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QUARTERLY REPORT TO 30 JUNE 2008

HIGHLIGHTS

- **Stage 1 operations at the ERMS SR Demonstration Plant have now been completed with the successful roasting of 720 tonnes of ilmenite concentrate. Bench testing of samples of the bulk-roasted ilmenite consistently produced ultra high grade synrutile (97% TiO_2) with very low contaminants.**

- **During the quarter Austpac upgraded the Plant, by installing a larger, refractory-lined oxidation roaster to increase throughput and to simulate a commercial roasting plant. This markedly improved roasting performance.**

- **Commissioning of Stage 2, the synrutile and iron pellet (DRI) production section, has commenced. Operations begin in August and finish in September 2008, with the production of 300 tonnes of ERMS synrutile and 200 tonnes of iron. The current market price for high grade synrutile exceeds $700 per tonne and high quality DRI has also jumped to over $500 per tonne.**

- **Iron ore fines and steel mill waste (spent pickle liquor) are being used for testing and hot commissioning the EARS section of the plant. This will also demonstrate Austpac's ability to produce DRI from iron ore fines.**

- **A carbon dioxide (CO_2) absorption system has been installed in the EARS section of the plant to ensure over half the CO_2 emissions are captured and not released into the atmosphere. The high purity CO_2 can be on sold to other industries.**

- **BHP became a substantial shareholder with 7.25% of the issued capital of Austpac Resources NL, by participating in a placement of 57,000,000 fully paid ordinary shares at 10 cents each to raise $5,700,000**

- **BHP Billiton has licensed the Company's LTR (Low Temperature Roasting) technology for use in Africa. This is the second licence Austpac has granted to BHP Billiton in the last 12 months.**

- **Recent testwork conducted by Australian Zircon on a five tonne bulk sample taken from the high zircon section of the WIM150 deposit has confirmed both the recoveries and the mineral product quality achieved from previous testwork conducted on ore from other parts of the deposit.**

- **Austpac continued to seek opportunities for gold in China and during the quarter identified a promising property with a highly prospective geologic setting in a major gold producing region. This will be evaluated in the coming quarter.**

OVERVIEW OF THE APRIL-JUNE 2008 QUARTER

This has been an outstanding quarter with Austpac's 3000 tpa synrutile Demonstration Plant in Newcastle producing exceptional results. Stage 1 of the Plant (ilmenite roasting) has been running continuously since it began operations in March 2008, and has roasted over 720 tonnes of ilmenite to desired specifications. Construction of Stage 2 (synrutile and iron pellet production) is essentially complete with only minimal installation remaining. Synrutile and iron production is scheduled to commence in late August and be completed by the end of September 2008.

During the quarter strong interest has been shown by a number of companies in various aspects of Austpac's technologies, as well as the final products. The Company negotiated a further licensing agreement with BHP Billiton for the Austpac's LTR ilmenite separation technology. A share placement raising $5.7 million was well supported by investors, including BHP Billiton, which is now Austpac's largest shareholder with 7.25%.

3,000 TPA ERMS SR DEMONSTRATION PLANT

STAGE 1 – Ilmenite Roasting and Magnetic Separation

Operations

The campaign to roast 720 tonnes of ilmenite concentrate was successfully completed in July 2008. The campaign processed 150 tonnes from Consolidated Rutile's operations on Stradbroke Island, 500 tonnes from Bemax's Murray Basin operations, and 70 tonnes from BHP Billiton's Corridor Sands deposit in Mozambique.

Bench leaching of ilmenite samples taken from the three bulk-roasted concentrates consistently produced ultra high grade synrutile (97% TiO_2) with very low contaminants.

Plant Upgrade

During the campaign, Austpac upgraded the plant by installing a larger, refractory-lined oxidation roaster to increase throughput and to simulate a commercial roasting plant. This markedly improved plant performance.

Following the campaign, it was decided to continue roasting operations by processing several large ilmenite samples that were surplus to and stored from Austpac's earlier test programs. This additional material will be used to commission the ilmenite leaching section.

STAGE 2 – ERMS SR Synrutile and Iron Pellet Production

Construction and Commissioning

Stage 2 of the Demonstration Plant comprises the ilmenite leaching/synrutile production section and the EARS acid regeneration/iron metal pellet production. The large scale construction tasks for this section are now complete and commissioning of some units has commenced.

The ilmenite leaching section, including the patented continuous leach vessel, associated tanks, pumps and pipe work, is complete and hydrostatic testing is underway to ensure it is ready for hot acid leaching operations later in August. Austpac's ERMS SR process will then be the only ilmenite upgrading process with a fully continuous, cost-effective ilmenite leaching circuit.

The synrutile drying and calcining equipment and associated solids transfer system are also in place, and electrical wiring and instrumentation are now being installed to allow hot commissioning to start in August, 2008.

The EARS acid regeneration section is the cornerstone of Austpac's ERMS SR technology. The fluid bed vessels for evaporation, pyrohydrolysis and metallisation to regenerate hydrochloric acid and produce the saleable iron pellets have been installed, along with the gas absorption vessels. Commissioning of this section will start in early August 2008. This will give Austpac the competitive advantage of having the only synrutile process that recovers the iron as a valuable co-product.

The tank farm is complete, with spent leach liquor, pickle liquor and fresh acid receival tanks, pumps and pipe work in place. Tanks have also been installed to recycle process water and to capture all storm water run off, both saving water and ensuring that the Plant produces no liquid waste.

Iron ore fines will be used for the initial testing of the EARS section to ensure proper transfer of solids throughout the system. This will commence in August 2008 and will demonstrate Austpac's continuous process for producing DRI from iron ore fines.

Steel mill waste (spent pickle liquor) will be used for hot commissioning the EARS section of the plant. This will have multiple benefits, including regenerating the initial charge of hydrochloric acid for ilmenite leaching avoiding the need to purchase fresh acid, and will demonstrate that the EARS system can process pickle liquor from steel mill waste.

A carbon dioxide (CO_2) absorption system has been installed in the EARS section to ensure that over half of the CO_2 emissions are captured and not released into the atmosphere. The captive CO_2 is very pure and in a commercial plant it would be sold for use in other industries. This is a further example of Austpac's ability to create revenue and remain the most environmentally-friendly ilmenite upgrading process.

Operations

Stage 2 operations, synrutile/iron pellet production and acid regeneration, are scheduled to commence in late August 2008 and finish in September 2008. A total of 300 tonnes of ERMS synrutile and 200 tonnes of iron pellets will be produced for market trials. The current market price of ultra high grade synrutile is over $700 a tonne and DRI has jumped to over $500 per tonne, confirming Austpac's belief in producing premium products.

Results from the Demonstration Plant are being used for detailed engineering design and a bankable feasibility study into a 60,000 tpa commercial ERMS SR plant. The external engineering consultants who will be undertake the study have visited the Demonstration Plant to observe and report on operations, and the feasibility study will start in the fourth quarter of 2008.

LTR (LOW TEMPERATURE ROASTING) LICENCE

On 29 June 2008, Austpac announced that BHP Billiton had licensed the Company's LTR (Low Temperature Roasting) technology for use in Africa. The licence is non-exclusive and licence fees are based on the gross sales revenue from any LTR Plant that BHP Billiton builds to process ilmenite concentrate.

Pilot scale testwork conducted earlier in the year at Austpac's Newcastle facilities demonstrated that the LTR process could produce a clean, sulfateable ilmenite from BHP Billiton's Corridor Sands deposit in Mozambique. The LTR licence is the second licence Austpac has granted to BHP Billiton in the last 12 months, the first being for use of the ERMS SR synrutile process in Africa.

SHARE PLACEMENT

Austpac completed a private placement of 57,000,000 ordinary fully paid shares at 10 cents each to raise $5.7 million. 30,000,000 shares were placed with BHP Billiton, and 27,000,000 shares were placed with professional investors. The funds will be used to commence a detailed engineering study into a 60,000 tpa commercial ERMS SR plant and for working capital.

By participating in this placement, BHP Billiton became a substantial shareholder of Austpac. BHP Billiton now holds 55,000,000 shares, representing 7.25% of the Company, and remains Austpac's largest shareholder.

MURRAY BASIN EL 4521

Australian Zircon (AZC) has advised that processing of the five tonne bulk sample sourced from the high zircon section of the WIM150 deposit, which was the area subject to the initial Prefeasibility Study, has been completed.

Using standard mineral sands technology and processes, AZC's feed preparation testwork achieved an approximate 84% recovery of zircon to a Heavy Mineral Concentrate. Subsequent Mineral Separation Plant testwork produced ilmenite, secondary ilmenite, HiTi (high titanium) and zircon products. The overall recovery of zircon to a final product was approximately 61%.

Further downstream processing techniques will be investigated for product enhancement in future testwork. AZC is commencing Stage One of the Bankable Feasibility Study and plans to undertake additional testwork to investigate mineral product quality.

For further information please contact:

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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)

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.