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QUARTERLY REPORT TO 30 JUNE 2009

HIGHLIGHTS

- **Austpac plans to commence profitable steel mill waste re-processing in 2009 having established that the amount of steel mill waste in eastern Australia is sufficient to commence construction of the Newcastle EARS Project.**

- **The Company expects to sign contracts for the long term supply of spent pickle liquor and mill scale, and for the sale of the regenerated hydrochloric acid and iron products in August 2009.**

- **The refurbishment of the EARS section to enable continuous commercial operations will commence in the July-September 2009 Quarter.**

- **The capital cost estimate for the EARS plant refurbishment indicates a very affordable entry into commercial production for the first of Austpac's technologies.**

- **The six companies who tested the high grade synrutile produced at the Demonstration Plant last year have advised that our 97% TiO_2 product is suitable for both titanium dioxide pigment and titanium metal production. Detailed planning for the 60,000 tpa ERMS SR synrutile plant will progress when the Newcastle EARS Project is operational.**

- **Capital for the Newcastle EARS Project is now being raised and is well supported by investors.**

THE NEWCASTLE EARS PROJECT

Austpac's Newcastle EARS Project will employ the EARS acid regeneration section of the Newcastle ERMS SR Demonstration Plant as a commercial steel waste recycling plant. Subsequent to Austpac's announcements in 2008 that the Company had successfully proved the EARS and DRI processes using spent pickle liquor (SPL) and iron ore respectively, considerable interest was expressed by local steelmakers. This led to discussions with the steelmakers to ascertain the amount of steel waste available and enabled the development of a business model for a stand-alone EARS project.

The Company's $10 million Newcastle ERMS SR Demonstration Plant was built to commercially prove Austpac's technologies, and this was achieved in 2008. The EARS section of the Plant has the capacity to treat 13,000 tpa of SPL and 25,000 tpa of mill scale, after some equipment items are replaced to ensure the EARS section can operate continuously on a long term basis. The capital cost for the refurbishment program is estimated to be less than $2 million. Based on current cost and sales assumptions, it is anticipated that at full capacity the EARS plant will generate a profit of $7.0 million per year.

During 2006, Austpac, in collaboration with OneSteel, demonstrated that using the EARS process two tonnes of mill scale could be added to every tonne of SPL to produce one tonne of regenerated hydrochloric acid and 1.6 tonnes of iron metal. In recent months, a second test program was completed which showed that as much as 15 tonnes of mill scale can be processed with each tonne of SPL, which markedly improves flexibility of the Plant and the viability of the EARS Project. This significant improvement was achieved with only a minor modification to the EARS flow sheet.

The Company now refers to its "metallised" iron product as **Austpac Reduced Iron (ARI)** because it is unusually pure compared to other DRI materials and will constitute a premium feed for an electric arc furnace. ARI is produced from steel mill waste products (SPL and mill scale) that are either chemically derived materials or are purified during the steel making steps. Therefore ARI does not contain the deleterious elements such as silica and alkali metals which are carried through in the reduction of iron ore by a DRI process. Preliminary tests show ARI is amenable to cold briquetting; briquettes are the preferred form to add to an electric arc furnace melt. Independent briquetting testwork is planned during the coming quarter to confirm these results and to provide samples for steel makers, and a roll briquetting press is being incorporated into the EARS plant to enhance the marketability of ARI.

Discussions with a number of steel manufacturers and steel waste producers during the previous quarter has reassured the Company that there is sufficient SPL and mill scale available to justify commencing plant refurbishment in the July-September 2009 quarter. This upgrade will take 3 months and it is expected that the plant will commence operations late in 2009. The volume of treatable steel mill waste will undoubtedly increase as the industry returns to more normal production levels and the EARS plant should be operating at full capacity in 2010.

Negotiations for the long term supply of SPL and mill scale are at an advanced stage, now that available quantities are defined, and it is expected satisfactory agreements will be reached with suppliers shortly. At the same time, agreements for the sale of regenerated hydrochloric acid for steel pickling and the sale of ARI briquettes for steel making will be executed. Applications are also being prepared to obtain the relevant approvals for Austpac to operate the EARS section of the ERMS SR Demonstration Plant as a steel waste recycling facility.

The Newcastle EARS Project will convert steel waste from the Hunter region and elsewhere in eastern Australia into saleable products in an environmentally effective manner. The plant will also create permanent jobs in the local district.

The refurbished Newcastle plant will demonstrate the effectiveness of the EARS technology for recycling steel waste products, and act as a model reference site to assist Austpac develop additional commercial opportunities. 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 individual steelmakers.

THE ERMS SR PROCESS AND THE TITANIUM INDUSTRY

Samples of the ultra high grade synrutile made at the Newcastle ERMS SR plant during October 2008 were sent overseas for testing by four international titanium dioxide pigment manufacturers and two major titanium metal producers. All six companies have confirmed that the quality was acceptable for commercial use, and several have expressed an interest in working with Austpac when the study for a commercial ERMS SR plant in eastern Australia commences.

The bankable feasibility study into the proposed 60,000 tpa plant will benefit from the additional information that will be obtained during ongoing operations of the EARS plant as a steel waste recycling facility.

EXPLORATION LICENCE 4521 – HORSHAM, VICTORIA

Aircore drilling completed during the quarter by Australian Zircon NL to the east of Taylors Lake has improved the understanding of the local hydrogeological conditions. Regular monitoring of observation bores has commenced. A pump testing program is planned to further investigate the groundwater conditions in the vicinity of the WIM150 resource.

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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.