

Quarterly Report

ASX RELEASE

Three Months Ending 31 March 2007

Highlights

Kingsgate Molybdenum-Bismuth (Mo-Bi) Project, Glen Innes, NSW

- The Scoping Study for development of the Kingsgate Project is progressing well with the Company co-ordinating the services of twelve consulting groups. Completion is now due mid-late May due in part to additional bismuth metallurgical testwork and modification to plant design, to ensure optimal recoveries.
- A second round of ground IP geophysics has commenced at Kingsgate. The aim of this program is to confirm the existence of sufficient mineralisation for an initial 3-5 year mine life at a process rate of 250,000 tpa.
- The bismuth price has continued to surge, and is now twice the level it was six months ago. This price increase has the potential to have a significant impact on the project economics of Kingsgate, which will produce two marketable products consisting of separate molybdenum and bismuth concentrates in approximately equal quantities.

Seven Hills Gold (Au) Prospect, New England NSW

- Results from early exploration over the 3.5km x 1.5km anomalous zone returned significant gold assays, including a RAB drill intersection of 13m @ 8.55g/t gold and an RC drill intersection of 5m @ 3.54g/t gold.
- Induced Polarisation (IP) geophysics has identified five target anomalies at depth. A second phase of RC drilling to a depth of up to 200m to test these anomalies is in progress with results expected late April.

Kirwans Tungsten (W) Project, New Zealand

- An access arrangement has been issued by the Department of Conservation (NZ) enabling an initial six hole diamond drill program to commence in early April.
- Encouraging rock chip/soil sampling results and geological mapping confirm the potential of the system to host a major tungsten deposit.

Running Brook Copper-Gold (Cu-Au) Project, North Queensland

- Limited additional surface geochemical results at the Running Brook Cu-Au prospect have seen the drill target remain a high priority. Drilling is planned for late in the June quarter.

Deepwater Lead-Zinc-Silver (Pb-Zn-Ag) Prospect, New England NSW

- A three hole (444m) RC drill program was completed during the quarter to validate historic drill intersections and test part of the 1500m strike extent where stock work veining has been mapped. Assay results are pending.

Lode Hill Tin-Tungsten-Molybdenum (Sn-W-Mo) Prospect, Stanthorpe Qld

- A nineteen hole (1,278m) RC drill program was completed during the quarter to test for higher grade zones of mineralisation. Assay results are pending.

Kingsgate Molybdenum-Bismuth (Mo-Bi) Project, New England NSW (Auzex 100%)

Scoping Study

The Kingsgate scoping study is progressing well although minor delays in the metallurgical testwork program and plant design are being experienced which impact on other aspects of the study. The expected completion date is now mid to late May due in part to additional bismuth metallurgical testwork and modification to plant design, to ensure optimal recoveries. There are twelve consulting groups addressing different aspects of the study, as well as in-house involvement. Much of the work is inter-dependant with process design being the critical path for the study and not due for completion until the end of April. The trial mining program has proved invaluable for understanding mining design and cost inputs.

The current high bismuth price increases the potential value of the project, which will produce two marketable products consisting of separate Mo and Bi concentrates. Additional metallurgical testwork is in progress using a 300kg Bi ore sample (estimated grade 0.24% Bi) from the trial pit to optimise Bi recovery.



Bench scale metallurgical flotation testwork at AMMTEC laboratories in Perth. The molybdenite readily floats producing a high purity concentrate.

Exploration

The electrical properties of ten rock samples of granite and pipe rock types from the Kingsgate trial pit have been measured to determine the relationship between Mo-Bi pipe mineralisation and chargeability or resistivity anomalies. Results indicate that high resistivity values relate to fresh unaltered dry rock, whereas lower resistivity values correspond to weathered or altered rock. High chargeability values indicate molybdenite (MoS_2) is present and zones of increased chargeability defined by the gradient array IP results are targets for undiscovered molybdenum mineralisation.

An orientation survey including soil data, radiometric data and detailed geological mapping was completed on a 5m x 5m spacing over a 220m x 150m area immediately north of the Kingsgate Trial Pit to determine whether these data could help better constrain our geological interpretation for resource modelling. Maximum assays returned include 1365 ppm Mo, 3050 ppm Bi, and 39.9 ppm Ag. The soil geochemistry highlights a strong Mo-Bi-Te-Pb-Sb-As-Ag-(S) geochemical association. Three main combined Mo-Bi-Ag soil anomalies assaying > 50 ppm Mo, >100 ppm Bi and >1 ppm Ag were defined associated with specific pipes. The results and sample spacing suggests that an initial sample spacing of 10m x 10m will constrain the location very accurately of near surface pipe Mo-Bi mineralisation.

A second gradient array IP survey has commenced at Kingsgate. The aim of this program is to establish the existence of sufficient mineralisation for an initial 3-5 year mine life based on an annual processing rate of 250,000 tpa at a target average grade of 0.3%Mo. Detailed soil sampling will also be carried out to help constrain the geological interpretation.

Update on the Molybdenum & Bismuth Metal Markets

The markets for both molybdenum and bismuth have been very strong in recent times. Molybdenum prices have increased 10% over the last 6 months to US\$28.30/lb* largely due to a tightening of supply out of China due to environmental, tariff and quota constraints as well as continued growth in stainless steel demand.

Bismuth prices have doubled over the last six months to US\$12.00/lb* as a result of tightening supply and an increased use of the metal as a replacement for lead. Unlike many heavy metals, bismuth has a low toxicity and is used in cosmetics (including lipstick), pharmaceuticals and in medical procedures. It is also used in food processing equipment and in plumbing applications where human consumption is involved. Buyers of the metal are becoming increasingly concerned over future supply with no new production expected until late 2008, possibly 2009. This increased price has the potential to have a significant effect on the project economics of Kingsgate, as it appears likely that any future production at Kingsgate will yield equal quantities of molybdenum and bismuth.

* Note: Metal prices as at 29 March 2007

Seven Hills Gold Prospect, New England NSW (Auzex 100%)

Three rounds of drilling have been undertaken at Seven Hills during the quarter.

An initial short RAB drilling program using a blast hole rig was used 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. 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. This drill rig only allows open hole sampling (where ground conditions allow) to a maximum depth of 27m, similar to RAB drilling. All holes failed to reach the maximum depth with an average hole depth of only 11m.

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 SH07-02 with 7m @ 1.13 g/t Au, SH07-03 with 14m @ 1.14 g/t Au, SH07-04 with 13m @ 8.55 g/t Au and SH07-09 with 14m @ 1.31 g/t Au. These holes were drilled into two soil anomalies with strike lengths of more than 1km. The depth restrictions imposed by the RAB drilling method meant that the continuity and grade of gold mineralisation at depth in fresh rock could not be determined.

Table of Seven Hills RAB drill locations

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

Hole No	Easting	Northing	RL	Az GN	Dip	Depth
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 RAB drill hole intersections

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

A short thirteen hole, 1046m RC drill program (maximum hole depth of 96m) was completed at Seven Hills to follow-up the shallow gold intersections from the RAB drilling. The aim of the drilling was to confirm the mineralisation intersected in the near surface, intersect fresh mineralisation and to test continuity of mineralisation along strike and down dip in the area of the best intersection from the RAB drilling.

Table of Seven Hills RC drill locations

Hole No	Easting	Northing	RL	Azimuth	Dip	Depth
SHRC07-1	411868	6730353	955	0	90	70
SHRC07-2	411868	6730334	955	0	60	80
SHRC07-3	411868	6730304	955	0	60	96
SHRC07-4	411868	6730364	955	0	60	80
SHRC07-5	411868	6730394	955	0	60	80
SHRC07-6	411968	6730426	955	0	60	80
SHRC07-7	411968	6730396	955	0	60	80
SHRC07-8	411968	6730366	955	0	60	80
SHRC07-9	411968	6730336	955	0	60	96
SHRC07-10	411968	6730306	955	0	60	80
SHRC07-11	411968	6730276	955	0	60	84
SHRC07-12	411968	6730246	955	0	60	80
SHRC07-13	412725	6731900	955	0	90	60

The best intersections were in SHRC07-1 with 11m @ 1.23 g/t Au and SHRC07-13 with 8m @ 2.68 g/t Au. Several holes intersected low grade anomalous gold mineralisation up to 0.4 g/t Au, but no holes intersected fresh mineralisation.

Table of significant RC drill hole intersections

Hole No.	From	To	Width	Au g/t	Comment
SHRC07-1	1	12	11	1.23	Includes 2m at 3.53g/t Au. Intersected gossanous greisen.
SHRC07-2	21	22	1	2.02	Intersected gossanous greisen.
SHRC07-13	3	11	8	2.68	Includes 5m @ 3.54 g/t Au. Intersected gossanous greisen.

The depth of weathering intersected by the drilling is most unusual for this part of NSW, with highly weathered granite intersected to 60m vertical depth. The presence of coarse gold, interpreted to be the result of the deep weathering, is also suggested by the variability of gold grades in the twinned RC holes SHRC 01 and SHRC 13 compared to the previously reported RAB holes SH07-4 (13m @ 8.55g/t gold) and SH07-9 (14m @ 1.31 g/t gold).

It appears that the depth and intensity of weathering has remobilised gold into the near surface environment and possibly formed zones of enriched (supergene) gold between 0-20m and zones of gold depletion between 20-55m. If gold is mobile in the near surface environment at Seven Hills, the surface geochemical anomalies may not be directly associated with bed rock mineralisation.

Subsequently the Company completed five reconnaissance lines of dipole-dipole IP geophysics with 6.65 line kilometres of data collected with a 150m depth extent. Granite is generally a homogenous rock that is typically resistive with low chargeability. Therefore any sulphide in the granite should appear as significant chargeability highs in relation to the surrounding granite.

The dipole-dipole IP identified five distinct chargeability anomalies at depths where fresh sulphide could be expected. Three of the anomalies are coincident with soil gold anomalies. If successful, this technique could provide a cost-effective and accurate method for identifying primary bed rock mineralisation, the source of near surface gold mineralisation intersected in recent drilling and detected in previous geochemical soil and rock sampling.

A second phase of RC drilling to test the IP anomalies is currently in progress. The program will be expanded if fresh sulphide is intersected to test for continuity of mineralisation down dip and along strike.

Kirwans Tungsten (W) Prospect, West Coast NZ (Auzex NZ 100%, NZML earning)

Located 12km east of Reefton, geological mapping has validated historical data and suggests the style of scheelite mineralisation is similar to the Watershed tungsten deposit in North Queensland. Auzex NZ (Auzex Resources 100%) retains management of the exploration program with NZML funding NZ\$1.7 million to earn a 50% interest in all Auzex NZ tenements.

Auzex successfully negotiated an access arrangement with the Department of Conservation to enable drilling of the Kirwans tungsten prospect. A diamond drill rig has been sourced and an initial six hole diamond drilling program is planned to commence in early April. Two or three holes will be drilled from each drill site to intersect the tungsten mineralisation at varying depths beneath outcropping scheelite bearing quartz veins.

The first two holes will be drilled beneath an area which was the subject of a significant trenching program completed in 1983 by Gold Mines NZ Ltd. Two trenches were completed with the eastern trench returning 191m at an average of 0.12% W, including 32m @ 0.28% W (equivalent to 2.9g/t gold) and the western trench returning 160m at an average 0.1% W, including 28m at 0.24% W. The eastern system is 300m wide and 600m long and the western system is 500m wide and 1100m long. Geological mapping and soil sample results indicate both systems of north-south trending quartz stock working with visible scheelite have the potential to be mineralised throughout.

Running Brook Copper-Gold (Cu-Au) Prospect, North Queensland (Auzex 100%)

A limited amount of fieldwork was completed at Running Brook prior to the onset of the wet season. Assays from a small infill soil sampling program confirmed the area's prospectivity for gold and copper. A reconnaissance regolith mapping program is planned to assess the effects of supergene gold-copper enrichment and determine if mapping of soil types can be useful in delineating prospective areas. Additional soil sampling, mapping and a 1,000m RC drill program are planned for the June quarter.

Deepwater Lead-Zinc-Silver (Pb-Zn-Ag) Prospect, New England NSW (Auzex 100%)

Deepwater is a large quartz-sericite greisen zone located on the margin of the Kingsgate Leucogranite and measuring 1500m long by 400m. Historic exploration at Deepwater established a sub-economic resource of combined Pb-Zn-Ag mineralisation. The area is considered to have potential for both molybdenum-tin-tungsten (Mo-Sn-W) and lead-zinc-silver (Pb-Zn-Ag) mineralisation.

A three hole (444m) RC drill program was completed on the northern part of the Deepwater prospect area where a ridge of sheeted and stock work quartz-sulphide veins are hosted in greisen-altered siltstone. The drilling was planned to validate previous drill intersections with one metre samples (6m composite samples in previous drill holes) and test for high-grade zones within a low-grade halo. It was also designed to test along strike to the NNE from previous drilling where prospective stock work veining has been mapped. Assay results for the Deepwater RC drilling are pending.

Lode Hill Tin-Tungsten-Molybdenum (Sn-W-Mo) Prospect, Stanthorpe Qld (Auzex 100%)

Over 48,000 tonnes of alluvial and eluvial tin have been produced historically from the Stanthorpe area. The Lode Hill and Sugarloaf prospects are part of a large zone of intensely altered granite and greisen development, defined by anomalous tungsten and tin soil and rock geochemistry. Wide zones of low grade Sn, W and Mo mineralisation, open at depth (+200m), within greisenised granite were intersected in drilling last year.

A follow-up program of RC drilling has recently been completed to extend the mineralised zones at Lode Hill, to gain a better understanding of the grade distribution, and to test for higher grade zones of mineralisation. A 19 hole RC drill program totalling 1278m was completed. Assay results for the Lode Hill RC drilling are pending.

Regional Exploration, West Coast, New Zealand (Auzex NZ 100%, NZML earning)

Exploration is due to commence over three of the most promising exploration targets in the Company's West Coast tenements outside of Kirwans. Mapping and geochemical sampling will be carried out at the Mt Radiant Mo prospect to the north of Kirwans. The area is rugged and helicopter access will be required. Prospect scale soil sampling is planned for the Lyell Gold prospect, which has potential for Reefton style gold mineralisation. A regional stream sediment sampling program is planned for the Mt Rangitoto area near Ross to follow-up the encouraging gold rock samples returned from previous exploration. This exploration is expected to be completed in the June quarter before winter sets in.

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

Reconnaissance exploration continued at the Bundarra North prospect on EL 6571 near Inverell with soil sampling and prospect scale mapping carried out at the Kings Reef, Tatts and Mynorl prospects. Work continued testing the newly discovered gold soil anomalies at the Boorolong prospect. Poor soil results were returned from the Flints and Ruby Creek prospects, which have downgraded the prospectivity of both areas. Regional mapping and sampling has identified a new gold prospect south of Glen Innes, which will be soil sampled early next quarter. Regional exploration was also carried out at Guyra North as well as targeting the granites between Kingsgate and Seven Hills.

Regional Exploration, North Queensland (Auzex 100%)

There was only limited exploration in North Queensland during the quarter due the onset of the wet season. However drill programs have been finalised at the Running Brook copper-gold and West Tinaroo gold prospects and are expected to commence late in the June quarter.

June Quarter Work Program

The principal aims for the next quarter are to:

- Complete the Scoping Study for development of the Kingsgate Molybdenum-Bismuth project. This is due for completion in May 2007.
- Complete the second round of geophysics at Kingsgate. The aim of this program is to cover sufficient area to allow development of a resource model that provides an initial 3-5 year mine life, based on the base case plant design.
- Complete a second phase RC drill program at the Seven Hills gold prospect to test several geophysical anomalies at depth.
- Complete an initial diamond drill program at the Kirwans tungsten project (NZ).
- Drill the new Cu-Au prospect at Running Brook (Nth Qld) after completing soil geochemistry and costeaning.
- Drill the West Tinaroo Au prospect (Nth Qld).
- Complete prospect exploration at Mt Radiant (Mo) and Mount Rangitoto (Au) in New Zealand.
- Complete reconnaissance surface geochemistry within the Company's regional New England prospect targets.

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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.