

Quarterly Report

Three Months ending 30 June 2006

Highlights

Kingsgate Molybdenum Project, New South Wales (Auzex 100%)

- Geophysics indicates the potential to significantly increase the number of known quartz pipes, the host of high grade molybdenum-bismuth mineralisation, at shallow depth. The success of this initial geophysics program will result in further surveys on other highly prospective targets within the project area.
- The extent and scale of mineralisation is likely to be upgraded from the current target of 10,000 – 20,000 tonnes contained molybdenum (“Mo”). Based on the Company’s target grade of 0.3% Mo (equivalent to 8.3 g/t gold) and current molybdenum price (A\$73,700 tonne) Kingsgate has the potential to be a high value, low capex operation.
- Trial Mining (to commence in September) will verify the geophysics. Results are expected in December and will be used in the preparation of a Scoping Study and mining proposal.

Lyndbrook Project, North Queensland (Auzex 100%)

- A first phase drill program at the Company’s Galala Range gold-tungsten-molybdenum prospect commenced in late June. This program is designed to test high priority targets defined from an extensive soil and rock chip sampling program completed earlier this year.
- Assay results are expected by mid August.

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

- Initial assessment of an area highlighted by the Company’s state-of-the-art prospectivity model has resulted in the discovery of a new granite related gold system in a previously unexplored area.
- Recent exploration has defined a 1200m by 200m gold anomaly, which is open-ended and with rock chip values up to 5g/t gold. An additional soil program is planned to test quartz veining along strike from the current mineralisation – results are expected in August.

Stanthorpe Project, Qld/NSW border (Auzex 100%)

- **Assessment of the project continues with the focus on the completed drilling program to determine the best areas of continuous mineralisation and the optimum spacing for future resource drilling.**

Corporate

- **A total of A\$3.0M was raised through a Share Purchase Plan and associated Placement.**
- **The Company will maintain a highly active exploration program in the September quarter. Exploration results are expected from Kingsgate, Lyndbrook and West Tinaroo as well as soil geochemistry from Khartoum in North Queensland, and the Deepwater Greisen and Seven Hills prospects in the New England area.**

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

Exploration

Results from a recently completed IP Geophysical Survey (over a 400m x 200m area using a 10m line spacing and 5m electrode spacing) indicate a new cost effective technique to locate Mo-Bi mineralisation at the Kingsgate project has successfully been established. The current survey was confined to a small (2.5%) part of the total 2.5km x 1.2km project area, but is expected to be applicable throughout. As an exploration tool IP will enhance all future exploration and resource estimation at Kingsgate.

IP measures the chargeability and resistivity differences of sub-surface lithologies. There is an excellent contrast between the response of the Mo-Bi pipes (or disseminated mineralisation) and barren granite to induced electrical current. The survey suggests that both chargeability highs and resistivity highs may define mineralised pipes. The chargeability and resistivity highs correspond extremely well to known areas of shallow disseminated molybdenum, bismuth and quartz pipe respectively. Earlier this year, drilling intersected several new mineralised pipes, all of which were not outcropping. Some of these pipes are clearly highlighted by the geophysical survey. In particular, one of these pipes will be the subject of investigation when Trial Mining begins in September.

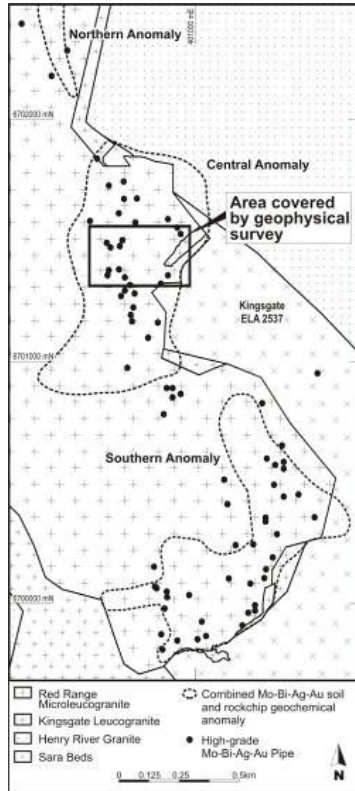
Three high grade pipes are exposed at surface within the survey area and prior to the IP survey eight quartz pipes were identified from drilling. Analysis of the IP results indicate the potential for an additional 28 high grade pipes within the survey area alone.

A 3D version of the IP survey is expected at the end of July. This is expected to define individual pipe trends and pinpoint drill targets for new discoveries at depth. The success of the IP Survey suggests that the Company's current target of between 10,000 – 20,000 tonnes of Mo could be revised upwards.

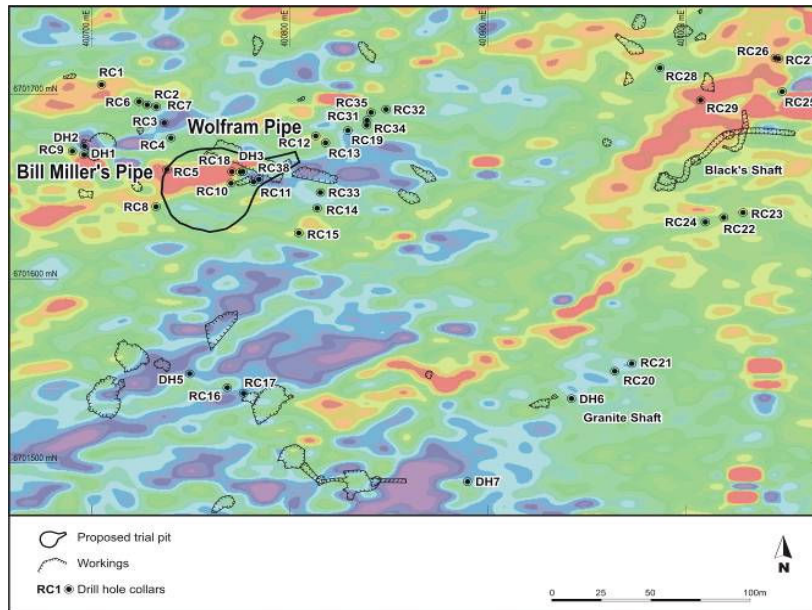
Trial Mining

A preliminary 3D model of pipes defined by quartz and known mineralised drill intersections was created for the area covered by drilling and geological mapping completed earlier this year. The trial pit proposed for Kingsgate has been designed using the 3D model. The pit targets an up-plunge interpreted drill intersection of high grade mineralisation and also covers eight other interpreted zones of mineralisation. The program will provide valuable information on geology, verify the IP geophysics, ore for final metallurgical testwork and process design, as well as cost inputs for mining. A Scoping Study based on the trial mining outcomes will anticipate a treatment rate of 250,000 tonnes per year of ore grading 0.3% Mo. Early discussions indicate a total capital cost for start-up in the order of A\$10-\$15 million. Drill and blasting is set to begin in the September quarter. Trial mining results due by December will be used for the preparation of a scoping study and mining proposal.

Kingsgate Project Area Maps – Geophysics Location & IP Survey Chargeability Image



Location of the area covered by the geophysical survey in relation to known pipes and surface geochemistry. The survey covers approximately one sixth of the main areas of strongly anomalous soil geochemistry and high pipe density.



Chargeability image for the entire survey area. Chargeability highs are interpreted to represent areas of shallow disseminated sulphide including molybdenum. The chargeability highs correspond well to known areas of shallow disseminated molybdenum located in the western side of Bill Miller's workings and the central southern side of Wolfram Pipe workings.

Lyndbrook Project, North Queensland (Auzex 100%)

A first phase Reverse Circulation (RC) drill program to follow up 13 high priority gold/molybdenum/tungsten targets at the Galala Range prospect began in late June. The aim of the program is to assess the potential of the mineralised system to host gold or tungsten mineralisation similar to the Kidston Gold deposit.

The Galala Range prospect occurs within a large alteration system forming a NE trending zone of sericite-silica alteration measuring 6km x 4km. Mineralisation consists of 0.5cm to 1.5m wide flat-dipping quartz veins within a sericite-silica altered biotite-muscovite granite. A review of the geology by Auzex suggests the source of the metals is interpreted to be a shallowly buried cupola of Late Carboniferous granite. Soil sampling results included values up to 6g/t gold and up to 0.18% molybdenum. Rock chip sampling yielded up to 19.1% tungsten.

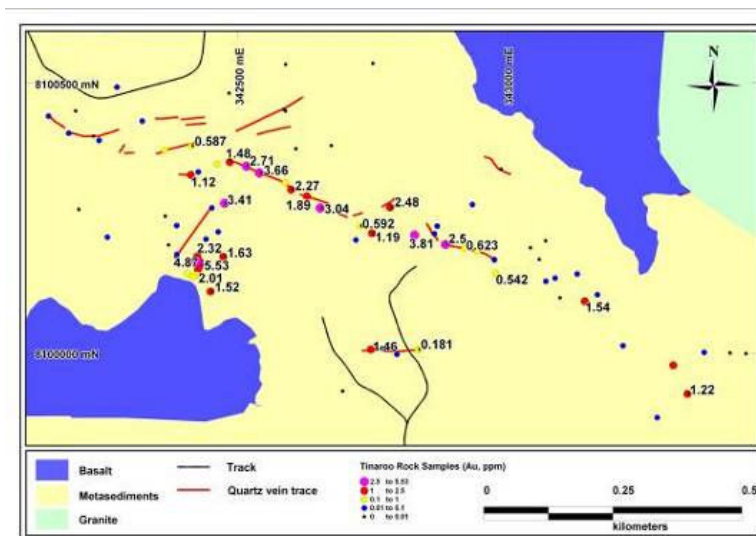
Historic drill results from Galala have been digitised and indicate intersections up to 12m wide of tungsten and gold mineralisation from surface to depths of 70m with best grades of 0.32% tungsten and 0.46 g/t gold. A prospectivity model of the area has been completed to help delineate and prioritise targets currently being drilled. The first phase drill program is expected to be completed before the end of July, with results expected by mid August.

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

A new granite-related gold system has been discovered at the Company's West Tinaroo project as previously reported. This area was highlighted by the Company's state-of-the-art prospectivity model. Work in this area during the quarter included geological mapping, rock chip sampling and soil sampling over a 2.6km x 1.1km area. This work has defined a 1200m by 200m gold anomaly, which is open-ended and with rock chip values up to 5.5g/t gold within the poorly exposed quartz stock work system. Soil sampling within an area of significant hydrothermal alteration has defined two sub parallel gold-bismuth anomalies with values between 20 ppb and 200 ppb gold.

Results from the soil sampling are highly encouraging with the delineation of numerous highly anomalous gold targets. The largest anomaly has a trend that is consistent with the gold bearing ESE-trending mapped quartz vein. Several other sub parallel anomalies were also defined.

Further soil sampling is planned to test quartz veining outside the area sampled to date along strike from the known mineralisation. A reconnaissance drilling program is planned to test the depth extent of mineralisation highlighted by the soil and rock chip sampling, and gain subsurface information on the geology.



West Tinaroo rock chip samples and geological map
Auzex Resources Limited: June 2006 Quarterly Report

Stanthorpe Project - Lode Hill Prospect (Auzex 100%)

Assessment of the project continues as we analyse drill results (previously reported in March 2006) to understand the extent of the mineralised system. Auzex is the first company to undertake drilling at Lode Hill, despite over 48,000 tonnes of alluvial and eluvial tin having been produced historically from the Stanthorpe area.

Detailed surface mapping has been completed to determine the controls on the tin-tungsten-molybdenum mineralisation. The mapping has been integrated with the drilling information to produce a 3D model of the mineralised structures at Lode Hill. This model has been used to target four areas where there is potential for higher grade mineralisation. Work during the next quarter will focus on assessing the completed drilling to determine the best areas of continuous mineralisation and the optimum drill spacing for future resource drilling.

New England (NSW) Regional Exploration (Auzex 100%)

Deepwater Griesen

Deepwater is a large quartz-sericite greisen located on the margin of the Kingsgate Leucogranite measuring 1500m long by 400m wide. Historic exploration at the Deepwater Greisen established a mineralised zone of 0.4% combined metal, comprising tin, tungsten, silver, bismuth, molybdenum and traces of gold. The aims of the current exploration were to locate areas highlighted by previous exploration and collect additional data to allow drill targeting.

Reconnaissance mapping and rock chip sampling has confirmed the mineralisation intersected in historical drilling, with maximum values of 4.93% tungsten (coarse-crystalline wolframite in quartz), 0.18% tin disseminated in greisen, and 756ppm molybdenum disseminated in strongly silicified greisenised granite. These results confirm the prospectivity of the area to host similar mineralisation to Kingsgate and Lode Hill. A preliminary review of the historical data indicates very limited analysis for gold in the area, despite a 0.5 ppm Au stream sediment anomaly. The area is considered to have potential for gold mineralisation due to the clear zonation from molybdenum-tin-tungsten within the granite to lead-zinc within the surrounding metasediments.

A soil sampling program is planned to help site drill targets to test the grade and continuity of mineralisation along strike and at depth. Soil sampling will also analyse for gold which has not occurred in previous exploration. A 3D model will be created from the historical drill data and surface mapping to help develop our understanding on the controls to mineralisation in preparation for possible drilling.

Other Prospects

Reconnaissance exploration has identified the potential for gold mineralisation at the Seven Hills prospect (EL 6408) and also at Sheep Station Creek (EL 6313). Further work will be carried out on these prospects in the September quarter.

Khartoum Project, North Queensland (Auzex 100%)

The current exploration program at Khartoum comprises the collection of 1200 soil samples to test for tin, tungsten, gold and bismuth mineralisation similar to West Tinaroo along the northern Khartoum granite contact.

Assays for the 367 soil samples collected to date covering the Normanby prospect area contain maximum values of 1250ppm tin, 158ppm tungsten, 298ppm copper and 381ppm lead. Gold values are generally relatively low. A significant anomaly of over 100ppm tin in soil measuring 1.8km long by 300m wide is associated with zones of greisen and altered metasediment. Tungsten values are more elevated within the granite.

Rock chip sampling was also completed with maximum assays returning 3.8% tin and 1.6% tungsten from the Great Boulder prospect, 1.5% tin and 0.1% tungsten from Normanby and 0.7% tin and 15.3% tungsten from Denford. The best gold in rock chip samples (3.39ppm, 1.02ppm) were returned from quartz vein material hosted in a metasediment roof pendant west of Great Boulder. Further detailed prospect scale geological mapping is required followed by infill soil sampling and drilling if warranted.

New Zealand Project (Auzex 100%)

A simplified 3D model was developed for the Kirwan's-Reward and Kirwan's Extension tungsten-gold prospects to assist with the planning of future exploration including a proposed diamond drill program. A soil sampling program is planned to help site drill targets to test the grade and continuity of mineralisation along strike and at depth. Drilling of the historic Kirwan's gold mine and the tungsten anomaly has also been planned.

Similarly, a 3D model of the historic workings at the Lyell prospect has been completed and preliminary drilling proposed. A soil sampling program is planned to help site drill targets.

Corporate

A total of A\$3.0M was raised through a Share Purchase Plan ("SPP") and associated Placement. The issue price for both issues was \$1.05. The funds raised by the SPP and Placement will be used to strengthen the Company's financial position allowing for timely advancement of exploration programs and Company development.

September Quarter Work Program

The general aim of the exploration program is to further advance the Kingsgate project and to evaluate additional areas highlighted by the prospectivity models for gold, molybdenum and tungsten.

The principal aims of the next work program are to:

1. Commence the proposed trial mining at Kingsgate in the Wolfram Pipe area.
2. Prepare for a scout drilling program at West Tinaroo to gain subsurface information on the geology and mineralisation style.
3. Complete a first phase drilling program at the Galala Range prospect and assess assays.
4. Advance promising prospects in the New England project area to the drill targeting stage.
5. Advance promising prospects in the Lyndbrook group of tenements and Khartoum EPM 14797 (North Queensland) to the drill targeting stage.
6. Complete land access negotiations over the New Zealand prospect 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.