results are promising. It is anticipated that this will create new alliances and new opportunities for commercialisation of our technologies.

THE NEWCASTLE IRON RECOVERY PLANT

The objective of the Newcastle Iron Recovery Plant is to treat two by-products from the steel industry, spent pickle liquor (SPL) and mill scale, and convert them into hydrochloric acid and high grade iron on a commercial basis. This will be achieved by using the EARS acid regeneration section of Austpac's $10 million ERMS SR synrutile Demonstration Plant, which was built and operated during 2007-08 at Newcastle to prove the Company's technologies. This project has clear environmental benefits as waste products are recycled into saleable products, solving a significant disposal problem in the steel industry.

The ERMS SR Demonstration Plant was not built for long term operations and some equipment items in the EARS section require replacing, refurbishing or repositioning so the plant can undertake long term, 24 hour/7 days per week commercial operations. Given that most of the EARS section is in place, Austpac estimates it will take three months to complete the refurbishment and a further month to fully commission, so the plant will commence production early in 2010.

The necessary refurbishment program at the Plant is underway after a period of detailed planning and design. This work has reached the construction stage, with contractors on site since August assisting with layout and logistics plans. The removal of equipment and relocation of some other items is 90% complete, and the fabrication and re-installation of the upgraded equipment is commencing.

A high pressure roll briquetting machine will be incorporated in the Newcastle Iron Recovery Plant to produce a high quality feedstock in a suitable form for electric arc furnaces. Prior to execution of new agreements with steel makers, Austpac is undertaking its own independent briquetting studies. A large sample of mill scale has been reduced to iron metal in the batch roaster using our direct reduction process. This product, "Austpac Reduced Iron" (ARI), is a very pure iron that will be used in briquetting trials. Austpac has signed a Consulting Services Agreement with the CSIRO and independent trials will be completed in early November. Briquetted samples of ARI will be provided to steelmakers for assessment.

The Newcastle Iron Recovery Plant will demonstrate the effectiveness of the EARS and direct reduction technologies for recycling steel mill by-products, and will act as a model reference site to assist Austpac develop additional commercial opportunities in the steel and related industries. Austpac's objective is to establish a number of waste treatment plants around the world, either as build-own-operate plants or in association with steelmakers. Our first plant will create permanent jobs in Newcastle and will convert steel waste from the Hunter region and elsewhere in eastern Australia into saleable products in an environmentally effective manner.

LICENCES AND APPROVALS

Applications for relevant licences from local and State authorities to operate the Newcastle Iron Recovery Plant are advancing on schedule:

- A new Environment Protection Licence was granted this month which allows the production of up to 10,000 tonnes of 25% hydrochloric acid, which would require almost 18,000 tpa of SPL. This is significantly more than the Newcastle plant's capacity of 13,000 tpa of SPL.
- A Development Application has been submitted to Newcastle City Council for approval to operate the EARS section of the ERMS SR Demonstration Plant as an Iron Recovery Plant.

FURTHER PATENT PROTECTION

The EARS process has been covered by world wide patents since 1992. A patent application was lodged in 2005 to protect Austpac's process for the production of iron and other metals from metal chloride solutions. This application has now progressed to the National stage in all significant steel producing countries around the world, and was recently granted in South Africa. In addition, Austpac's Direct Reduction patent application to protect the DRI process (which was first submitted in 2008) entered the international stage in September 2009 and now applies to over 50 countries through the Patent Treaty Convention.

NEW APPLICATIONS FOR AUSTPAC'S TECHNOLOGIES

Over the past two months, Austpac has been contacted by a number of companies from North America, Europe and Asia regarding specific applications for our technologies. These companies have recognised the value of the Company's EARS and direct reduction technologies to process chloride by-products and other waste streams, and also Austpac's roasting technologies for recovering and upgrading ilmenite. Several companies have provided samples of their various materials, and a number of pilot scale test programs were undertaken at the plant during the quarter. Results to date are very promising, and it is anticipated this will lead to additional applications for some of our technologies.

In addition, we have received several new enquiries from interested steel mills regarding our processes for treating mill scale and pickle liquor. The new applications and enquiries broaden the number of opportunities for commercialisation once the Newcastle Iron Recovery Plant is operating and can be used as a reference plant for our EARSand direct reduction technologies.

EXPLORATION LICENCE 4521 – HORSHAM, VICTORIA

The Horsham Joint Venture is undertaking the first stage of a Bankable Feasibility Study on the potential development of the WIM150 mineral sands deposit, of which a key element is a review of the water supply options for the project. Drilling completed to the east of Taylors Lake has improved the understanding of the local hydrogeological conditions and regular monitoring of groundwater observation bores established during this program has commenced. A pump testing program has been designed to further investigate the groundwater conditions in the vicinity of the WIM150 resource. This program will be complete next quarter.

Aircore drilling completed during January and April, based on high quality aeromagnetic coverage, provided an initial assessment of the mineral potential of the Cambrian basement rocks which occur beneath the much younger marine sediments of the Murray Basin. This drilling intersected intermediate volcanic lithologies at two separate localities. Further drilling to assess the gold and base metal potential of the covered volcanic rocks within the tenement is planned.

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NOTE: This report is based on and accurately reflects information compiled by M.J. Turbott who is a Fellow 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.

About Austpac Resources N.L. (ASX code: APG)

WINNER: 2008 National Mining Awards APPLIED TECHNOLOGY OF THE YEAR

Austpac [www.austpacresources.com] is a minerals technology company focused on the titanium, steel and iron ore industries. It has been listed on the Australian Stock Exchange since 1986. Austpac's key technology transforms ilmenite into high grade synthetic rutile, a preferred feedstock for titanium dioxide pigment and titanium metal production. The technology can also be used to process waste chloride solutions and iron oxides produced by steel making to recover hydrochloric acid and high purity iron metal briquettes. A third process can be used to produce Direct Reduced Iron (DRI) from both hematite and magnetite iron ores.