

## Quarterly Report

Three Months ending 30 September 2006

### Highlights

#### **Kingsgate Molybdenum Project, Glen Innes, NSW (Auzex 100%)**

- Trial Mining commenced on schedule following the mobilisation of mining equipment on 29 September 2006, and is due for completion in late November. Results will be used to prepare a Scoping Study and full scale mining proposal.
- Based on outstanding initial results, the geophysical survey area will be extended significantly (subject to contractor availability) during the remainder of 2006, with the objective of identifying sufficient high grade molybdenum-bismuth pipes for an initial 3-5 years of production.
- The Company's target of 10,000 – 20,000 tonnes contained molybdenum is likely to be upgraded. The current molybdenum price is A\$78,000 tonne.

#### **Seven Hills Prospect, Glen Elgin, NSW (Auzex 100%)**

- Exploration has identified a new gold system at the Seven Hills prospect, located 30km north of the Company's Kingsgate Molybdenum Project.
- Geochemistry results include assays of up to 2 g/t gold in soil and up to 6.5 g/t gold in rock samples.
- A costean program (trenching) is currently being planned followed by drilling (subject to rig availability) prior to the end of the year, pending costean results.

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

- Assay results from the first phase drill program at the Galala Range prospect indicate near-surface high grade molybdenum mineralisation and separate high grade tungsten intersections with gold credits.

- **Intersections include;**
  - **14m @ 0.15% molybdenum from 15m (equivalent to 4.7 g/t gold)**
  - **4m @ 0.56% tungsten and 0.4 g/t gold from 6m (equivalent to 6.5 g/t gold)**
- **Additional drilling is planned for the December quarter to test the continuity of molybdenum mineralisation at depth.**

**West Tinaroo Gold Project, North Queensland (Auzex 100%)**

- **The prospective area of gold mineralisation at West Tinaroo continues to be extended. Mapping and sampling has identified a zone of sheeted quartz veining over 3.75km and approximately 100m wide with rock chip values up to 5 g/t gold. The zone which is within sediments adjacent to a granite contact, can be traced over 17km.**

**Khartoum Project, North Queensland (Auzex 100%)**

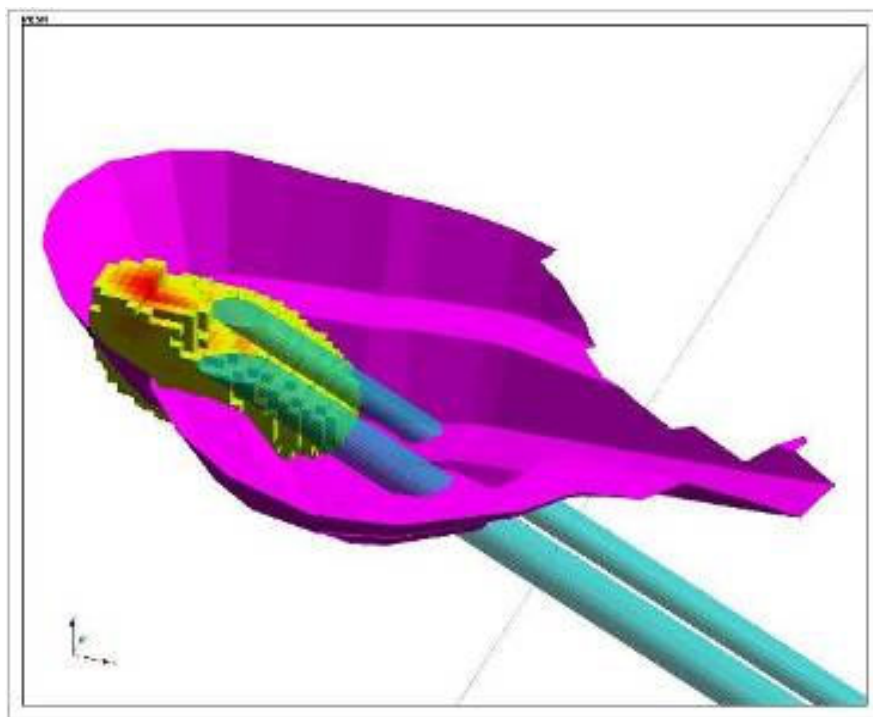
- **Initial mapping and soil sampling has identified an anomalous tin zone 8km long by 2km wide which is open in all directions. Eleven highly anomalous areas occur in this zone, with soil assays up to 1.8% tin (equivalent to 8.1 g/t gold) and rock chips to 3.8% tin (equivalent to 17 g/t gold).**

## Kingsgate Molybdenum Project, Glen Innes NSW (Auzex 100%)

### Exploration

All data from the recent geophysical survey at Kingsgate, including 3D models, have been received. It was expected that the high grade molybdenum-bismuth (Mo-Bi) pipes at Kingsgate would appear as coincident chargeable and resistive highs as Mo conducts electricity and Bi is resistive. Other features such as alteration and jointing or fracturing can also be mapped by these data. The area of the survey corresponds to the area where recent drilling and detailed 3D geological modelling was completed. The results of the survey have exceeded expectations with chargeable highs corresponding to known mineralised pipes at Wolfram Pipe, Bill Millers and Blacks Shaft (average grade of mined pipes 1.4% Mo) and to new mineralisation intersected by our recent drilling program in the area of the trial pit.

The 3D chargeability and resistivity data clearly match the predicted up-plunge mineralised quartz pipes interpreted from our earlier drilling. The trial pit design has been modified to cover the possible near-surface location of the high grade molybdenum-bismuth mineralisation (refer image below).



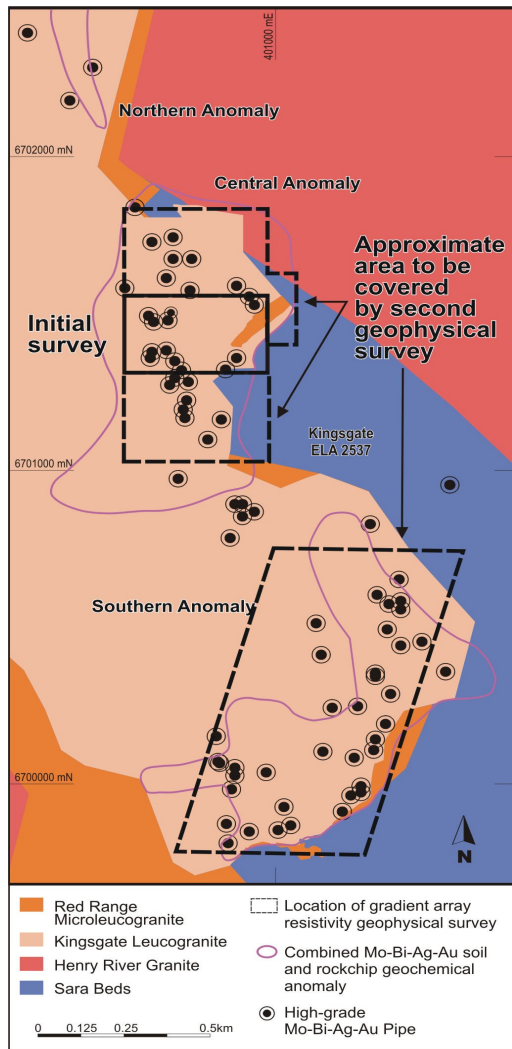
Kingsgate trial pit design showing interpreted high grade mineralised Mo-Bi pipes identified from recent drilling and the coincident 3D chargeability anomaly

The success of the geophysics in identifying sub-surface high grade mineralisation is very encouraging. Planning is now underway for a further program of Induced Polarisation and Dipole-Dipole geophysics to extend the current survey area in the northern and southern parts of the Project area (refer map over). The key objective of the survey will be to help the Company define high grade pipes to provide 3 to 5 years of production based on a base case production scenario of 250,000 tpa at an average grade of 0.3% Mo.

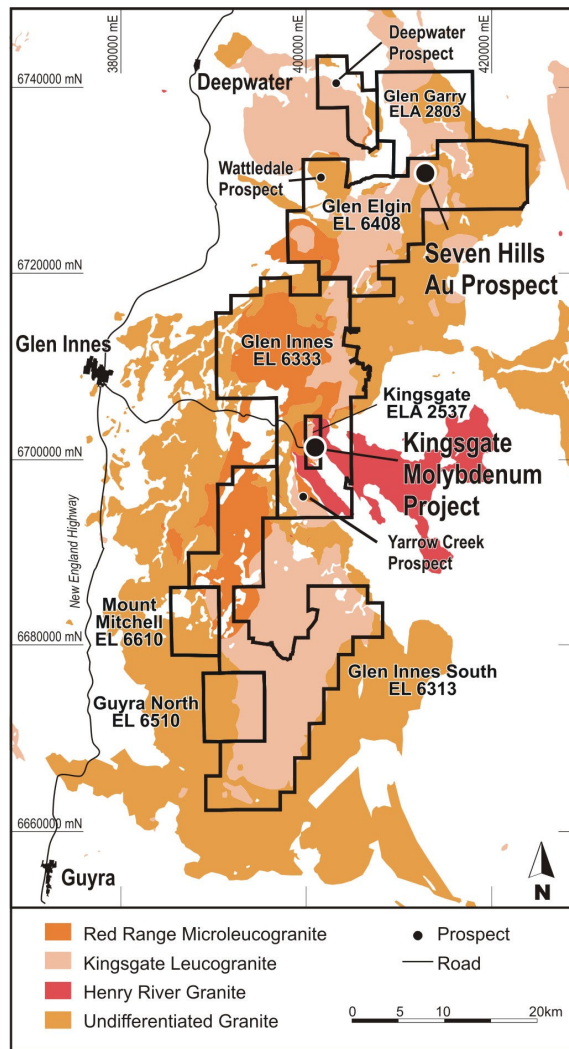
### Trial Mining

Trial Mining commenced on schedule with mining equipment mobilised to site on 29 September 2006. At the date of this report, clearing of the pit area and detailed surface mapping has been completed and grade control drilling is in progress.

The Trial Mining process is expected to take up to seven weeks with the aims of confirming the Company's geological understanding and the geophysical signature of the high grade Mo-Bi mineralisation, and to provide sufficient material for detailed metallurgy and process design optimisation. The results of this program will form the basis of a scoping study for development of the project, which is due to be completed in the first quarter of 2007.



Location of proposed extension to geophysics survey at Kingsgate



Auzex tenement map highlighting Seven Hills Gold Prospect

### Seven Hills Gold Prospect, Glen Elgin, NSW (Auzex 100%)

Recent exploration at the Seven Hills prospect (located 40km north-east of Glen Innes, NSW) has returned assays of up to 2 g/t gold in soil. It is significant that there are a large number of gold assays in the range 100-600ppb gold, which define an anomalous zone 1100m long by 200m wide. The anomalous gold soil samples occur in several zones within a 3,500m long by 1,500m wide area of interest. It is not yet known whether the zones are interconnected and part of one large system or isolated individual zones. The anomalous area remains open to the north and east.

The prospect has been mapped in detail and the limited areas of outcrop sampled. The rock samples returned numerous samples above 1 g/t gold up to 6 g/t gold from altered and brecciated granite. The mineralisation appears to be associated with greisenised granite with an arsenic and lead association. Outcrop is poor, which is why the area has remained unexplored for gold to date.

Infill soil sampling is continuing and a regolith mapping study is planned to allow an interpretation of the anomalies in preparation for drilling late in the December quarter. A costean program will be conducted to determine the source of the soil anomalies, interpret the effects of regolith, and assist in planning follow-up drilling.

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

Results from the Galala Range drilling program, designed to test an extensive (3.8km<sup>2</sup>) tungsten-gold-molybdenum rock and soil anomaly, have been compiled.

A total of 33 holes for 2,838m were completed over a 2,000m by 1,500m area. Twelve holes out of the thirty-three drilled intersected significant widths of tungsten-gold or molybdenum mineralisation at shallow depths. The tungsten-gold mineralisation occurs in near surface flat lying sub-parallel zones with grades up to 1.62% tungsten and 2.00 g/t gold. Intersections include 4m @ 0.56% tungsten and 0.4 g/t gold from 6m, 5m @ 0.18% tungsten and 0.03 g/t gold from 4m and 2m @ 0.22% tungsten and 0.45 g/t gold from 18m. The gold mineralisation is intimately associated with the tungsten mineralisation but over narrower widths with poor continuity. The main economic potential of this mineralisation is for high grade tungsten close to surface with gold credits.

The molybdenum mineralisation is located in a central core to the soil and rock anomalies and separated from the tungsten-gold mineralisation. Two holes were drilled in this area and both returned high grade intersections within wide zones of elevated molybdenum grades occurring throughout both holes. Better intersections include 14m @ 0.15% molybdenum from 15m, 3m @ 0.28% molybdenum from 87m and 7m @ 0.14% molybdenum from 60m. The potential of this area given the size of the soil and rock anomaly is for a large high grade molybdenum resource.

Further drilling is currently being planned for the December quarter with the focus on the molybdenum core anomaly. Drill hole GRRC06-28 will be extended to reach the boundary of the source granite and two additional holes will test the lateral continuity of the molybdenum mineralisation over a 500m strike length.

**Table of Galala Range drill hole locations**

Hole	Easting	Northing	RL	Az	Dip	Depth
GRRC06-1	221873	8046855	468	339	-60	60
GRRC06-2	221843	8046932	477	339	-60	60
GRRC06-3	221994	8047842	496	159	-60	81
GRRC06-4	222041	8047711	502	159	-60	69
GRRC06-5	222024	8047647	509	159	-60	81
GRRC06-6	221937	8047514	505	159	-60	78
GRRC06-7	222362	8047156	451	339	-60	30
GRRC06-8	221519	8047470	541	159	-60	90
GRRC06-9	221736	8047629	563	159	-60	90
GRRC06-10	221839	8047645	552	159	-60	90
GRRC06-11	222203	8047818	469	159	-60	69
GRRC06-12	222296	8047921	487	159	-60	90
GRRC06-13	220998	8048181	451	0	-90	93
GRRC06-14	220734	8048294	449	159	-60	60
GRRC06-15	220580	8048395	452	159	-60	78
GRRC06-16	220959	8047999	484	159	-60	90
GRRC06-17	222055	8047145	471	339	-60	78
GRRC06-18	222130	8047103	465	339	-60	93
GRRC06-19	222041	8046951	457	339	-60	63
GRRC06-20	222014	8046899	459	339	-60	99
GRRC06-21	221804	8046998	494	339	-60	69
GRRC06-22	221748	8047144	489	339	-60	114
GRRC06-23	221977	8046993	467	339	-60	90
GRRC06-24	221482	8047389	544	339	-60	93
GRRC06-25	221695	8047667	562	159	-60	114
GRRC06-26	221736	8047552	552	159	-60	90
GRRC06-27	221486	8047552	519	159	-60	90
GRRC06-28	220939	8047082	477	0	-90	147
GRRC06-29	221056	8047035	491	0	-90	108
GRRC06-30	221639	8047510	541	159	-60	90
GRRC06-31	221995	8047725	506	159	-60	108
GRRC06-32	222179	8047860	466	159	-60	90
GRRC06-33	221882	8047283	489	339	-60	93

**Table of significant Galala Range drill hole intercepts**

Hole ID	From m.	To m.	Width m.	Au ppm	Bi ppm	Mo ppm	W ppm	ASValue Per tonne	Au Equiv. g/t
GRRRC06-1	6	10	4	0.39	338	87	5,578	\$172.40	6.54
GRRRC06-2	4	9	5	0.03	39	25	1,778	\$52.35	1.99
GRRRC06-2	24	26	2	0.00	6	7	810	\$23.11	0.88
GRRRC06-3	47	49	2	1.05	749	7	3,200	\$117.19	4.44
GRRRC06-5	4	6	2	0.20	270	7	525	\$20.51	0.78
GRRRC06-6	5	7	2	0.04	445	3	950	\$27.60	1.05
GRRRC06-6	10	12	2	0.05	183	6	2,120	\$60.72	2.30
GRRRC06-14	6	8	2	0.07	47	2	7,625	\$213.91	8.11
GRRRC06-22	9	13	4	0.01	53	14	570	\$17.14	0.65
GRRRC06-22	68	70	2	0.01	14	9	795	\$22.97	0.87
GRRRC06-22	79	82	3	0.01	63	16	767	\$22.88	0.87
GRRRC06-22	88	92	4	0.01	16	23	605	\$18.85	0.71
GRRRC06-24	12	15	3	0.02	5	12	583	\$17.65	0.67
GRRRC06-24	21	23	2	0.01	5	27	2,185	\$63.21	2.40
GRRRC06-26	9	11	2	0.04	149	7	480	\$14.80	0.56
GRRRC06-26	18	20	2	0.45	151	50	2,255	\$78.63	2.98
GRRRC06-26	81	83	2	0.02	79	36	720	\$23.45	0.89
<b>GRRRC06-28</b>	<b>15</b>	<b>29</b>	<b>14</b>	<b>0.00</b>	<b>22</b>	<b>1,511</b>	<b>17</b>	<b>\$122.90</b>	<b>4.66</b>
<b>GRRRC06-28</b>	<b>51</b>	<b>65</b>	<b>14</b>	<b>0.03</b>	<b>14</b>	<b>506</b>	<b>16</b>	<b>\$42.21</b>	<b>1.60</b>
<b>GRRRC06-28</b>	<b>66</b>	<b>68</b>	<b>2</b>	<b>0.00</b>	<b>25</b>	<b>745</b>	<b>10</b>	<b>\$60.65</b>	<b>2.30</b>
<b>GRRRC06-28</b>	<b>87</b>	<b>90</b>	<b>3</b>	<b>0.00</b>	<b>34</b>	<b>2,815</b>	<b>7</b>	<b>\$228.00</b>	<b>8.65</b>
<b>GRRRC06-28</b>	<b>99</b>	<b>101</b>	<b>2</b>	<b>0.00</b>	<b>13</b>	<b>736</b>	<b>15</b>	<b>\$60.02</b>	<b>2.28</b>
<b>GRRRC06-29</b>	<b>3</b>	<b>9</b>	<b>6</b>	<b>0.02</b>	<b>11</b>	<b>473</b>	<b>5</b>	<b>\$38.85</b>	<b>1.47</b>
<b>GRRRC06-29</b>	<b>60</b>	<b>67</b>	<b>7</b>	<b>0.01</b>	<b>9</b>	<b>1,398</b>	<b>29</b>	<b>\$114.14</b>	<b>4.33</b>
GRRRC06-33	24	27	3	0.02	19	18	793	\$24.00	0.91

*ASValue per tonne calculated using AS metal prices of \$821 oz Au, \$13,100 t Bi, \$36.71 lb Mo, \$27,800 t W and AUD/USD rate of 0.7573.*

## **West Tinaroo Gold Project, North Queensland (Auzex 100%)**

The prospective area of granite-related gold mineralisation at the West Tinaroo project continues to be extended by an ongoing mapping and soil sampling program. A 17km long zone of quartz sheeted vein and stockwork gold mineralisation with associated bismuth mineralisation has been mapped along the western contact of the Tinaroo Granite. Current exploration has been focussed along a 3.75km strike extent in the south of this area. Mapping the area of the largest soil anomaly has identified a 3-5m wide quartz vein with rock chip values up to 5 g/t gold. The ridge on which the vein is located forms the contact between the Tinaroo Granite to the north east and metamorphosed sediments of the Hodgkinson Formation to the south west. This area is the primary target for drilling in the December quarter.

Results from rock and soil sampling are highly encouraging with the delineation of numerous anomalous gold-bismuth targets, with values between 20 ppb and 200 ppb gold. A regolith study has been completed documenting the effects of weathering and erosion on the distribution of gold, bismuth and other elements. The study determined that the majority of gold in soil anomalies are related to bedrock mineralisation and that some of the anomalies have been diluted by recent weathering and covered by younger basalts. Several other sub parallel anomalies have also been defined that are open in all directions. Soil sampling of prospective areas along strike to the north is continuing.

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

Prospect scale exploration has been completed at the Khartoum project, which is located 20 km north west of Mt Garnet in North Queensland. Four extensive areas were identified by our recent modelling as prospective for tin-tungsten or gold-bismuth mineralisation. These have been field checked, mapped and rock sampling completed.

Regional mapping highlighted a 9km by 3km zone of alteration around shear zones in the granite that occurs as flat and steeply dipping, intensely silica altered (greisen) zones, sometimes containing quartz veining. Broad alteration halos also occur around quartz pipes that stand out as small hilltops in the area. The best gold values (3.39 and 1.02 g/t gold) were returned from quartz veining in a roof pendant of metasediments overlying the granite. Maximum assays also include 15.25% tungsten, 3.78% tin, 0.13% bismuth and 438 ppm silver.

Soil sampling along the trend of the four prospects is complete with a total of 1,474 samples collected. Results have identified eleven highly anomalous areas mainly for tin, which have values up to 1.8% tin (equivalent to 8.1 g/t gold). The anomalous area is 8km long by 2km wide within a north trending zone in the Emuford Granite. The main anomalies occur as up to 1km<sup>2</sup> centres associated with greisenised granite with tin in soil ranging between 0.02% - 0.5% tin. The tenor of the tin anomalies is similar to those at our Lode Hill tin-tungsten prospect in the New England region.

### **Regional Exploration, New England, NSW**

Reconnaissance mapping and rock chip sampling at the Deepwater prospect has confirmed the mineralisation intersected in historical drilling, with maximum values of 4.93% tungsten for coarse-crystalline wolframite in quartz to 0.18% tin, disseminated in greisen and 0.08% molybdenum, disseminated in strongly silicified and greisenised granite. A preliminary review of the historical data indicates very limited analysis for gold in the area, despite a 0.5 g/t gold stream sediment anomaly. The area is considered to have potential for gold mineralisation similar to the Seven Hills prospect due to the clear zonation from molybdenum-tin-tungsten within the granite to lead-zinc within the surrounding metasediments.

### **Regional Exploration, North Queensland**

A soil sampling program was completed at the Running Brook gold-copper prospect, located in the central part of the Lyndbrook group of tenements and 20km south of the Galala Range prospect. A consistent gold anomaly (with strong bismuth association) 450m wide and open along strike, returned assays up to 0.26 g/t gold. Further results are pending and additional geochemistry work is required.

Regional exploration has also been conducted throughout other Lyndbrook project tenements focussing on stream sediment sampling on the Pine Creek, Whistler, Fossilbrook and Redbank tenements and mapping and soil sampling at the Standing Stones, Whistler, Burlington and Pine Creek prospects. Results from this exploration is expected to be available in the December Quarter.

### **December Quarter Work Program**

The principal aims of the next work program are to:

1. Complete trial mining at Kingsgate and commence planning for the Scoping Study.
2. Expand the geophysical survey at Kingsgate with the objective of identifying sufficient high grade molybdenum-bismuth pipes for an initial 3-5 years of production.
3. Complete a costean mapping/sampling program at the Seven Hills gold prospect to identify the mineralisation and locate drill targets. Drilling, subject to rig availability, is expected late in the quarter.
4. A follow-up drill program is planned for the Galala Range prospect with the focus on the molybdenum core anomaly.
5. Prepare for a scout drilling program at West Tinaroo to gain subsurface information on the geology and mineralisation style.
6. Advance the promising tin anomalies at Khartoum to the drill targeting stage.
7. Complete land access negotiations and preparatory field work over the New Zealand project areas of Kirwans and Kirwans Hill Extended.

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*The information in this report that relates to Exploration Results is based on information compiled by John Lawton who is a Member of The Australasian Institute of Mining and Metallurgy. He is a full-time employee of the Company and has sufficient experience that is relevant to the style of mineralisation and type of deposit 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 Exploration Results, Mineral Resources and Ore Reserves'. John Lawton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*