

## Quarterly Report

### Three months ending 31 March 2006

**Company confirms and extends tin, tungsten and molybdenum discovery at Stanthorpe Project. Detailed exploration is in progress in preparation for the next drilling program to test higher grade tin, tungsten and molybdenum zones, and the extent of the mineralised system**

**Results of Kingsgate Project second phase drill program are the subject of a trial mining proposal currently being finalised**

**Exploration at the Galala Project has returned exceptional results. A high priority 10,000m reverse circulation drill program to test 13 targets is planned to begin in June, 2006**

### Highlights

#### **Stanthorpe Project, Queensland/New South Wales border (Auzex 100%)**

Previously reported on 15 March, 2006

- Assessment of the project continues with diamond core drilling to a depth of 200m.
- Highly encouraging tin, tungsten and molybdenum intersections made from surface to 200m.
- High grade zones of mineralisation up to:
  - 0.5% tin (equivalent to 2.2 g/t gold).
  - 2.9% tungsten (equivalent to 42.9 g/t gold).
  - 0.3% molybdenum (equivalent to 8.8 g/t gold).
- The Company's initial minimum target is 50,000 tonnes of combined metal:
  - 25,000 tonne tin (US\$7,900 per tonne\*)
  - 20,000 tonne tungsten (US\$25,750 per tonne\*)
  - 5,000 tonne molybdenum (US\$51,250 per tonne\*).(\* Metal prices as at 26/02/2006)

- After completion of 36 reverse circulation and 2 diamond core drill holes the Company has confirmed the system is very large, mineralised throughout and is open at depth and in all directions.

### **Kingsgate Project, New South Wales (Auzex 100%)**

Previously reported on 5 April, 2006

- Results of second phase drill program.
- Very high grade molybdenum (Mo) intersected in quartz pipes ('pipe')  
Up to 2.2% Mo (equivalent to 1.93oz per tonne gold) with an average grade of 1.4% Mo (equivalent to 1.20oz per tonne gold)
- High grade Mo intersected within a halo of disseminated granite-hosted mineralisation around the pipes:  
Up to 0.7% Mo (equivalent to 18.9 grams per tonne gold (g/t Au)) with an average grade of 0.4% Mo (equivalent to 10.8 g/t Au).
- The Company is targeting 10,000 – 20,000 tonnes Mo from a swarm of 99 pipes within the 2.5km<sup>2</sup> project area. The current price of Mo is US\$51,000 per tonne.
- Second phase drill program of 38 reverse circulation holes totalling 1268 metres (average depth 33 metres) was completed during March 2006.
- Preliminary metallurgical test work was completed on two composite samples (representing pipe and disseminated mineralisation) from the October 2005 diamond-drilling program. Results to date have been excellent with Mo and bismuth (Bi) recoveries of 98.5% and 95.8% resp. from pipe (average sample grade 0.293% Mo, 0.303% Bi), and 97.3% Mo and 87.8% Bi recoveries from disseminated mineralisation (average sample grade 0.065%Mo, 0.043%Bi).
- Kingsgate mineralisation will produce Mo and Bi saleable concentrates in approximately equal quantities. The current price of Bi is US\$10,300 per tonne.
- Technical planning is proceeding for the establishment of a Trial Mining Program at Kingsgate and laboratory scale pilot processing test-work. This program will allow for the completion of a Scoping Study for full scale mining.

### **Lyndbrook Project, North Queensland (Auzex 100%)**

- Results from soil and rock chip sampling programs undertaken at the **Galala Range** prospect have been exceptional
- Soil sample results highlight the multi-metal character of the mineralisation discovered at the prospect. Galala contains a central core of molybdenum mineralisation surrounded by a tungsten zone and an outer margin of gold.
- A high priority drill program to test 13 targets, based on detailed prospectivity modelling, is planned to begin in June, 2006.

## Summary of Exploration Activities

The Company's exploration focus during the March Quarter concerned the New England properties, in particular the Lode Hill and Kingsgate projects where drilling programs have enhanced their potential and geological understanding, to the point where trial mining is being considered at Kingsgate. Regional exploration has identified additional Mo, W and Au targets.

Additional field work within the Company's New Zealand project area on the West Coast (South Island) included visits to a number of prospects with the aim of scoping the potential for either granite related, and/or Reef-ton styles of gold mineralisation. Data compilation from previous exploration reports has highlighted a major outcropping tungsten quartz-stock work system over a 60 hectare (Ha) area, 1km north-east of the historical Kirwans-Reward gold mine open pit. Two trenches excavated in 1983 provided results of 191m averaging 0.12%W, and 160m averaging 0.10%W.

Weather conditions prevented planned exploration in North Queensland.

### Stanthorpe Project (results previously reported on 15 March, 2006)

#### Lode Hill Program

Assessment of the project continues with a total of thirty-six reverse circulation ("RC") and two diamond core drill holes ("DDH") completed to date.

Drilling has confirmed the presence of extensive tin, tungsten and molybdenum mineralisation containing quartz vein and greisen mineralisation up to 20m wide.

Results from a six RC hole extension drill program (361m) completed in February successfully in-filled and extended the zone of mineralisation and demonstrated good continuity of mineralisation along strike and at depth. Two DDH (400m) successfully tested mineralisation from surface to 200m depth. The drilling confirmed earlier RC drilling widths and grades and intersected several zones of higher grade mineralisation, including intersections of up to 0.5% tin, 2.9% tungsten, and 0.3% molybdenum.

Drilling has also provided 3D geological data to assist with interpretation of the mineralisation. Detailed surface mapping, sampling and modelling are underway in preparation for the next drilling program which will test higher grade zones of tin, tungsten and molybdenum and determine mineralised system limits.

Metallurgical test work continues in conjunction with drilling. Preliminary results carried out on a composite sample from the RC drilling are highly encouraging, indicating gravity separation provides clean tin and tungsten concentrates with at least 70% recovery, and molybdenum (MoS<sub>2</sub>) can be readily recovered by simple flotation methods.

Table of Lode Hill drill hole locations

Hole ID	Easting	Northing	RL	Dip	Azimuth	Depth m.
STRC06-31	406054	6828161	975	-60	145	55
STRC06-32	406186	6828186	984	-60	145	60
STRC06-33	406200	6828140	989	-60	145	61
STRC06-34	406312	6827910	1002	-60	145	67
STRC06-35	406275	6827958	1002	-60	145	60
STRC06-36	406169	6827990	994	-60	145	58
STDH06-02	406304	6828099	1000	-60	145	200
STDH06-01	406296	6828104	1000	-60	145	200

STRC reverse circulation drill hole, STDH diamond drill hole

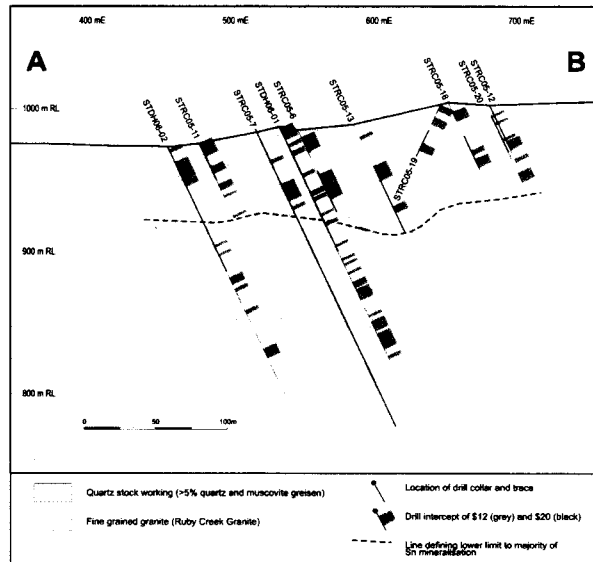
Table of significant Lode Hill drill hole intercepts

Hole ID	From m.	To m.	Length m.	Mo ppm	Sn ppm	W ppm	A\$Value per tonne	AuEquiv g/t
STRC06-31	33	36	3	22	624	100	\$13.21	0.56
STRC06-32	36	38	2	82	913	440	\$31.25	1.32
STRC06-33	10	31	21	89	1152	62	\$25.04	1.06
STRC06-33	32	35	3	75	3107	123	\$45.85	1.93
STRC06-33	38	44	6	197	574	113	\$26.00	1.10
STRC06-33	47	60	13	108	968	213	\$27.99	1.18
STRC06-34	10	12	2	232	150	105	\$22.15	0.93
STRC06-34	34	38	4	46	537	1590	\$65.76	2.77
STRC06-34	57	61	4	48	263	173	\$12.89	0.54
STRC06-35	0	4	4	147	88	25	\$12.48	0.53
STRC06-35	19	28	9	162	141	31	\$14.55	0.61
STRC06-35	30	40	10	94	716	184	\$24.06	1.01
Incl.	38	40	2	92	1483	720	\$56.66	2.39
STRC06-35	48	52	4	48	317	175	\$13.39	0.56
STRC06-36	11	13	2	177	189	415	\$30.32	1.28
STRC06-36	21	35	14	55	444	309	\$20.46	0.86
STRC06-36	52	55	3	22	436	907	\$40.09	1.69
STDH06-02	2	5	3	78	371	110	\$15.30	0.65
STDH06-02	12	32	20	71	850	157	\$21.26	0.90
Incl.	12	14	2	121	1333	640	\$47.54	2.00
STDH06-02	79	81	2	139	543	610	\$36.94	1.56
STDH06-02	86	88	2	214	109	45	\$17.93	0.76
STDH06-02	105	111	6	125	54	140	\$14.48	0.61
STDH06-02	114	117	3	369	55	317	\$37.34	1.57
STDH06-02	132	135	3	133	27	313	\$21.00	0.89
STDH06-02	163	171	8	152	28	468	\$27.45	1.16
Incl.	163	165	2	254	39	1465	\$70.10	2.96
STDH06-01	1	11	10	83	527	117	\$16.60	0.70
STDH06-01	14	17	3	137	292	57	\$15.54	0.66
STDH06-01	20	24	4	61	934	70	\$19.79	0.83
STDH06-01	38	41	3	122	462	33	\$16.36	0.69
STDH06-01	52	56	4	147	246	125	\$18.49	0.78
STDH06-01	57	60	3	51	298	197	\$16.41	0.69
STDH06-01	62	65	3	38	1893	9723	\$365.29	15.40
Incl.	62	63	1	53	5360	29000	\$1,076.80	45.40
STDH06-01	70	72	2	391	58	50	\$29.93	1.26
STDH06-01	77	80	3	1307	83	230	\$100.20	4.23
Incl.	77	78	1	3670	85	30	\$257.33	10.85
STDH06-01	95	97	2	750	94	35	\$54.52	2.30
STDH06-01	106	108	2	262	179	25	\$21.02	0.89
STDH06-01	110	112	2	91	169	815	\$37.63	1.59
STDH06-01	117	119	2	161	73	40	\$13.57	0.57
STDH06-01	125	130	5	189	54	448	\$30.35	1.28
STDH06-01	131	140	9	446	46	190	\$38.46	1.62
STDH06-01	152	154	2	353	28	20	\$25.92	1.09
STDH06-01	157	165	8	342	29	24	\$25.14	1.06
STDH06-01	167	180	13	506	17	8	\$35.93	1.52
Incl.	177	179	2	2013	16	10	\$141.60	5.97
STDH06-01	185	188	3	422	17	3	\$29.83	1.26

Note composite calculated by using a A\$12 dollar value cutoff, with minimum 2m width and an internal dilution of 4m @ A\$5. Metal prices (as at 26/02/06): Mo US\$23.25 lb, Sn US\$7900 tonne, W US\$25750 tonne, and Au US\$539.90 oz (10/03/06) A\$1 = US\$0.7320.

Recent geological mapping has extended the area of known alteration and historical workings to the north and east of the area drilled to date. A fine-grained flat-lying aplite has been mapped to the south of Lode Hill which may be masking extensions to the mineralisation in that direction.

The results of geological mapping and 3D geological modelling will provide targets for the next drilling program.



Lode Hill geological section showing drill hole traces and mineralised intercepts

## Kingsgate Project (results previously reported on 5 April, 2006)

A second phase of drilling was completed at the Kingsgate prospect (EL 6333), which is located 20 km east of Glen Innes in the New England region of northern New South Wales. 99 high-grade Mo-bismuth (Bi) pipes occur over an area of approximately 2.5 km<sup>2</sup>. The purpose of the Company's exploration is to establish the existence of between 10,000 tonnes and 20,000 tonnes of Mo in this area.

The objectives of the second phase of drilling were to scope the extent, grade and distribution of the Mo-Bi mineralisation in two areas where mineralisation was discovered by the initial drilling program. Three new pipes were identified in two areas (170m x 100m and 125m x 150m areas) around historic workings by the first phase of drilling at Kingsgate and a previously unrecognised disseminated style of mineralisation was also intersected. The second phase drilling was planned to test and extend the continuity and grade of the Mo - Bi mineralisation within these two areas.

Thirty eight RC drill holes have been completed for a total of 1,268 metres to an average depth of 33m (see table). Twenty six out of the thirty eight holes hit mineralisation with three holes terminating in old workings, and twelve holes failing to intersect the mineralisation. High grade Mo up to 2.2% (equivalent to 1.93oz per tonne gold) with an average grade of 1.4% (equivalent to 1.20oz per tonne gold) was intersected in quartz pipe.

High grade Mo up to 0.7% (equivalent to 18.9 g/t Au) with an average of 0.4% (equivalent to 10.8 g/t Au) was intersected within a halo of disseminated granite-hosted mineralisation around the pipes. A new style of mineralisation has been identified. Up to 0.1% (equivalent to 2.6 g/t Au) with an average of 0.03% (equivalent to 0.8 g/t Au) was intersected within horizontal bands between pipe and disseminated mineralisation.

Two new pipes were intersected with maximum grades up to 2.2% Mo and 2.1% Bi. Mineralisation continues to be characterised by a strong Mo – Bi - silver (Ag) association with gold (Au), antimony (Sb), selenium (Se) and tellurium (Te) credits.

Preliminary metallurgical test work has commenced on two composite samples from the diamond drilling program in October 2005. Results to date have been excellent. The two samples are from high-grade pipe (average sample grade 0.293% Mo, 0.303% Bi) and disseminated mineralisation (average sample grade 0.065% Mo, 0.043% Bi). Recoveries of Mo and Bi at a coarse grind of 250 microns were 98.5% Mo and 95.8% Bi (for the pipe mineralisation), and 97.3% Mo and 87.8% Bi (for the disseminated mineralisation).

Planning has commenced for the establishment of a laboratory scale pilot processing plant and Trial Mining Program at Kingsgate. Trial Mining will allow for the completion of a Scoping Study for a full scale mining project.

The Trial Mining will have multiple objectives:

- Increasing the understanding of the geological/structural setting of different types of mineralisation.
- Test accuracy of resource estimation methods.
- Test continuity of mineralisation and selective mining requirements.
- Provide an indication of drilling and blasting requirements, mining equipment selection and provide data for future estimation of mining costs.

Table of drill hole locations

Hole No	Easting	Northing	RL	Dip	Az (Grid)	Depth m.	Target	Comments
KGRC06-01	400705	6701705	1081	-90	0	31	Bill Millers Pipe	
KGRC06-02	400728	6701694	1080	-90	0	31	Bill Millers Pipe	Intersected pipe.
KGRC06-03	400737	6701684	1079	-90	0	33	Bill Millers Pipe	Intersected disseminated mineralisation.
KGRC06-04	400740	6701676	1079	-90	0	31	Bill Millers Pipe	Intersected disseminated mineralisation.
KGRC06-05	400738	6701659	1080	-90	0	31	Bill Millers Pipe	
KGRC06-06	400724	6701696	1081	-90	0	13	Bill Millers Pipe	Intersected disseminated mineralisation.
KGRC06-07	400733	6701693	1080	-90	0	19	Bill Millers Pipe	Intersected disseminated mineralisation.
KGRC06-08	400732	6701639	1081	-60	319	31	Bill Millers Pipe	
KGRC06-09	400690	6701669	1084	-60	72	37	Bill Millers Pipe	
KGRC06-10	400770	6701652	1079	-90	0	31	Wolfram Pipe	
KGRC06-11	400782	6701652	1076	-80	31	35	Wolfram Pipe	Intersected new pipe with 1.1% Mo+Bi.
KGRC06-12	400813	6701677	1071	-90	0	31	Wolfram Pipe	Intersected disseminated mineralisation.
KGRC06-13	400818	6701674	1070	-90	0	22	Wolfram Pipe	Intersected workings and disseminated mineralisation.
KGRC06-14	400814	6701638	1068	-90	0	31	Wolfram Pipe	Intersected disseminated mineralisation.
KGRC06-15	400805	6701625	1069	-80	311	31	Wolfram Pipe	
KGRC06-16	400768	6701541	1079	-90	0	31	25-NW No. 2	Intersected workings and disseminated mineralisation.
KGRC06-17	400777	6701538	1081	-90	0	51	25 NW No. 2	
KGRC06-18	400771	6701658	1078	-80	31	37	Wolfram Pipe	Intersected new pipe with

Hole No	Easting	Northing	RL	Dip	Az (Grid)	Depth m.	Target	Comments
KGRC06-19	400829	6701680	1066	-90	0	60	Wolfram Pipe	2.1% Mo+Bi. Intersected new pipe with 0.35% Mo+Bi.
KGRC06-20	400964	6701550	1070	-90	0	28	Granite Shaft	
KGRC06-21	400973	6701554	1071	-90	0	70	Granite Shaft	
KGRC06-22	401019	6701633	1060	-90	0	19	New pipe.	Intersected new pipe.
KGRC06-23	401029	6701636	1061	-90	0	13	New pipe.	
KGRC06-24	401010	6701631	1060	-90	0	13	New pipe.	
KGRC06-25	401048	6701701	1044	-90	0	37	Black Shaft	Intersected disseminated mineralisation.
KGRC06-26	401045	6701719	1039	-90	0	20	Pipe No. 46	Intersected disseminated mineralisation.
KGRC06-27	401047	6701719	1039	-90	0	37	Pipe No. 46	Intersected disseminated mineralisation.
KGRC06-28	400987	6701714	1044	-90	0	24	Pipe No. 46 area	Intersected disseminated mineralisation.
KGRC06-29	401007	6701697	1047	-60	44	32	Black Shaft	Intersected disseminated mineralisation.
KGRC06-30	401018	6701755	1035	-60	191	37	Pipe No. 46 area	Intersected disseminated mineralisation.
KGRC06-31	400839	6701686	1064	-90	0	43	Wolfram Pipe	Intersected new pipe with 1.2% Mo+Bi.
KGRC06-32	400849	6701692	1063	-90	0	39	Wolfram Pipe	Intersected pipe with 0.37% Mo+Bi.
KGRC06-33	400815	6701647	1070	-60	283	60	Wolfram Pipe	Intersected disseminated mineralisation.
KGRC06-34	400839	6701683	1064	-90	0	40	Wolfram Pipe	Intersected new pipe with 2.4% Mo+Bi in bottom of hole.
KGRC06-35	400841	6701690	1064	-90	0	13	Wolfram Pipe	Intersected disseminated mineralisation.
KGRC06-36	400898	6701961	1047	-60	0	7	One and Nine	Intersected disseminated mineralisation.
KGRC06-37	400899	6701961	1046	-80	263	85	One and Nine	Intersected pipe with 0.17% Mo+Bi.
KGRC06-38	400776	6701658	1077	-80	91	34	Wolfram Pipe	Twin hole to KGDH05-3 hit similar mineralisation

Table of significant drilling results

Hole ID	From m.	To m.	Length m.	Bi ppm	Mo ppm	ASValue per tonne	AuEqiv g/t
KGRC06-02	24	26	2	955	1093	\$92.72	3.56
KGRC06-11	20	22	2	59	3686	\$260.74	10.00
KGRC06-11	25	30	5	2621	3301	\$273.92	10.51
Incl.	26	30	4	3258	4079	\$338.80	13.00
KGRC06-13	9	12	3	91	199	\$15.96	0.61
KGRC06-16	16	21	5	71	487	\$35.44	1.36
KGRC06-18	20	24	4	6872	1823	\$234.43	8.99
KGRC06-19	29	31	2	1875	1009	\$99.88	3.83
KGRC06-22	7	10	3	193	155	\$14.14	0.54
KGRC06-22	14	16	2	478	268	\$26.36	1.01
KGRC06-25	4	17	13	155	160	\$14.02	0.54
KGRC06-26	1	4	3	77	291	\$21.77	0.84
KGRC06-27	22	25	3	110	182	\$14.57	0.56

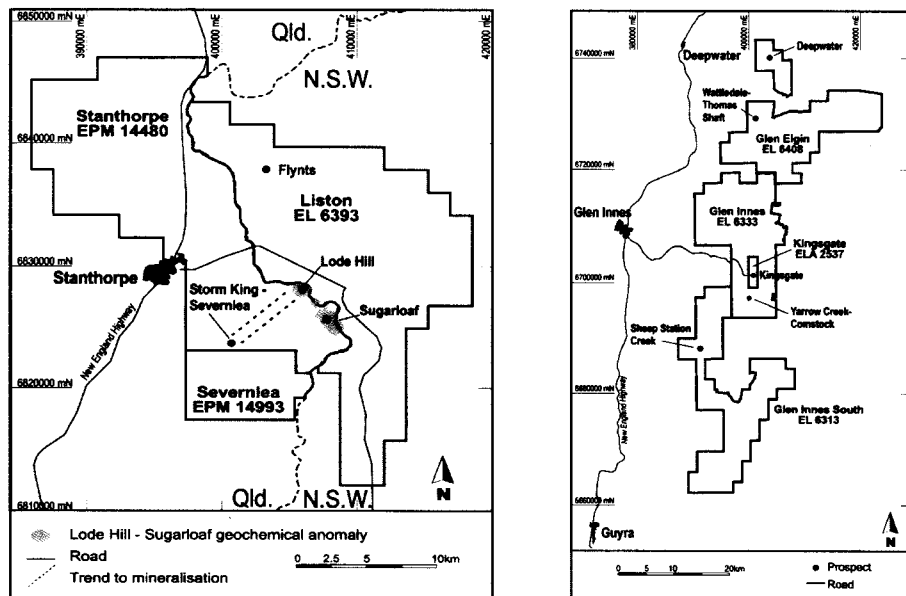
KGRC06-29	2	6	4	126	242	\$20.15	0.77
KGRC06-31	32	39	7	2173	335	\$60.79	2.33
Incl.	34	35	1	11950	817	\$258.32	9.91
KGRC06-32	5	9	4	79	1171	\$83.99	3.22
KGRC06-33	0	2	2	109	167	\$13.73	0.53
KGRC06-34	35	38	3	639	7827	\$561.33	21.53
Incl.	35	36	1	1675	22300	\$1,596.11	61.23
KGRC06-37	20	22	2	271	1185	\$87.69	3.36
KGRC06-38	27	30	3	3984	3023	\$275.52	10.57

\*Note: Metal Value and Gold Equivalent values used throughout this report have been calculated using metal prices as at 31/03/06: Mo US\$22.85/lb, Bi US\$4.67/lb, Ag US\$11.49/oz, Au US\$581.50/oz, and an exchange rate of A\$1 = US\$0.7165. One Troy Ounce is equivalent to 31.1035 grams

## New England Regional Program

Exploration of six regional targets within the New England project area has commenced;

- Deepwater Greisen**  
This target is over 2500m long by 200m wide and is anomalous in Sn-W-Ag-Bi-Pb-Zn. Visible base metals and wolframite (W) occurs in sheeted veins within the greisen zone
- Yarrow Creek**  
This prospect is similar to the Mo-Bi pipes at Kingsgate, with highly anomalous Bi, Au and Ag (historical reports record values up to 35.6% Bi, 100 ppm Au, and 457 ppm Ag).
- Severnlea – Storm King**  
This area is along strike and south-west from Lode Hill, and consists of numerous Sn-W-Mo hardrock and alluvial Sn occurrences. Anomalous Au, W, Mo and Sn have been detected in rock chip sampling
- Wattledale/Thomas Shaft**  
This is a group of W-Mo-Bi-Sn prospects associated with major greisen bodies. Gold is associated with a massive white quartz vein (Thomas Shaft) which outcrops over 100m length and up to 25m in width.
- Flynts**  
Mo mineralisation is disseminated within a micro-granitic body up to 50m in width and tracable along strike for approximately 600m
- Sheep Station Creek**  
Anomalous Au stream sediment geochemistry (up to 3900ppb) appear to be associated with sheeted quartz veins near the contact of an aplite and granite.



Location of New England project area regional targets

## New Zealand Reconnaissance Program

The New Zealand project area covers the northern extension of the Reefton Goldfield which has historically produced 2.1 Moz gold, with new discoveries awaiting development. The Lyell area contains approximately 21 historic mines with total underground production of 95,000 oz gold from structurally-controlled quartz veins in sediments. Auzex has previously confirmed the potential of the region to host granite related mineralisation. The aim of the current program is to scope the potential for either granite related mineralisation or Reefton style gold mineralisation in the area.

Six target prospects have been field checked including Lyell, Mt. Radiant, Lake Stream, Farmer Creek, Cedar Creek and Donnelly's Creek.

A review open file company reports, historical data and digitising previous mapped geology over the Kirwans-Reward area has highlighted a highly anomalous area of significant W mineralisation, called Kirwans Hill Extended, located 1km NE of the old Kirwans open pit. An historical soil sampling program of 656 samples (on a 50m by 50m spacing) covering an area of 1600m x 1000m was completed in 1983. The program defined two NS trending plus 100ppm W in soil anomalies. The western and eastern soil anomalies measure 900m x 370m and 600m x 370m respectively. Maximum values of 0.99% W and 28.4% W were returned from soils and rock chip sampling respectively. Mapped geology reveals the two areas of north south trending quartz stock working containing visible scheelite. 42 of the 75 rock chip samples collected returned >0.1% W. Two trenches were completed across the soil anomalies, a 191m trench across the eastern vein system and a 161m trench across the western vein system. The eastern trench returned 191m averaging 0.12% W, including 32m @ 0.28% W. The western trench returned 160m averaging 0.1% W, including 28m @ 0.24% W (57-85m).

## **June Quarter Work Program**

The proposed work program and budget to June 2006 has been planned to follow-up on the recent exploration success at Galala in North Queensland. A 10,000m drilling program will start during the quarter. Finalisation of the proposed scoping study for trail mining at Kingsgate is imminent and subject to approvals, will commence during the September quarter. Targets identified by regional exploration in New England will be soil sampled during this quarter, and soil sampling to help define drill targets will be completed at West Tinaroo (North Queensland).

The principal aims of the next work program are to:

1. Finalise the proposal for trial mining at Kingsgate in the Wolfram Pipe area.
2. Finalise detailed mapping, sampling and modelling at Lode Hill and commence drilling to test higher grade zones of tin, tungsten and molybdenum , and determine the extent of the mineralised system.
3. Advance a promising Au prospect at West Tinaroo (North Queensland) to the drill targeting stage (in preparation for potential drilling in the second half of 2006).
4. Commence a major drilling program at the Galala Au-Mo-W Project (North Queensland)
5. Advance promising prospects in the New England project area to the drill targeting stage.
6. Complete regional exploration at Lyndbrook, Khartoum and Red River (North Queensland)
7. Start land access negotiations over the New Zealand prospect areas of Kirwans and Kirwans Hill Extended