

Quarterly Report

Three Months Ending 30 June 2007

Highlights

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

- A detailed and comprehensive Scoping Study has been completed using independent expert reports based on the Company's exploration activities, including an extensive Trial Mining / Bulk Sampling program. This study confirms that Kingsgate has the potential to be a high grade, low cost operation. The Company now has a clear set of recommendations as to the requirements necessary to achieve Feasibility Study status. This process has commenced with significant additional resources allocated to this program.
- Much of the work undertaken in the Scoping Study (other than resource issues) is of at least pre-feasibility quality. The Company also believes that the baseline assumptions adopted for the Study are conservative and is confident of upgrading certain key parameters.
- A review of possible resource calculation procedures has been completed and a methodology for calculating a JORC compliant global resource for the Kingsgate project recommended. Detailed resource drilling totalling up to 20,000m will commence in the September quarter.

Seven Hills Gold (Au) Prospect, New England NSW

- Assay results from the second phase RC drill program returned intersections up to 8m at 2.8g/t gold. However, continuity of high grade gold mineralisation has not been established even though significant intersections of gold mineralisation have been made. An aeromagnetic survey is planned in late September to enable a regional geological interpretation to be completed, which is expected to lead to drilling early in 2008.

Kirwans Tungsten (W) Project, New Zealand

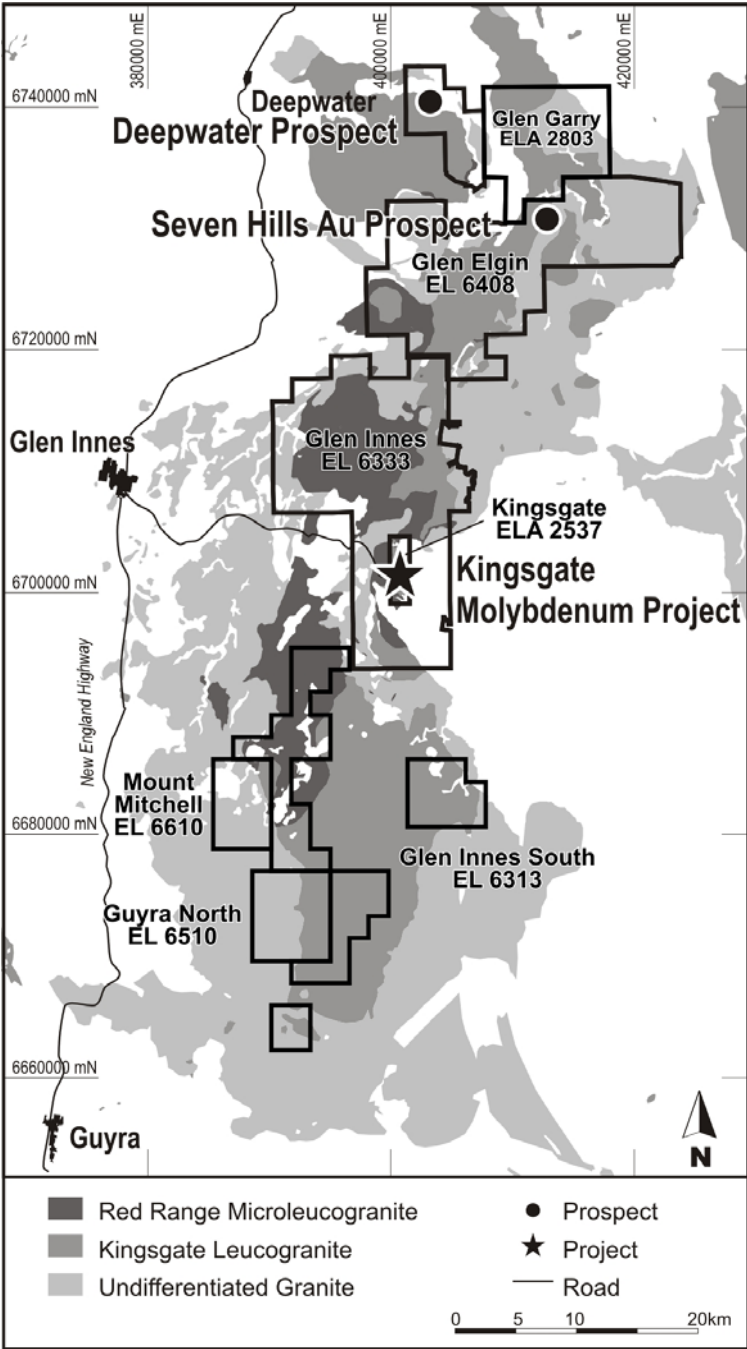
- Drilling has intersected a 180m wide zone of scheelite bearing quartz veins with the geology and density of mineralised veins correlating well with historical trenching data. Assay results from the first two holes of drilling are expected in July.

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

- Assays received from a recent trench sampling program (less than 1m below surface) reveal a significant gold anomaly with a best result of 150m at 0.26 g/t Au, including 22m at 0.48 g/t Au and 16m at 0.53 g/t Au. Drilling of this high priority target will commence in late July / early August.

Galala Range Molybdenum-Tungsten-Gold (Mo-W-Au) Prospect, North Queensland

- A ten hole (1,000m) RC drill program to test the continuity of mineralisation within the molybdenum core will commence in mid July. This follows positive drill results from two separate programs last year.



New England Tenement Map highlighting Kingsgate, Seven Hills & Deepwater projects

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

Scoping Study

Introduction

In late 2006 Auzex commissioned a Scoping Study into the viability of open-cut mining and conventional flotation at the Kingsgate Mo-Bi Project near Glen Innes in northern New South Wales. The study assumed a base case 250,000tpa throughput of ore containing average grades of 0.23% Mo and 0.23% Bi, producing two saleable mineral concentrates over a minimum five year mine life. The study was planned to establish the conditions under which an operation would be economically and operationally viable, and also identify the outstanding issues requiring resolution prior to achieving feasibility status.

Key Findings

The Study confirms that Kingsgate has the potential to be a high grade, low cost operation, and provides the Company with clear recommendations to achieve Feasibility Study status within a six to nine month timeframe. The Scoping Study's Project Team comprised twelve separate consultant groups, who produced a series of independent expert reports based on the Company's extensive exploration work, which included an extensive trial mining and bulk sampling program.

The Study highlighted a lower than expected operating cost of \$60.33 per tonne of ore processed. However, capital expenditure and infrastructure related to development came in higher than anticipated at \$39.76M. A conservative diluted head grade of 0.23% Mo and 0.23% Bi has been used. Based on a 250,000tpa processing operation, a total of 911 tonnes of Mo concentrate and 698 tonnes of Bi concentrate would be produced annually. This represents revenue of \$158.12 per tonne of ore processed, using the study's long term assumptions of a US\$22/lb Mo price, US\$13/lb Bi price and a US\$0.80 exchange rate. Market prices as at 29 June 2007 were Mo: US\$32.50 lb and Bi: US\$18.00 lb with an exchange rate of US\$0.8495.

Key Parameters

Diluted Head Grade Assumption	0.23% Mo; 0.23% Bi
Processing Rate	250,000tpa
Forecast Annual Production	911 tonnes Mo concentrate & 698 tonnes Bi concentrate
Capital Expenditure (incl. infrastructure)	A\$39.76M
Metal Price Assumption ¹	US\$22/lb Mo (A\$60,626 tonne); US\$13/lb Bi (A\$35,825 tonne)
Forecast Revenue	A\$158.12 per tonne of ore processed
Forecast Operating Costs	A\$60.33 per tonne of ore processed ²

¹Assuming exchange rate of US\$0.80

²Assuming waste:ore ratio of 3:1

Resource Model

A resource model was developed for an initial sample study area (400m x 275m) based upon the drill hole database, geological modelling, IP geophysics, topography and historical mining records and involved assumptions regarding pipe configuration, continuity and grade. The recorded historical production grade of molybdenum and bismuth, documented in a variety of reports, averaged 0.23% Mo and 0.36% Bi which from recent drilling and trial mining by the Company is considered to be conservative. Nevertheless, the Scoping Study used diluted grades of 0.23% Mo and 0.23% Bi for modelling purposes. A total of 25 modelled pipes were used for Whittle open pit optimisations to determine the range of depths of mining for individual pipes. Whittle shells provided viable strip ratios (waste:ore) ranging from 3 to 12. Mining depth, based on the pipes located in the study area, is unlikely to exceed 60m.

Exploration & Resource Development

Geophysical data coverage at Kingsgate during the quarter was expanded to 15% of the project area, which, with detailed soil sampling, will allow a geological interpretation of hidden mineralised pipes. A review of possible resource calculation techniques has been completed and a methodology for calculating a JORC compliant global resource for the Kingsgate project recommended. Detailed resource drilling will be carried out on 20 pipes in the central and southern areas followed by limited drilling and trenching on remaining pipes in the central area. The program will consist of up to 20,000m of drilling on 20m spaced lines with holes 1-2m apart. The program is planned to take six months, including resource estimation.

Feasibility Study Commenced

The Board of Directors have approved the advancement of the Kingsgate project to the feasibility stage. The key focus and critical path of this stage is to calculate an appropriate initial resource. A list of key requirements is outlined below:

Requirements to Advance from Scoping Study to Feasibility Study

Resource	Detailed sampling of 10 to 20 pipes to provide tonnage and grade data including drilling and costeaning – sufficient to declare an initial JORC resource.
Metallurgy	Finalise Mo and Bi recovery optimisation and obtain specifications of concentrate products, assess roasting option and other techniques for maximising recoveries, complete tailings analysis and leaching characteristics.
Process Plant Design & Site Layout	Refine plant design based on outstanding metallurgical testwork.
Development Funding Options	Commenced early stage discussions. Scoping Study and JORC resource will be used to negotiate the most attractive funding structure for shareholders. This is expected to be finalised later in the year.
Sales/Offtakes	Commenced early stage discussions with a number of parties, ranging from metal traders to end users. Metallurgical specifications are required to finalise market price for products.
Water Supply	Field testing investigations are required to confirm suitable sources of water.
Grid Power	Negotiations with the power supplier to finalise capital and operating costs.

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

A second phase of drilling was conducted at Seven Hills, which is located 40km north-east of Glen Innes. Six holes were drilled to test anomalies based on Induced Polarisation (IP) geophysics and five holes drilled to test gold soil anomalies (1,332m). The drilling of the IP anomalies failed to intersect significant gold mineralisation, although several broad zones of sulphide mineralisation with low grade gold and silver mineralisation were intersected. The holes drilled into the geochemical anomalies were more successful with four out of the five holes intersecting gold mineralisation. The best intersection of 8m at 2.80 g/t Au is 800m along strike to the east from the high grade intersections in the near surface RAB drilling (13m at 8.55 g/t Au) and initial RC drilling (11m at 1.23 g/t Au).

Mineralised samples from Seven Hills contain pyrite and traces of marcasite, arsenopyrite, pyrrhotite, chalcopyrite and galena. The amount of sulphide present is less than expected from the Pb-As-Ag-Au geochemical assemblage and explains why the trial IP survey was not effective. The continuity of mineralisation at Seven Hills has not been established even though significant intersections of gold mineralisation have been made. Details of drill assays received during the quarter are summarised in the Appendix.

More than fifteen geochemical anomalies remain to be tested, and a more efficient targeting strategy is being developed to allow cost effective exploration of the remaining anomalies and any others that are found during regional work to the east. The lack of outcrop in the area is hindering our geological interpretation of the regional controls on mineralisation. Consequently, an aeromagnetic survey is planned in late September to cover Seven Hills to allow a regional geological interpretation to be made, which will lead to drilling early in 2008.

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

Drilling of the Kirwans tungsten prospect in New Zealand has been suspended for the winter. Two holes (KHDD07-01 and 02) were drilled for a total of 338.1m, with the program curtailed due to bad weather. The holes were drilled immediately north and below an earlier costean assaying 191m at 0.12% W (or 0.15% WO₃). The first hole was drilled to 75m and was stopped (due to bad ground conditions) before it had hit the high grade target zone intersected in the trench. The second hole was completed to a depth of 264m and intersected the target high grade zone. Both holes intersected scheelite bearing quartz veins similar to those mapped in the trench over a horizontal width of 180m. The geology and density of mineralised veins in both holes correlate well with the tungsten results in the trench. The geology in the second hole suggests the mineralisation is continuous to at least a depth of 120m beneath the surface and is at least 180m wide. A third hole is planned on this section that will intersect mineralisation to a depth of about 160m beneath the surface. This hole will be part of the budgeted exploration for the next field season. Results from the completed drilling are expected in July.

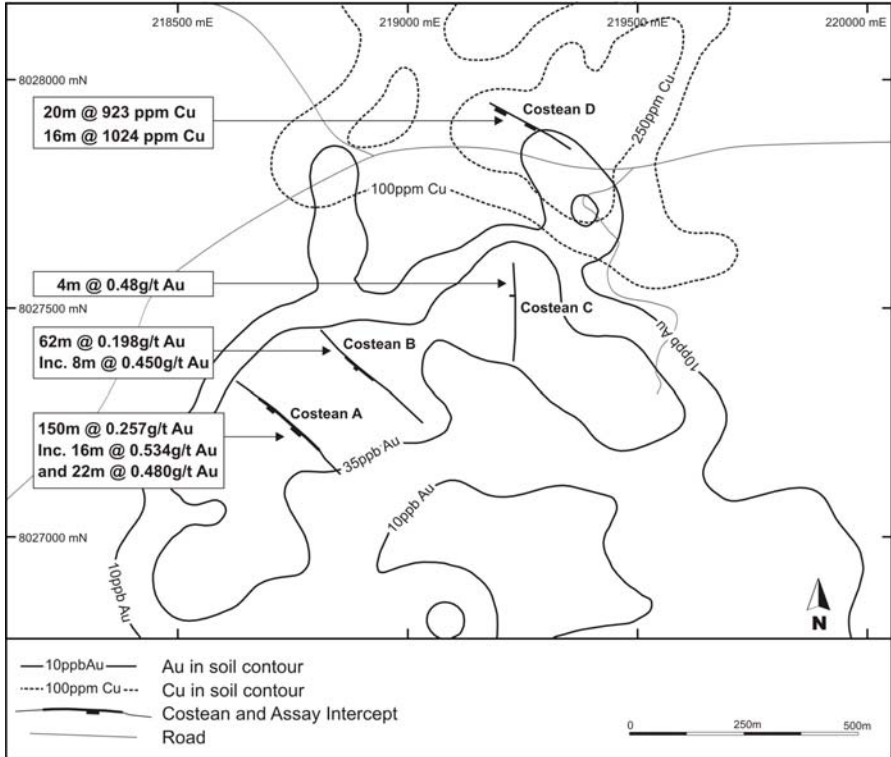
Running Brook Gold-Copper (Au-Cu) Prospect, North Queensland (Auzex 100%)

The Running Brook prospect is located in the prospective Lyndbrook group of tenements 150km south-west of Cairns. Initial soil sampling identified anomalous gold and copper in soils, defining a 10 ppb gold soil anomaly measuring 1.5km by 800m that was open to the west and south. The anomaly included a 30 ppb Au soil anomaly measuring 1km x 300m. The soil sampling also highlighted a 150 ppm Cu soil anomaly measuring 1km by 500m that partially overlaps the gold soil anomaly to the north. Encouraging rock chip samples were returned from mapping of the anomalous areas, with best results including a maximum 3.12g/t Au and 8.17% Cu. The soil sampling was then extended and infill sampling carried out. Results from the follow-up sampling were also highly encouraging with coherent gold and copper anomalies defined over 900m by 200m and 1700m by 800m areas respectively. The grades from the follow-up sampling are as good as if not better than the previous sample results, with up to 0.17% Cu and 0.28g/t Au assays in the soil samples. Both the copper and gold anomalies provide immediate priority targets for drilling.

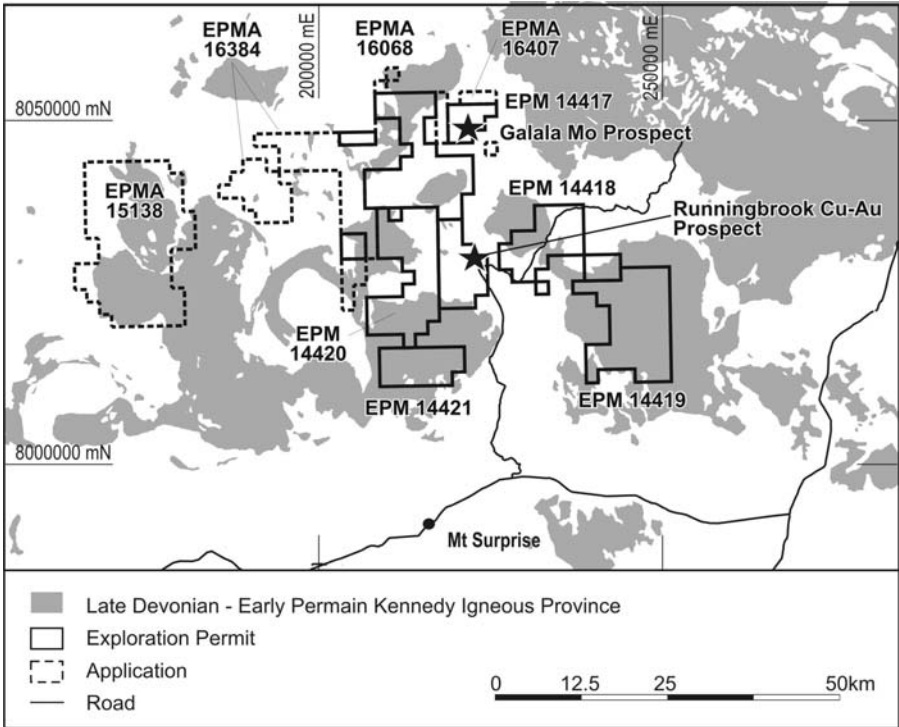
Four trenches were also completed during the quarter to provide geological information to target the planned drilling. Gold assays received from the costean included 150m at 0.26g/t Au in costean A, including 22m at 0.48g/t Au and 16m at 0.53g/t Au, 62m at 0.198g/t Au from costean B and 4m at 0.49g/t Au from costean C. Costean D was completed across the copper soil anomaly and returned 20m at 923 ppm Cu and 14m at 1104 ppm Cu.

The Running Brook gold-copper mineralisation is hosted by medium to coarse-grained biotite-muscovite granodiorite/granite of the Blackman Gap Complex and is located approximately three kilometres north of a Late Carboniferous igneous pluton comprising coarse-grained biotite granite and minor aplite (Burlington Granite). It appears that the gold and copper systems are separate parts of a large multiple-phase mineralising system. The gold anomaly appears related to quartz veining that cuts a fabric in the host granite, whereas the copper anomaly appears to be more closely related to shear zones in muscovite-altered granite adjacent to porphyritic mafic intrusions.

An eleven hole (1,160m) drill program will commence this quarter with the rig mobilised following completion of the forthcoming Galala Range drill program. Nine holes will target the combined gold soil and costean anomalies, including two (150m) diamond holes that will test the best gold intercepts in the costean. Two holes are planned to test the significant copper results down dip beneath the base of weathering. The Running Brook drill program is designed to test controls on Au and Cu mineralisation, and to assess the continuity and grade of mineralisation along strike for 300m and to a depth of 130m.



Running Brook soil anomalies and costean results



Tenement Map of the Lyndbrook group of tenements highlighting Running Brook and Galala prospects

Galala Range Molybdenum-Tungsten-Gold (Mo-W-Au) Prospect, North Qld (Auzex 100%)

Galala Range is located 25km to the north of the Running Brook prospect with work during the quarter focused on planning a drill program to test the continuity of mineralisation within the Molybdenum core. A ten hole (1,000m) RC drill program will commence later this month and will follow-up on encouraging results received last year. These results included 14m at 0.15% Mo from 15m, 5m at 0.20% Mo from 17m and 3m at 0.28% Mo from 87m.

Deepwater Tin-Base Metals (Sn-Pb-Zn-Ag) Prospect, New England NSW (Auzex 100%)

Deepwater is a large quartz-sericite greisen located on the margin of the Kingsgate Leucogranite measuring 1,500m 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 to validate previous drill intersections with one metre samples (6m composite samples in previous drill holes) and test for high-grade zones within the low-grade halo. It was also designed to test along strike to the NNE from previous drilling where prospective stock work veining was mapped. Details of the drilling are summarised in the Appendix.

Results received during the quarter were encouraging with wide zones of base metal mineralisation intersected. The grade of this mineralisation is similar to that intersected by historic drilling. In addition, zones of previously unrecorded higher grade tin mineralisation were also intersected. The best intercept was 10m at 0.12% Sn within a 76m zone (from 68m depth) grading 0.06% Sn. The potential for higher grade tin mineralisation along strike from the current drilling towards the Deepwater Granite contact needs to be tested and will be assessed in the future.

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. This area was drilled last year and intersected wide zones of low grade Sn, W and Mo mineralisation in greisenised granite open at depth beyond 200m.

A follow-up program of RC drilling was completed to test the continuity of the mineralised zones at Lode Hill and to test for higher grade zones of mineralisation. Details of a nineteen hole RC drill program totalling 1,278m are summarised in the Appendix. Results are similar to those from the previous drilling programs with wide zones of low grade tin mineralisation (>100 ppm Sn) intersected in all holes. Maximum individual metre intercepts returned in this program included 4,060 ppm Sn, 3,580 ppm W and 1,320 ppm Mo. However, the continuity of the higher grade mineralisation is poor. An assessment of the tin potential of the area is continuing.

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

Exploration was completed at the Mt Radiant Mo prospect to the north of Kirwans and a regional stream sediment sampling program was partially completed at Mt Rangitoto near Ross to follow-up the encouraging gold rock samples returned from previous exploration. Several shear-related quartz shoots with very high-grade Mo-Cu have been mined next to a creek near Mount Radiant. Rock chip sampling by Auzex returned values of up to 5.6% Mo, 2.2% Cu, 0.3 g/t Au and 173 g/t Au. Preliminary results from the soil sampling highlighted a NW trending 250m x 150m Mo soil anomaly open to the NW and SE, located 300m east of the main Mt Radiant historical workings.

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

Reconnaissance regional exploration was carried out at Guyra North as well as targeting the granites between Kingsgate and Seven Hills. New anomalous gold in rock samples were received from Glen Innes North, Guyra North and the Pigmatose prospect in Glen Innes South. Results from the Bundarra North prospect were negative.

Gold assays have been returned from soil sampling at Glen Innes South. A maximum of 1.55g/t Au has been received from an area covering a narrow zone of quartz veins. Also a separate 200m x 200m zone of plus 10ppb Au (max 88ppb) has been defined associated with the southern end of a NNE trending aplite body.

Soil sampling results reported in the December quarterly report from the Boorolong gold prospect have been subjected to check assaying by the Company and found to be inaccurate. The initial assays were shown to be a result of errors introduced by the commercial laboratory.

Regional Exploration, North Queensland (Auzex 100%)

Regional and prospect scale fieldwork has started in North Queensland with work focussing on the Khartoum tin prospects, Whistler molybdenum prospect and West Tinaroo gold prospect. Fieldwork at the Whistler and Standing Stones prospects has identified additional molybdenum soil and geological targets for drilling in the next six months. A drill program is also proposed for later in the quarter to test the gold-bearing quartz vein system at West Tinaroo.

September Quarter Work Program

The September quarter work program mainly focuses on exploration in North Queensland and resource conversion at Kingsgate. Exploration in New Zealand will re-commence when the weather improves around late November. The principal aims for the next quarter are:

- Start a 3D geological model and resource estimate at Kingsgate including re-interpretation of new geophysical results and digital data.
- Commence detailed resource drilling at Kingsgate (up to 20,000m).
- Complete detailed geological mapping and soil sampling (10m x 10m) of the central Kingsgate project.
- Extend mapping and soil sampling at Seven Hills Gold Prospect.
- Drill the Galala molybdenum prospect to assess continuity and extent of the mineralisation intersected in drilling to date (1000m).
- Drill the Running Brook gold-copper prospect (1160m).
- Drill the West Tinaroo gold prospect (925m).
- Further mapping and fieldwork at the Khartoum tin project in preparation for 1500m drilling in the December quarter
- Complete prospect exploration at Whistler Mo prospect, Four Mile Creek Cu prospect, Kangaroo Rat Sn prospect (North Queensland).

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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.

APPENDIX – DETAILS OF JUNE QUARTER DRILL RESULTS

Seven Hills – drill collar details

Hole	Easting	Northing	Azimuth	Dip	Depth
SHRC07-14	412298	6730463	0	-60	162
SHRC07-15	412000	6732882	0	-60	186
SHRC07-16	412400	6732300	180	-60	174
SHRC07-17	412700	6730005	0	-50	198
SHRC07-18	412400	6732118	0	-60	138
SHRC07-19	412736	6730330	0	-60	78
SHRC07-20	412736	6730443	0	-60	120
SHRC07-21	412755	6730366	180	-60	36
SHRC07-22	412736	6730405	180	-60	120
SHRC07-23	412711	6730375	180	-60	78
SHRC07-24	412786	6730370	180	-60	42

Seven Hills – summary of drill intersections

Hole	From (m)	To (m)	Interval (m)	Au (g/t)
SHRC07-17	149	153	4	0.23
includes	149	151	2	0.32
SHRC07-19	53	61	8	2.80
includes	54	57	3	5.59
SHRC07-21	26	29	3	2.29
includes	26	27	1	5.73
SHRC07-22	82	84	2	1.09
includes	82	83	1	1.71

Deepwater – drill collar details

Hole	Easting	Northing	RL	Azimuth	Dip	Depth
DWRC07-01	403244	6741735	1105	295	55	150
DWRC07-02	403219	6741642	1124	295	55	156
DWRC07-03	403310	6741864	1077	130	60	138

Deepwater – summary of drill intersections

Hole	From	To	Interval	Ag ppm	Pb ppm	Zn ppm
DWRC07-01	8	10	2	746.0	4,815	3,395
DWRC07-01	73	100	27	13.3	3,119	2,538
DWRC07-01	104	108	4	7.5	2,373	1,851
DWRC07-01	109	113	4	13.0	2,535	3,178
DWRC07-02	70	75	5	7.0	1,528	1,982
DWRC07-02	78	86	8	9.0	1,950	1,965
DWRC07-02	87	93	6	8.2	2,154	2,920
DWRC07-02	94	98	4	7.7	1,858	2,705
DWRC07-02	99	102	3	6.3	1,322	2,660
DWRC07-02	103	130	27	10.5	1,645	3,323
DWRC07-02	134	142	8	7.9	955	2,161

DWRC07-03	100	103	3	9.2	967	1,738
DWRC07-03	122	125	3	18.7	2,076	3,493

Lode Hill – drill collar details

Hole	Easting	Northing	RL	Az	Dip	Depth
STRC07-37	405871	6828337	959	270	-60	60
STRC07-38	405930	6828337	960	270	-60	62
STRC07-39	405967	6828319	957	146	-60	70
STRC07-40	405981	6828287	955	146	-60	72
STRC07-41	406007	6828262	957	146	-60	90
STRC07-42	406027	6828223	956	146	-60	60
STRC07-43	406300	6828190	955	146	-60	60
STRC07-44	406209	6828114	967	146	-60	66
STRC07-45	406402	6828145	971	146	-60	60
STRC07-46	406388	6828175	970	146	-60	66
STRC07-47	406371	6828207	970	156	-60	75
STRC07-48	406354	6828239	969	156	-60	84
STRC07-49	406236	6828261	966	156	-60	60
STRC07-50	406295	6828660	966	156	-60	75
STRC07-51	406273	6828690	965	156	-60	78
STRC07-52	406372	6828690	963	156	-60	60
STRC07-53	406349	6828721	963	156	-60	60
STRC07-54	406395	6828660	966	156	-60	60
STRC07-55	406478	6828510	975	156	-60	60

Lode Hill – summary of drill intersections

Hole	From	To	Interval	Mo ppm	Sn ppm	W ppm
STRC07-39	22	24	2	354	121	50
STRC07-41	62	70	8	379	190	70
STRC07-43	53	55	2	92	1,215	145
STRC07-44	20	24	4	118	657	50
STRC07-44	43	49	6	336	252	50
STRC07-44	58	60	2	137	998	35
STRC07-44	64	66	2	35	905	130
STRC07-51	6	9	3	16	1,487	97
STRC07-54	18	20	2	73	1,006	660