

Auzex Resources Ltd

www.auzex.com

BUY \$1.85

(ASX Code: AZX)

Moving toward molybdenum production

See "Important Information" on the back page for Disclosures

Issued Capital	24.7 million shares
	3.9m unlisted employee options
Market Capitalisation	\$47 million
Monthly Share Turnover	0.5 million
12-month High / Low	\$1.85 / \$1.10
Cash Reserves	\$2.5 million
Top 20 Shareholders Hold	58.7%
Major Shareholder	Peninsula Goldfields 27.3%



After establishing by drilling that its novel exploration targeting methodology involving prospectivity analysis was able to successfully identify significant molybdenum mineralisation at its Kingsgate project, AZX carried out a trial mining program that indicates it could contain more molybdenum than originally thought and that it has significant bismuth credits. The trial mining program also confirmed that the close-spaced induced polarisation (IP) surveys used to target mineralised pipes, all of which had no surface expression, were a very cost effective method of locating high grade molybdenum mineralisation. The AZX exploration model using prospectivity analysis also seems to have been successful at defining key regional gold targets at Seven Hills and West Tinaroo and for defining anomalous mineralisation in other areas.

KEY POINTS

- The Kingsgate molybdenum-bismuth project is the company's major project. It is located about 20km east of Glen Innes in the New England region of Northern New South Wales. The old Kingsgate Mine in the project area was the second largest molybdenum producer in Australia, producing a total of 350t of molybdenum and 200t of bismuth between the early 1880s and late 1920s. The Kingsgate project was identified using the company's novel prospectivity analysis methodology, with zones of molybdenum-bismuth mineralisation further defined by detailed mapping and soil and rock sampling. These results were followed up with two drilling programs, which intersected high grade molybdenum and bismuth mineralisation in quartz pipes and in halo (disseminated) mineralisation around the pipes. Several new pipes were identified by the drilling programs.
- Preliminary metallurgical testwork on composite diamond drill core samples from pipe and disseminated mineralisation gave 97% to 98% molybdenum and bismuth recoveries, suggesting the ore is amenable to relatively simple treatment processes. After assessing various geophysical exploration methods, the company found that IP techniques are successfully able to define mineralised pipes as shown by the results of the trial mining of an area where high grade mineralisation had been defined by drilling.

- The trial mining confirmed that the molybdenum-bismuth mineralisation is high grade and indicates the company's original target at Kingsgate of between 10,000 and 20,000 tonnes of contained molybdenum could be revised upwards and that it has significant associated bismuth credits. The company is undertaking a scoping study due for completion in April/May 2007 that includes further metallurgical testwork and mining studies. We see the ability to define significant resources and reserves of molybdenum-bismuth mineralisation with a high degree of continuity as being crucial to demonstrating the potential value of Kingsgate.
- There has been strong demand for molybdenum, especially from China, in the past few years while the global supply of molybdenum has been relatively static, causing the molybdenum price to increase strongly, making the Kingsgate ore increasingly valuable. Molybdenum is principally used as an additive in steel, especially stainless steel. It is also increasingly in demand for use in oil and gas refinery catalysts. Bismuth is also principally used as an additive in steel and other metals and in pharmaceuticals.
- AZX's management has strong technical capability and resource project development experience appropriate for the advancement of the company's interests at Kingsgate. We would expect AZX should be able to bring the Kingsgate deposit into production at its target annual rate of 250,000t for a relatively modest capital cost of less than \$20 million. At \$US24/lb for molybdenum and \$US8/lb for bismuth (less than current prices), the in-ground value of target ore grades at Kingsgate of 0.3% Mo and 0.6% Bi is about \$A340/t. Based on ore treatment at the target rate over eight years at these target grades and using the above prices, we estimate the Kingsgate project could produce about 1.5Mlbs of contained molybdenum and 2.8Mlbs of contained bismuth annually and would have a Net Present Value of about \$95 million or about \$3.40 per share on a fully diluted basis.
- AZX is also advancing other projects with very encouraging results (such as 13m averaging 8.55g/t gold in shallow RAB drilling) at the Seven Hills gold project in Northern NSW with further drilling results awaited. Other promising areas of interest for AZX include Galala Range (molybdenum-tungsten-gold), Running Brook (copper-gold) in North Queensland and Kirwans (tungsten) in New Zealand.

Important Information

This report appeared in the Autumn 2007 issue of the Junior Resources Monitor, published quarterly by Intersuisse Limited.

DISCLAIMER *This document is for the confidential use of the recipients only and is not to be reproduced without the authority of Intersuisse Limited. The persons involved in or responsible for the preparation and publication of this report believe that the information herein is accurate but no warranty of accuracy is given. It is important to note that recommendations are of a general nature and are based on a consideration of the securities alone, and as such are conditional and must not be relied upon without advice from a securities adviser as to the appropriateness to you given your individual investment objectives, financial situation and particular needs. Whilst this document is based on information and assessments that are current at the date of publication, Intersuisse Limited has no obligation to provide revised assessments in the event of changed circumstances.*

DISCLOSURE *Intersuisse Limited, its directors and associates disclose that they may have a relevant interest in the securities mentioned in this document. In the last two years Intersuisse or Intersuisse Corporate has done business with Auzex Resources Ltd in its IPO and other capital raisings. Intersuisse seeks to do business with companies it researches. As a result, Intersuisse may have conflicts of interest that could affect the objectivity of the research in this report. Authorised for Intersuisse by David McGlashan 14 March 2007.*