AUSTPAC RESOURCES N.L.
ACN 002 264 957

Level 3,
62 Pitt Street
Sydney NSW 2000
GPO Box 5297
SYDNEY NSW 2001
Telephone: (+61 2) 9252 2599
Facsimile: (+61 2) 9252 8299
Email: apgtio2@ozemail.com.au
www.austpacresources.com

QUARTERLY REPORT TO 30 SEPTEMBER 2008

HIGHLIGHTS

Ilmenite Roasting Operations Conclude in July 2008

Continuous roasting operations concluded in July 2008 with a total of 720 tonnes of ilmenite processed through the 3,000 tpa ERM SR Demonstration Plant at Newcastle. Bench leaching tests conducted on the upgraded ilmenite consistently produced ultra high grade synrutile with very low contaminants.

Proving Austpac's Proprietary Technologies

Austpac completed the construction of Stage 2 of the Demonstration Plant; the ilmenite leaching and EARS acid regeneration/metallisation section during the quarter. Stage 2 was then commissioned by successfully producing direct reduced iron using iron ore fines from the Pilbara region, confirming the metallisation process. The Company also regenerated acid from spent pickle liquor, a steel mill waste, proving the EARS process.

Commissioning of the Continuous Leach System and Production of Synrutile

During the quarter, the world's first continuous ilmenite leaching system was commissioned, and in October 2008 Austpac successfully conducted leaching operations and converted roasted ilmenite into high grade synrutile.

Agreement with the MultiServ Group

In January 2008, Austpac signed an agreement with MultiServ Group Limited to identify and evaluate worldwide opportunities for the application of Austpac's processes in the steel industry. During the quarter, the agreement was extended to 31 December 2008 to allow MultiServ sufficient time to assess the EARS and DRI technologies.

Commencement of Bankable Feasibility Study on WIM150

Australian Zircon has commenced the first stage of a bankable feasibility study into Austpac's fully owned WIM150 zircon and titanium mineral resource.

Technology Recognition

Austpac won the "Applied Technology of the Year" Award at the 2008 National Mining Awards. The awards were announced at the Excellence in Mining and Exploration Conference in September 2008. Austpac's ERMS SR synrutile process is recognised as the most versatile, cost-effective and environmentally sustainable synrutile process available.

THE ERMS SR DEMONSTRATION PLANT

Overview

After more than a year of hard work and dedication by the Austpac team, this quarter has been the Company's most significant to date. The Newcastle ERMS SR Demonstration Plant was built to prove Austpac's innovative technologies and the Company is extremely pleased to have achieved these goals.

Successful Operation of the ERMS SR Demonstration Plant

Austpac commenced construction of a 3,000 tpa ERMS SR synrutile Demonstration Plant in July 2007. The purpose was to prove the Company's technologies for producing high grade synrutile and iron pellets from ilmenite, as well as the ability to recycle steel industry wastes and also to produce direct reduced iron (DRI) from iron ore fines. The Plant was constructed and operated in two Stages; Stage 1 for roasting and conditioning ilmenite prior to leaching, and Stage 2, the leaching and EARS acid regeneration section to produce synrutile and iron and to recycle the spent leach liquor.

During March 2008, the ilmenite roasting section was commissioned and commenced operations on a continuous, 24 hour 7 days per week schedule, and by July 2008 a total of 720 tonnes of ilmenite were processed through the Plant.

Construction of Stage 2 was completed in August 2008. Commissioning of the leaching section then commenced and continued through September 2008. Operations included testing the Plant's solids transfer systems and the fluid bed metalliser using iron ore fines from the Pilbara to produce DRI. The EARS acid regeneration section was successfully commissioned using pickle liquor from a steel mill, and the Plant produced synrutile during October 2008.

It is a notable achievement that Austpac has been able to complete the testing of the Plant and prove the Company's new technologies within 15 months since the inception of the project. Austpac now looks forward to commencing commercialisation of the technologies on a number of fronts.

STAGE 2 - ERMS SR Synrutile and Iron Co-Product Production

Stage 2 is the ilmenite leaching and EARS acid regeneration section of the Plant. Roasted ilmenite and hydrochloric acid (HCl) are mixed and pumped into Austpac's patented continuous leach vessel, where the iron is leached from the ilmenite leaving a high titanium dioxide (TiO_2) solid. The solid synrutile is separated from the iron chloride solution on a filter, and is then dried, and heated to around 800°C ("calcined") and finally passed over a magnetic separator to remove any remaining waste minerals. The finished synrutile is stored in bags ready for shipping to selected consumers for market trials.

Instead of losing the iron chloride as waste as other processes do, the "spent leach liquor" is pumped to the adjacent EARS acid regeneration plant, where it is dried in a fluid bed evaporator to form solid iron chloride pellets. These are then heated to approximately 850°C in the fluid bed pyrohydrolysis reactor to form hydrogen chloride gas and iron oxide pellets. The gas is absorbed in water and forms strong HCl, which is returned to the leaching section. The iron oxide is then passed to Austpac's proprietary fluid bed "metalliser" where it is reduced to iron metal in a single step.

Commissioning of each process area of Stage 2 commenced as soon as construction of that area was completed. The continuous leach vessel and the drying-calcining-magnetic separation areas were first to be hot commissioned. This included hydrostatic testing of Austpac's patented continuous leach vessel. In August the solids filter and the synrutile drier and calciner train were hot commissioned and all operated to specification, as did the rare earth roll separator which removes non-synrutile particles from the final high grade synrutile product.

Construction of the EARS acid regeneration section was completed in August 2008. Iron ore fines from the Pilbara region of WA were used for the initial testing of the EARS section to ensure proper transfer of solids throughout the system, and to commission the fluid bed metallising section. The solids transfer systems operated as predicted and DRI particles were produced from the +1mm fraction of iron ore, proving Austpac's proprietary single stage direct reduction process.

Spent pickle liquor ("SPL"), a waste iron chloride rich solution obtained from a major Australian steel finishing plant, was then used to commission the EARS section of the Plant. A large volume of fresh hydrochloric acid was produced and stored for leaching operations. This demonstrated that SPL is highly amenable to the EARS process. The EARS plant at Newcastle has the capacity to process 13,000 tonnes per year of SPL. Austpac is therefore planning to use the EARS section of the Demonstration Plant on a commercial basis to recycle wastes from the steel and related industries.

During October 2008, the Plant was operated in a series of tests and a number of improvements were made to improve performance and reliability. The Austpac team met significant challenges to keep the Plant running and by the end of the month Austpac had produced ERMS SR synrutile from roasted Bemax ilmenite. While analyses of the synrutile are currently underway, the light straw colour of the product indicates a high TiO_2 content. This was the final step in proving the ERMS SR process, through all stages from ilmenite roasting to synrutile production.

Experience gained from Stage 2 operations will be used to upgrade key areas to ensure that the EARS section operates at maximum efficiency on a commercial basis. Long term operation of the most critical part of the ERMS SR process, the EARS acid regeneration section, will allow full scale EARS plants to be confidently built and operated on a large commercial scale.

During the coming quarter, Austpac engineers will use data gained from the operation of the Demonstration Plant to commence preparing the engineering packages necessary for the Company's independent engineering consultant to produce detailed design and cost estimates for a 60,000 tpa commercial ERMS SR plant. This work will culminate in a bankable feasibility study scheduled for completion in 2009.

With the ERMS, EARS and DRI processes, which together comprise the ERMS SR process, proven at the Demonstration Plant, together with the industry validation through the major award win, Austpac is now ready to enter the commercial stage of operations.

AGREEMENT WITH MULTISERV GROUP LIMITED

The agreement signed in January 2008 with MultiServ Group Limited to identify and evaluate worldwide opportunities for the application of Austpac's processes in the steel industry has been extended by mutual consent.

The original agreement was for nine months and gave MultiServ access to Austpac's facilities and data to enable MultiServ to assess potential applications. On the 10th October 2008, Austpac announced that the Plant had successfully regenerated pickle liquor and would shortly commence leaching ilmenite and producing synrutile and iron. These operations will continue until the end of October 2008.

Austpac and MultiServ agreed to extend the evaluation period to allow MultiServ engineers to observe the fully operational EARS acid regeneration plant. MultiServ now has until 31st December 2008 to elect to negotiate an exclusive agreement with Austpac for joint exploitation of the technology whereby MultiServ funds any plant built to recycle mill waste (eg. spent pickle liquor, mill scale and arc furnace dust). Any mill waste plants in Australia wholly or partly owned by Austpac prior to exercising that option are excluded from the agreement. The Newcastle ERMS SR plant, which Austpac plans to use to commercially process mill waste, is also excluded from the agreement.

2008 TECHNOLOGY AWARD TO AUSTPAC

Each year, the Australian mining industry gives a series of awards at the Excellence in Mining and Exploration Conference, which recognise substantial achievements by Australian companies working in the mining sector. Austpac won the 2008 award for the Applied Technology of the Year in recognition of the Company's ERMS SR technology, as described in detail in the 2008 Annual Report and the ASX announcement dated 17 September 2008.

EXPLORATION LICENCE 4521 – WIM150 PROJECT

Australian Zircon (AZC) has commenced the first stage of a bankable feasibility study into the WIM150 zircon and titanium mineral resource with a detailed review of the applicable regulatory regime and an assessment of water supply options. The water aspects under study include the sources of water potentially available to the project and related issues of infrastructure and supply, implications of using surface water, evaluation of groundwater options and current policies regarding access and usage, and recommendations for a program of groundwater evaluation and pump testing. Meetings will also be held with Grampians Wimmera Mallee Water staff.

On behalf of AZC, Snowden Mining Industry Consultants has completed a Mineral Resource Estimate for the WIM150 Project, in accordance with the latest JORC Code. This work has incorporated the results of both earlier drilling from CRAE Pty Ltd and the verification aircore drilling conducted by AZC in December 2006 within the zircon rich core of the project area. The AZC drilling has confirmed the overall reliability of the CRAE drilling results in that area. The details of the resource estimate have been reported in AZC's Annual Report for 2008.

For further information please contact:

Mike Turbott
Managing Director - Tel (+61-2) 9252-2599

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)

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 iron metal pellets. A third process can be used to produce Direct Reduced Iron (DRI) from both hematite and magnetite iron ores.