



30 October 2008

QUARTERLY REPORT – PERIOD to 30 SEPTEMBER 2008

AMAZON BAY IRONSANDS, PNG

Summary

During the quarter the interpretation of the airborne geophysical survey at Amazon Bay, PNG, identified a preliminary exploration target of 3 – 4 billion tonnes of magnetite ironsands ⁽¹⁾.

The 3072 line kilometre survey flown at 200 and 400 metre line spacing identified significant magnetic and radiometric anomalies which are coincident with major ironsand strandlines, depositional bodies and areas of historical drilling and metallurgical testwork.

Ground surveys, sampling and metallurgical testwork have continued during the quarter and are ongoing. The sampling is by targeted drilling on areas showing much higher magnetic responses than the areas tested by previous explorers.

Subsequent to the end of the quarter Titan Mines has applied for an additional exploration license covering major magnetite ironsands targets identified offshore in Amazon Bay

This application, ELA 1681, follows further interpretation of the airborne geophysical survey which identified significant additional magnetite ironsands targets located and striking offshore from the previously announced target of 3 – 4 billion tonnes of magnetite ironsands (1). These targets span approximately 45km across the Amazon Bay project area and are open in a southerly direction offshore.

The key aspects of the Amazon Bay ironsands project include:

- ironsands are a steelmaking feedstock showing strong growth in demand especially from Chinese steel mills;
- previous exploration work reported that the project may contain (non JORC compliant measurements) up to 445 million tonnes of ironsands to approximately 9 metres deep of +10% magnetics;
- MIL expects to add value through a work program aimed at better defining the likely resource target; metallurgical work to establish the most effective process flowsheet and completing initial feasibility studies.

MIL has a 25% interest in the project and is earning up to a 90% interest by completion of a work program.

Airborne Geophysical Survey Results

Results from the 3072 line kilometre airborne geophysical survey were received during the quarter.

This survey has identified a preliminary exploration target of 3 – 4 billion tonnes of magnetic ironsand⁽¹⁾. The area surveyed represents only a portion of the potential ironsand targets with additional targets evident on the surrounding ELAs 1623 and 1643. These cover an area larger than the exploration target identified at Amazon Bay.

The survey has identified significant magnetic and radiometric anomalies which are coincident with major ironsand strandlines, depositional bodies and areas of historical drilling and metallurgical work.

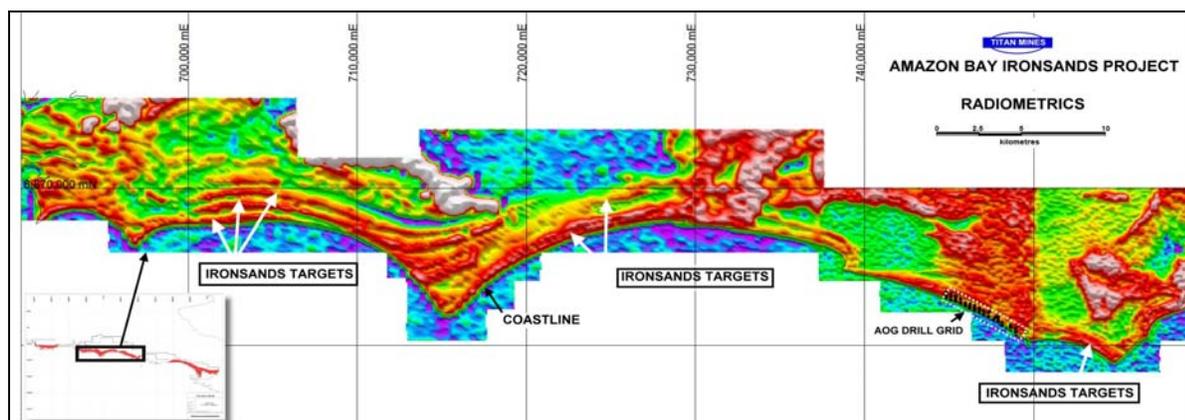


Figure 1: Amazon Bay – Airborne Geophysical Ironsand Targets - over 70km of strike within Project Area

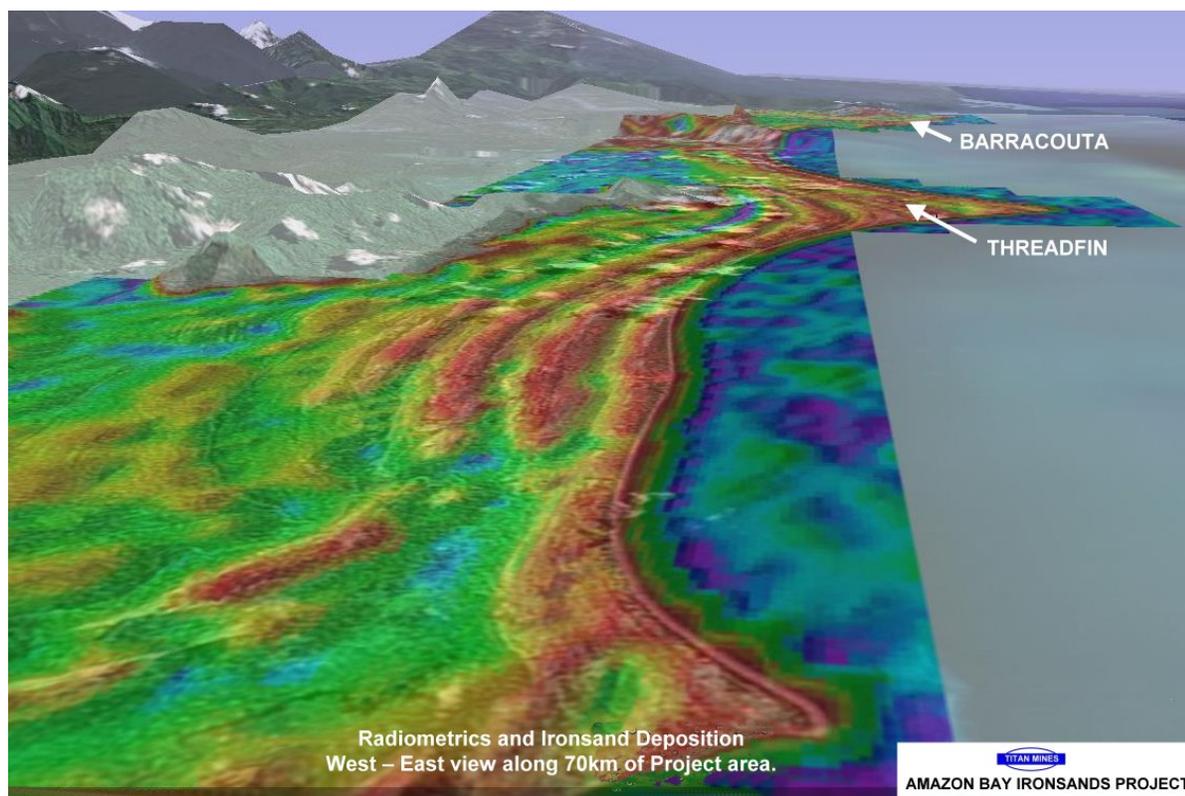


Figure 2: Amazon Bay Ironsand Deposition. West – East View along 70km of Project Area.

The magnetics shows areas of large pronounced highly magnetic “hotspots” at the newly discovered Barracouta and Threadfin anomalies. Work by previous explorers did not include drilling of the Barracouta anomaly which the airborne magnetic data shows as the most intensely magnetic area. These untested areas of magnetic intensity are the focus of a drilling and sampling campaign which commenced in October (Fig 3).

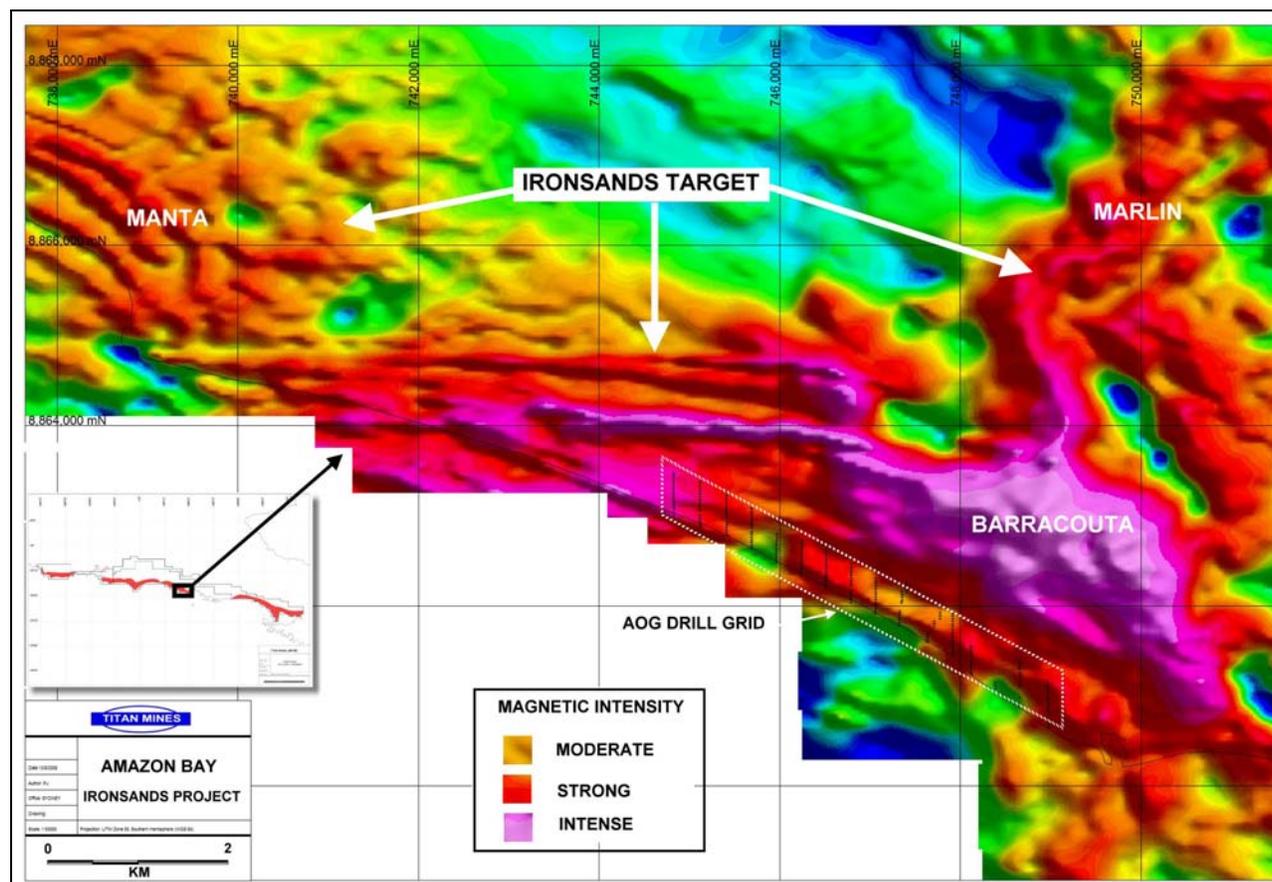


Figure 3: Barracouta “hotspot” magnetic anomaly

Subsequent to the end of the quarter, Titan Mines applied for an additional exploration license covering major magnetite iron sands targets identified offshore in Amazon Bay. This application, ELA 1681, follows further interpretation of the airborne geophysical survey which identified significant additional magnetite iron sands targets located and striking offshore from the previously announced target of 3 – 4 billion tonnes of magnetite iron sands ⁽¹⁾. These iron sands targets span approximately 45km across the Amazon Bay project area and are open in a southerly direction offshore (Fig 4).

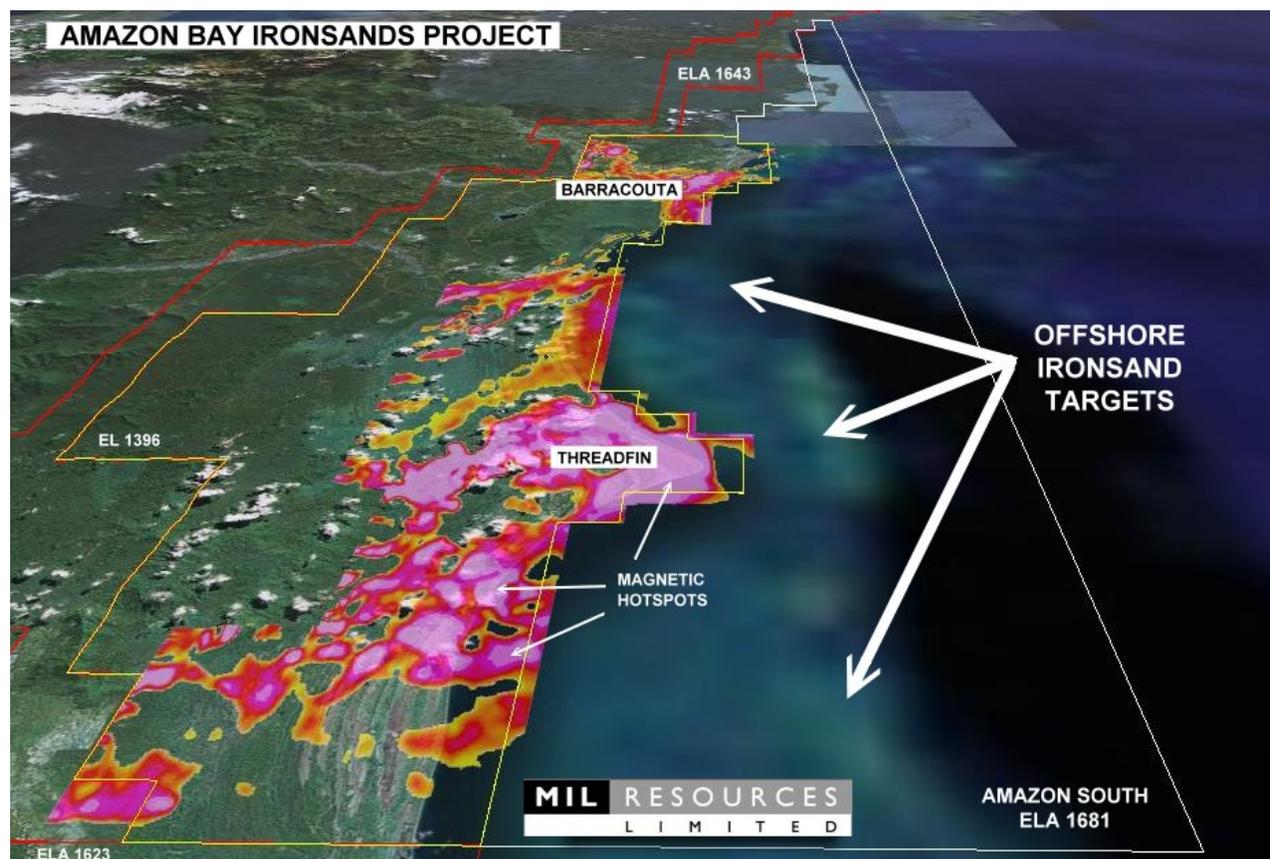


Figure 4 : Amazon South – Offshore Ironsands Targets

Evaluation of Possible Process Routes

Titan Mines has continued evaluating a number of process routes for the development of the Amazon Bay iron sands. This work is ongoing as the results from the metallurgical testwork become available.

Metallurgical Testwork

Metallurgical testwork has been evaluated during the quarter and further work is planned to better define commercialization options.

TITAN METALS GOLD, COPPER, NICKEL AND MOLYBDENUM PROJECTS IN PNG

MIL has acquired a 50% interest in Titan Metals Limited, a private PNG registered company which holds 8 Exploration Licence Applications (ELAs) covering over 10,000 sq km in PNG. These ELAs host potential for significant discoveries of gold, copper, nickel and molybdenum deposits. The ELAs, located within the coastal Central Province, and the eastern island provinces of New Britain and New Ireland have all had previous work and largely remain under explored from as far back as the 1960s.



Figure 4 : Titan Mines and Titan Metals Projects

The Titan Metals Projects include:

- **West Lihir Project, New Ireland** – located on the Bougainville - New Ireland volcanic arc and hosting the Legusulum porphyry copper-gold deposit on which a limited shallow drilling program into the limonite stained lithic cap was undertaken. The targets are Panguna (Bougainville) porphyry copper gold deposits and high grade Lihir type deposits.
- **Golden Peak Project, Central Province** – hosts the lawarere epithermal gold prospect. Previous explorers identified veining and alteration over a zone of approximately 2 km by 800 m and trenching returned assays of 15 m of 5.5 g/t gold that included 2 m of 43g/t gold.
- **Poi project, Central Province** – covers several areas with potential for copper-gold deposits hosted within alkali intrusive rocks. Previous sampling assayed up to 7.4% Copper and 1.3 g/t gold.
- **New Britain Projects** – these ELAs are prospective for copper-molybdenum-gold systems hosted within quartz porphyry and monzodiorite intrusive and altered volcanics. Previous work returned assays up to 50.1 g/t gold from the Yonathon River alteration zone which covers 2 km by 800 m.
- **Palabong Project, New Ireland** – Palabong covers several highly prospective areas with potential for copper-gold deposits and epithermal gold volcanic systems. Numerous porphyry intrusives have been identified including some related to the Weitin River Caldera structure which also shows anomalous copper geochemistry.

- **Tanga Isalnd Project** – covers an area highly prospective for epithermal volcanic systems. Previous work at the Dawal Creek gold prospect returned results up to 1.8 g/t gold.

Titan Metals is currently evaluating historical data and advancing the ELA's towards grant. The company then proposes to undertake exploration work with the objective of bringing a number of the projects to "drill ready" status. At that stage, Titan Metals will review funding options including the possible spin-off of Titan Metals to MIL shareholders.

MAGNESIUM TECHNOLOGY

Possible joint venture or license opportunities for the MIL Magnesium Process Technology were pursued during the quarter. These discussions are ongoing.

MAGNESITE RESOURCES

Discussions with 3rd parties on the Mt Hutton magnesite deposit in South Australia have not made any progress and the options are being reviewed.

OTHER RESOURCE INVESTMENTS

A number of possible other resource investments were reviewed during the quarter but no commitments made.

CASH POSITION

The cash position at 30 September 2008 was \$3.2 million.

ABOUT MIL RESOURCES LIMITED

MIL Resources Limited is an ASX listed resource company whose interests include:

- Amazon Bay, PNG titaniferous magnetite project - MIL is in the process of earning up to a 90% interest by funding exploration and evaluation programmes. Work to date has been focused on airborne magnetics, expanding the known deposit, metallurgy and processing studies.
- Titan Metals Limited – MIL has acquired a 50% interest and is funding the initial \$700,000 in exploration. Titan Metals has a portfolio of ELAs in PNG prospective for gold, copper, molybdenum and nickel.
- MIL-Dow magnesium process technology - licensing discussions are underway; and
- Mt Hutton, S.A. magnesite deposits – MIL is evaluating options for the sale or joint venture.

(1) To the extent that there is information included in the projects set out above any potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a mineral resource under the JORC Code and it is uncertain if further exploration will result in the determination of a mineral resource under the JORC Code.

The information contained in this report that relates to Exploration Results or Mineral Resources or Ore Reserves is based on information compiled by John Haggman who is a Member of the Australian Institute of Geoscientists. Mr Haggman is a Director of MIL Resources Limited and has sufficient experience which is relevant to the style of mineral deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian

Code for Reporting of Mineral Resources and Ore Reserves". Mr Haggman consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

FOR FURTHER INFORMATION CONTACT:

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Appendix 5B

Rule 5.3

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001

MIL Resources Limited

ABN 23 003 669 163

Quarter ended ("current quarter")

30-Sep-08

Consolidated statement of cash flows	Current quarter \$A'000	Year to date 3 Months \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(94)	(94)
(b) development	-	-
(c) production	-	-
(d) administration	(206)	(206)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	40	40
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(260)	(260)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(228)	(228)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(228)	(228)
1.13 Total operating and investing cash flows (carried forward)	(488)	(488)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	83	83
Net financing cash flows	83	83
Net increase (decrease) in cash held	(405)	(405)
1.20 Cash at beginning of quarter/year to date	3,649	3,649
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	3,244	3,244
Payments to directors of the entity and associates of the directors		
Payments to related entities of the entity and associates of the related entities		
1.23 Aggregate amount of payments to the parties included in item 1.2	35	35
1.24 Aggregate amount of loans to the parties included in item 1.10	-	-
1.25 Explanation necessary for an understanding of the transactions		
Non-cash financing and investing activities		
2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Nil	
2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Nil	
Financing facilities available	Available \$A'000	Used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil
Estimated cash outflows for next quarter		
4.1 Exploration and evaluation, plus work expenditure program	480	
4.2 Development	Nil	
Total	480	

Reconciliation of cash		Current quarter \$A'000	Previous quarter \$A'000
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows			
5.1 Cash on hand and at bank		94	99
Deposits at call		-	-
Bank overdraft		-	-
Other - bank bills		3,150	3,550
Total: cash at end of quarter (item 1.22)		3,244	3,649

Changes in interests in mining tenements

Tenement reference	Nature of interest	Interest at start of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, lapsed or reduced	No changes		
6.2 Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security
7.1 Preference securities	None	None	
7.2 Changes during quarter	None	None	
7.3 Ordinary securities	159,698,641	159,698,641	
7.4 Changes during quarter			
(a) Increases through issues	-	-	
(b) Decreases through returns of capital, buy-backs	-	-	
Ordinary shares at end of quarter	159,698,641	159,698,641	
7.5 Convertible debt securities			
7.6 Changes during quarter			
(a) Increases through issues			
(b) Decreases through securities matured, converted			
Convertible Debt Securities at end of quarter	None	None	

Description	Conversion factor	Total Number	Number Quoted	Exercise price	Expiry Date
7.7A Listed options		60,329,111	60,329,111	\$0.10	31/05/2012
7.8A Issued during Quarter		-	-		
7.9A Exercised during quarter		-	-		
7.10A Expired during quarter		-	-		
Listed Options at end of quarter		60,329,111	60,329,111	\$0.10	31/05/2012
7.7B Unlisted options					
Directors Options	1 share for 1 option	450,000	-	\$1.38	30/06/2011
31 May 2010 Options	1 share for 1 option	190,200	-	\$1.20	31/05/2010
30 June 2011 Options	1 share for 1 option	1,200,000	-	Various	30/06/2011
30 June 2011 Options	1 share for 1 option	100,000	-	\$1.16	30/06/2011
31 October 2012 Options	1 share for 1 option	150,000	-	\$2.00	31/10/2012
7.8B Issued during quarter		2,090,200	-		
7.9B Expired during quarter		None			
7.1B Exercised during quarter		None			
Unlisted Options at end of quarter		2,090,200	Nil		
7.11 Debentures		None	None		
7.12 Unsecured notes		None	None		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Signature:

Company Secretary

Print name:

James Beecher

Date:

30/10/2008