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Significant early exploration results from Seven Hills Gold Prospect, NSW

Highlights

- **Results from an initial scout drill program using a blast hole rig (similar to RAB drilling) have returned significant gold assays. These include 13m @ 8.55 g/t gold from surface with the hole ending in mineralisation.**
- **Results are encouraging and confirm the discovery of a new gold system in the New England region. There has been no modern exploration for gold in the area.**
- **The brief drill program was designed to test anomalies identified from previous surface sampling and help identify targets for future RC drilling. The Company expects to drill the shallow mineralisation intersected in this program at depth with an RC rig later this month.**

Exploration results

As reported in the December Quarter, Auzex could not secure an appropriate RC drill rig to complete an initial scout drill program at Seven Hills. Consequently, it was decided to carry out a short RAB drilling program using a blast hole rig. This drill rig only allows open hole sampling (where ground conditions allow) to a maximum depth of 21m. Most holes failed to reach the maximum depth with an average hole depth of 11m.

The aim of the RAB program was to test four areas with rock, soil or auger gold anomalies for bedrock gold mineralisation in the 3.5 km by 1.5 km target area reported previously. Twenty-eight drill holes were completed for a total of 313m. The drilling successfully tested the near surface environment, but the drill rig was unable to drill deep enough to intersect fresh bedrock.

Fifteen of the twenty-eight holes intersected more than 2m at a composite grade of 0.1g/t Au from surface to a depth of 17m. Eight of the holes ended in mineralisation where the ground conditions were too difficult to drill any deeper. The best intersections were in SHO7-02 with 7m @ 1.13 g/t Au, SHO7-03 with 14m @ 1.14 g/t Au, SHO7-04 with 13m @ 8.55 g/t Au and SHO7-09 with 14m @ 1.31 g/t Au. These holes were drilled into two soil anomalies with strike lengths of more than 1km. The 3.5 km by 1.5 km area of soil, rock and auger anomalies has sixteen similar geochemical gold anomalies that remain untested.

The drill results are very encouraging and further confirm the discovery of a new gold system in the New England region that has had no historical hard rock production. The depth restrictions imposed by the RAB drilling method means that the continuity and grade of gold mineralisation at depth in fresh rock is unclear and the higher grade intersections may be due to near surface enrichment. However, the scale of the geochemical anomalies indicates potential for significant tonnage of shallow mineralisation in the area.

It is expected that follow-up RC drilling will commence later this month to test the mineralisation intersected in this program at depth.

Table of Seven Hills drill locations (blast hole rig)

Hole No	Easting	Northing	RL	Az GN	Dip	Depth
SH07-1	411902	6730397	955	329	-60	17
SH07-2	411904	6730401	955	329	-70	8
SH07-3	411904	6730400	955	0	-90	14
SH07-4	411866	6730354	955	0	-90	13
SH07-5	412743	6730456	955	0	-90	10
SH07-6	412732	6730439	955	0	-90	5
SH07-7	412736	6730460	955	0	-90	10
SH07-8	412748	6730355	920	0	-90	11
SH07-9	412725	6731900	920	0	-90	14
SH07-10	412601	6731951	920	0	-90	8
SH07-11	412600	6731957	920	0	-90	12
SH07-12	412600	6731962	920	0	-90	8
SH07-13	412600	6731947	920	0	-90	15
SH07-14	412719	6731910	920	0	-90	17
SH07-15	412721	6731913	920	0	-90	16
SH07-16	412122	6731061	950	0	-90	6
SH07-17	412121	6731055	950	0	-90	11
SH07-18	412121	6731049	950	0	-90	5
SH07-19	412121	6731042	950	0	-90	5
SH07-20	412080	6731091	950	0	-90	21
SH07-21	412080	6731084	950	0	-90	11
SH07-22	412078	6731096	950	0	-90	9
SH07-23	411870	6730358	955	0	-90	13
SH07-24	411870	6730349	955	0	-90	10
SH07-25	411869	6730344	955	0	-90	12
SH07-26	411889	6730326	955	0	-90	10
SH07-27	411890	6730332	955	0	-90	12
SH07-28	411906	6730315	955	0	-90	10

Table of significant drill hole intercepts

Hole No	From (m)	To (m)	Width (m)	Au (g/t)	Comments
SH07-1	8	17	9	0.40	Ends in mineralisation
SH07-2	1	8	7	1.13	Ends in mineralisation
SH07-3	0	14	14	1.14	Ends in mineralisation
SH07-4	0	13	13	8.55	Ends in mineralisation
SH07-5	0	2	2	0.25	
SH07-7	1	10	9	0.29	Ends in mineralisation
SH07-8	8	11	3	0.44	Ends in mineralisation
SH07-9	0	14	14	1.31	Ends in mineralisation
SH07-17	0	2	2	0.30	
SH07-18	0	2	2	0.16	
SH07-20	4	5	1	0.10	
SH07-20	11	14	3	0.14	
SH07-23	0	1	1	0.69	
SH07-24	0	3	3	0.27	
SH07-24	9	10	1	0.25	Ends in mineralisation
SH07-25	0	1	1	0.15	
SH07-28	0	4	4	0.21	
SH07-28	8	9	1	0.14	

Background Information on the Seven Hills Gold Prospect, NSW (Auzex 100%)

Located 40km north-east of Glen Innes (NSW), Seven Hills was initially identified as prospective for gold by the Company's prospectivity modelling in the New England region. No records of historical workings are known for this area. Fieldwork in late 2005 was encouraging with rock chip samples assaying up to 2.5 g/t gold. In August 2006, soil sampling and mapping then defined anomalous gold in soils within a 3,500m long by 1,500m wide area of interest. The soil anomalies are typically in the range 100-600ppb gold, up to 2 g/t gold. Anomalous rock chip assays from within this zone have recorded values up to 24.4 g/t gold from limonite rich greisen altered granite sub-crop.

Hand auger sampling and trenching were also carried out in late 2006 returning similar gold values to the soil and rock chip sampling. Deep weathering (+20m) caused results of these programs to be sporadic and inconclusive.

None of the sampling techniques used to date have been able to sample fresh mineralisation in bedrock and it is not clear how weathering has affected the grade and distribution of gold in the area. A combined regolith mapping and IP geophysical survey is planned to better define drill targets for RC drilling.

Mineralisation at Seven Hills is hosted by the same granite as the Company's Kingsgate molybdenum project, located 30km to the south.

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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