

## QUARTERLY REPORT

Three Months Ending 30 September 2007

### Highlights

#### Kingsgate Molybdenum-Bismuth Project, Glen Innes, NSW

- In late August the Auzex Resources Board approved a program and budget for the immediate commencement of a full feasibility study at the Kingsgate Project. The program is estimated to cost \$2.0 million and be completed in June 2008.
- Drilling commenced during the quarter as part of an intensive resource delineation program. The program will comprise up to 15,000m of shallow drilling, targeting at least 20 quartz pipes, the source of the high grade molybdenum-bismuth mineralisation. Assay results will be reported progressively over the coming months with first results being delayed due to rig issues and expected in late October.
- Key components of the feasibility study and matters relating to regulatory environmental approvals are being undertaken concurrently.

#### Kirwans Tungsten Prospect, New Zealand

- Results from a first stage two hole diamond drill program confirm early indications that Kirwans has the potential to host a high tonnage low grade tungsten resource. Drilling is expected to resume late in the year subject to weather and rig availability.
- Best intersections from the initial drilling included 15m at 0.13% WO<sub>3</sub> from 4m, 15m at 0.13% WO<sub>3</sub> from 14m and 5m at 0.15% WO<sub>3</sub> from 33m. Results average 0.05% WO<sub>3</sub> over all drill samples to date.

#### Running Brook Gold-Copper Prospect, North Queensland

- An eleven hole (1,196m) drill program was completed with wide zones of low grade gold mineralisation intersected similar to previous reported trench results. The widths and continuity of the low grade mineralisation suggests that a large-scale gold enriched hydrothermal system related to a granite intrusion may have been active in the area. Finding this source is now a high priority for follow-up exploration.

#### Galala Range Molybdenum Prospect, North Queensland

- A nine hole (884m) drill program was conducted late in the quarter to test interpreted extensions to the mineralisation intersected previously. All holes intersected anomalous amounts of visible molybdenum between 5-15m wide. One hole intersected continuous mineralisation over a 35m interval from 20m. Assay results are expected in early November.

#### **Khartoum Tin Project, North Queensland**

- **Detailed prospect scale mapping and rock character sampling has been completed at Ahmets-Boulder-Great Boulder tin prospects over greisen zones in preparation for drilling in late 2007.**

#### **West Tinaroo Gold Project, North Queensland**

- **A thirteen hole (925m) drill program is currently in progress to test the grade and distribution of gold bearing quartz veins identified from detailed mapping and extensive surface geochemical sampling. Two holes have been completed with both holes intersecting wide zones (up to 35m) of quartz veining. Gold assay results should be available in early-mid November.**

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

The Kingsgate feasibility work program and budget was approved by the Board during the quarter and a significant amount of preparatory work was completed including:

- Development of a detailed resource drilling program designed to establish a JORC compliant resource.
- Development of QA/QC protocols for the Kingsgate drilling.
- Employment of contract geological personnel to implement the drill program.
- Sampling of 2,237 10m x 10m soil samples over the central Kingsgate area for Mo, Bi, Au and Ag.
- Detailed mapping of Kingsgate and validation of pipes and historical workings in the central and southern areas.
- 3D Modelling and completion of an initial drill plan for testing the Wolfram Deep, Blacks Mine and Bill Millers Pipes.
- Commencement of resource drilling program.
- Data acquisition for a digital terrain model (DTM) for the entire project area (7 km<sup>2</sup>), and extension of the surveyed grid to cover the southern Kingsgate area.

The 10m x 10m soil sampling was completed over the same area as the gradient array geophysical survey (38 hectares) and samples were analysed for Mo, Bi, Au and Ag. Samples were not collected where historical ground disturbance occurred. Very high grade soil results were defined over small groups of contiguous samples that are interpreted to be new pipes. Best results to date include 0.41 g/t gold, 23 g/t silver, 0.73% molybdenum and 0.49% bismuth in soil. The number of anomalous gold soil samples suggests some pipes may have a gold credit associated with them. The sampling has also defined a 150m by 60m zone of highly anomalous Mo-Bi-Ag-Au, just north of Blacks Shaft that may represent a larger mineralised target for drilling.

Reverse Circulation (RC) drilling commenced late in the quarter as part of an intensive resource delineation program. The program will comprise up to 15,000m of shallow drilling, targeting at least 20 representative quartz pipes in the central and southern areas. The drilling will initially test three pipes in the central Kingsgate area. Holes will be vertical and drilled to a depth between 20m and 40m (average 30m depth), with the aim to test the down plunge extent and average grade of each pipe. Approximately 30-40 holes will be drilled for each pipe. The first pipe targeted by the drilling was the subject of trial mining completed late last year.

A dedicated project team consisting of a Project Manager and two geologists have been employed to work specifically on the Kingsgate resource program. Key components of the feasibility study including metallurgical testwork, preliminary marketing studies, and process water options are currently in progress or commencing and it is hoped these studies will be completed soon after the resource is finalised.

### **Kirwans Tungsten Prospect, West Coast New Zealand (Auzex NZ 100%, NZML earning)**

Kirwans is located 12km east of Reefton on the west coast of the South Island of New Zealand. New Zealand Minerals Limited (NZML) is funding exploration to earn a 50% stake in the project. An initial diamond drill program was planned to intersect tungsten mineralisation at varying depths beneath outcropping scheelite bearing quartz veins reported from an historic trench (refer table). The trench contains mineralisation (based on a 0.1% WO<sub>3</sub> cut off) of 76m at 0.17% WO<sub>3</sub> from 13m and 35m at 0.34% WO<sub>3</sub> from 120m. The two drill holes, positioned 40 metres to the north of the trench, where access was easier, were designed to test the depth continuity of the high grade tungsten intersected in the trench. This is the first drilling ever conducted on this prospect.

Drill hole KHDD07-01 was completed to a depth of 75m where it was abandoned due to poor ground conditions without reaching the targeted high grade zone of mineralisation intersected in the trench. Drill hole KHDD07-02 was drilled underneath hole KHDD07-01 at a dip of -80° to test the continuity of mineralisation intersected in the trench and first hole, and was completed to a depth of 263.2m. Drilling was slow, with an average production of just over 6m per shift.

The best tungsten intersections for KHDD07-01 include 15m at 0.13% WO<sub>3</sub> from 4m, 5m at 0.15% WO<sub>3</sub> from 33m and 2m at 0.32% WO<sub>3</sub> from 44m. The entire interval drilled averages 0.08% WO<sub>3</sub> and includes metre assays up to 0.38% WO<sub>3</sub>. The first hole correlates well with the results in the trench, although the trench does contain higher metre grades than the drill hole. Six zones of significant tungsten are present in KHDD07-02, including 15m at 0.13% WO<sub>3</sub> from 14m, 3m at 0.12% WO<sub>3</sub> from 49m, 2m at 0.13% WO<sub>3</sub> from 69m, 7m at 0.14% WO<sub>3</sub> from 77m, 2m at 0.14% WO<sub>3</sub> from 157m, and 3m at 0.13% WO<sub>3</sub> from 162m. These zones included higher grade individual metres up to 1.07% WO<sub>3</sub>. Overall, the entire hole from 0-263.2m averaged 0.05% WO<sub>3</sub>. The grade of the mineralisation intersected in both holes and the trench close to the surface is comparable but the tungsten grade in the second hole at depth is lower than that reported in the trench, despite the presence of a similar density of quartz veining. The tungsten mineralisation appears to be associated with anomalous copper and gold with results from individual metres up to 0.115% Cu and 0.187 g/t Au.

The drilling has successfully intersected tungsten mineralisation from the surface to a vertical depth of 180m and over a 40m strike length. In general, wide low grade zones of tungsten mineralisation were intersected that include narrower high grade intervals of scheelite mineralisation. The mineralisation continues to a significant depth and is interpreted from soil sampling to be 1,400m long and 600m wide. The results to date from the trenching and drilling suggest that there is the potential for a high tonnage low grade tungsten resource at Kirwans.

Work is underway to characterise the tungsten mineralisation at Kirwans to understand the metallurgical recoveries of the mineralisation. The program will entail determining precisely the nature of mineralisation, including mineral species, metal association, nature of occurrence, the spatial distribution of tungsten within quartz, and size of scheelite crystals. Approximately 40kg of mineralisation with an average grade of 0.15% WO<sub>3</sub> is undergoing preliminary metallurgical test work. This program of work will be completed before drilling resumes later this year.

#### Kirwans Tungsten Prospect – drill collar details

Hole	Easting	Northing	RL	Azimuth	Dip	Length	Target
Trench1	2428951	5900990	1200	70	-25	191	Eastern veins
Trench2	2428691	5900330	1130	270	-25	160	Western veins
KHDD07-01	2428985	5901048.5	1178	80	-60	74.9	West dipping sheeted quartz-scheelite veins
KHDD07-02	2428982.6	5901048	1180	80	-80	263.2	West dipping sheeted quartz-scheelite veins

#### Kirwans Tungsten Prospect – summary of trench / drill intersections

(using a 0.1% WO<sub>3</sub> cut-off with min. width of 2m)

Hole	From	To	Interval	%WO <sub>3</sub>
Trench1*	13	89	76	0.17
Trench1*	95	97	2	0.30
Trench1*	104	106	2	0.11
Trench1*	120	155	35	0.34
Trench2*	19	26	7	0.74
Trench2*	61	66	5	0.46
Trench2*	69	71	2	0.21
Trench2*	79	85	6	0.26
KHDD07-01	4	19	15	0.13
KHDD07-01	33	38	5	0.15
KHDD07-01	44	46	2	0.32
KHDD07-02	14	29	15	0.13
KHDD07-02	49	52	3	0.12
KHDD07-02	69	71	2	0.13
KHDD07-02	77	84	7	0.14
KHDD07-02	157	159	2	0.14
KHDD07-02	162	165	3	0.13

\* Trench data was obtained from Gold Mines NZ Ltd 1983

The second phase of drilling at Kirwans is anticipated to commence in early November subject to securing a diamond drill rig. The planned drill program comprises six holes for 1,310m and will test both the eastern and western sheeted vein systems for continuity.

### Running Brook Gold-Copper Prospect, Mt Surprise, North Qld (Auzex 100%)

Running Brook is located 25km south of the Galala Range prospect. Initial soil sampling identified anomalous gold and copper in soils, defining a 10 ppb gold soil anomaly measuring 1500m by 800m that contains a 30 ppb soil anomaly measuring 1000m x 300m. The soil sampling also highlighted a 150 ppm copper in soil anomaly measuring 1000m by 500m that partially overlaps the gold soil anomaly to the north. Four trenches provided geological information to target the planned drilling. Gold assays received from the trenches included 150m at 0.26 g/t gold, including 22m at 0.48 g/t gold and 16m at 0.53 g/t gold, 62m at 0.20 g/t gold and 4m at 0.49 g/t gold. One trench was dug across the copper soil anomaly and returned 20m at 0.09% copper and 14m at 0.11% copper.

Drilling completed at Running Brook during the quarter comprised a total of nine RC holes and two HQ diamond holes, for a total of 1196.7m (896m RC, 300.7m DD). Results have been received for gold assays for all holes drilled at Running Brook (refer table). Multi-element results are yet to be received. The drilling intersected wide zones of low grade gold mineralisation similar if not slightly higher grade and wider than the trench results. Gold mineralisation appears to be associated with quartz veins within weakly altered gneiss. At present the controls on the distribution of gold are unclear as the gneiss country rock appears to be a poor host for mineralisation. The widths and continuity of low grade mineralisation suggests that a large-scale gold enriched hydrothermal system related to a granite intrusion may have been active in the area. Finding this source is now a high priority for follow-up exploration. A better understanding of the geology is therefore required to allow targeting of the source of mineralisation and locating a suitable host for mineralisation. As the area is soil covered, a ground magnetic survey is being planned to allow for detailed interpretation of the local geology.

#### Running Brook - Summary of Gold Drill Intersections

Hole	Easting	Northing	RL	Az	Dip	Depth	Mineralisation
RBDD07-01	218870	8027403	423	120	-60	150.1	150.1m at 0.024g/t Au from surface
RBDD07-02	218670	8027290	418	120	-60	150.6	150.6m at 0.037g/t Au from surface
RBRC07-03	218699	8027277	415	120	-60	100	100m at 0.13g/t Au from surface, including 29m at 0.3g/t Au from 0m and 8m at 0.19g/t Au from 92m
RBRC07-04	218752	8027252	414	120	-60	120	120m at 0.17g/t Au from surface, including 10m at 0.5g/t Au from 24m
RBRC07-05	218769	8027343	414	120	-60	114	114m at 0.05g/t Au from surface, including 21m at 0.15g/t Au from surface
RBRC07-06	218805	8027322	419	120	-60	102	1m at 0.25g/t Au from 13m, 1m at 0.86g/t Au from 43m, 2m at 1.32g/t Au from 46m, 3m at 0.22g/t Au from 85m
RBRC07-07	218851	8027296	420	120	-60	100	100m at 0.21g/t Au from surface, including 16m at 0.37g/t Au from 11m, 25m at 0.26g/t Au from 34m and 23m at 0.24g/t Au from 68m
RBRC07-08	218614	8027216	412	120	-60	108	108m at 0.026g/t Au from surface, best intercept 4m at 0.28g/t Au from 23m
RBRC07-09	218660	8027188	414	120	-60	96	96m at 0.1g/t Au from surface
RBRC07-10	219235	8027908	424	120	-60	78	78m at 9ppb Au - awaiting Cu assays
RBRC07-11	219173	8027188	426	120	-60	78	78m at 2ppb Au - awaiting Cu assays

### Galala Range Molybdenum Prospect, Mt Surprise, North Qld (Auzex 100%)

The Galala Range molybdenum prospect occurs within the core of a large alteration system 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. Tungsten and gold mineralisation is located at its periphery. Three holes were drilled in this central area in 2006 with all returning high grade intersections of molybdenum within wide zones of elevated molybdenum. Better intersections included 14m at 0.15% Mo from 15m, 3m at 0.28% Mo from 87m and 7m at 0.14% Mo from 60m. Encouraging near surface molybdenum mineralisation was encountered over a 500m x 200m

area. The area has potential to host a significant molybdenum resource if the continuity of mineralisation as a series of flat sheets can be established over the area of the soil anomaly.

A third phase of drilling was conducted during the quarter to test the continuity of mineralisation discovered to date and test the geological model. Nine holes were drilled totalling 884m in interpreted extensions to the mineralisation intersected to date. Each hole was planned to be drilled to 100m depth, with most of the drill holes targeting SE-dipping quartz-molybdenite veins within a NE-trending structural corridor. All holes intersected anomalous amounts of visible molybdenum and four holes drilled through wide zones of pervasive sericite ± chlorite ± muscovite alteration associated with molybdenite mineralisation. The continuous visible molybdenite intercepts were between 5-15m wide and similar to mineralisation intersected by the previous drilling. One drill-hole intersected continuous mineralisation over a 35m interval from 20m. A full report will be provided once assay results are received and interpreted (expected early November).

### **Khartoum Tin Project, Mt Garnet, North Qld (Auzex 100%)**

Located 20km north-west of Mt Garnet, Khartoum has been identified as particularly prospective for tin and tungsten mineralisation hosted by a Late Carboniferous-Early Permian felsic intrusive. The area contains over fifty tin, tungsten, bismuth and gold occurrences. Results from rock chip sampling indicate that high grade tin is mostly associated with cassiterite bearing quartz veins in greisen and disseminated cassiterite in greisen. Regional mapping identified a 9km by 3km zone of alteration around shear zones in the granite that consists of intensely silica altered greisen zones, sometimes containing quartz veins. Maximum assays include 15.25% W, 3.78% Sn, 0.13% Bi and 438 ppm Ag. Soil sampling identified fifteen highly anomalous areas mainly for tin.

Prospect scale mapping and character sampling has been completed over the Ahmets-Boulder-Great Boulder tin prospects. The character sampling targeted 12 greisen zones where rock chip samples were collected over 1m intervals and composited into 5m samples. Traverses were conducted across the long axis of each greisen zone. Partial results of multi-element assays, but not including tin, have been received containing anomalous Ag, As, Bi, Cu, In, Pb and W. Results will be reported shortly when assays and compilation are complete.

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

West Tinaroo region contains metamorphosed sedimentary rocks belonging to the Devonian Hodgkinson Formation that have been intruded by several Late Carboniferous-Early Permian plutons. Quartz veins and stockwork quartz occur throughout the area, particularly at the Tinaroo granite-metasediment contact and within the metasediments. Quartz veins vary in size from 5mm to 2m wide and the larger veins have a maximum strike length of around 2km. Rock chip sampling has highlighted a strong gold-bismuth geochemical association with the quartz veining including assays up to 5.53g/t gold in rock chip samples. Six geochemical targets have been defined that are greater than 30+ ppb Au and several of these remain open, especially to the north.

A scout drilling program is underway with thirteen RC holes for 925m planned to test the grade and distribution of gold bearing quartz veins identified from detailed mapping and extensive surface geochemical sampling. Two holes have been completed with both holes intersecting wide zones, up to 35m, of quartz-pyrite-muscovite veining in schist in the roof zone of the Tinaroo Granite. The veins intersected by the drilling are similar to those gold bearing veins sampled on the surface. Gold assay results should be available in early-mid November.

### **Whistler Molybdenum-Bismuth Prospect, Mt Surprise, North Qld (Auzex 100%)**

Whistler is located 25km east of the Running Brook gold prospect. Mapping, rock chip sampling and soil sampling have been completed following up an anomalous rock chip sample assaying 1.61g/t gold previously collected during reconnaissance mapping. Although gold results were discouraging, anomalous values for molybdenum up to 85 ppm Mo in soils and 0.78% Mo and 1.65% Bi in rock chips have been returned.

Soil sample results to date define two anomalous zones with strongly anomalous molybdenum and one zone of strongly anomalous bismuth, which is coincident with the northern Mo soil anomaly. Anomalous uranium is also present and appears spatially associated with the elevated molybdenum. The anomalies are associated with north trending quartz veins hosted by an aplitic unit forming at the core of the prospect. At present it is unclear as to the source of the soil anomalies. Character sampling of vein and wall rock material has been completed to establish controls on mineralisation.

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

Regional exploration was carried out targeting the granites between Kingsgate and Seven Hills and to the east of Seven Hills. This has resulted in the addition of three new targets to be tested for their gold potential later in the year. These include the Pigmatose and Mannix's gold prospects (Glen Innes South) and the Oban region, which returned encouraging reconnaissance gold rock chip results from historical hard rock workings. A detailed airborne magnetic geophysical survey over 900 km<sup>2</sup> is planned for the Deepwater-Seven Hills-Kingsgate areas in November, which will be used to help interpret the geology at Seven Hills and prioritise areas for exploration in the next budget period. The survey is also planned to cover the remainder of the Kingsgate Leucogranite including the Kingsgate Mo-Bi deposit. Work in the Ruby Creek area at Stanthorpe has downgraded the potential of the area.

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

Regional scale fieldwork continued in North Queensland with work focussing on collecting regional scale soil samples from the Pine Creek, Red Bank and Fossilbrook regional areas. Not all the results have been received, but the Pine Creek region appears to be particularly anomalous for uranium.

### **December Quarter Work Program**

The principal aims of exploration for the next quarter are:

- Complete a significant portion of the Kingsgate Mo-Bi project resource drilling program.
- Continue to advance key aspects of the Kingsgate feasibility study.
- Complete a ground magnetic survey at the Running Brook gold prospect to gain a better understanding of the subsurface geology, potential controlling structures and vectors towards potential higher grade zones of mineralisation.
- Complete drilling at the West Tinaroo gold project to gain subsurface information on the geology and mineralisation style, and provide an interpretation of results.
- Assess the resource potential of the Galala molybdenum prospect.
- Continue assessment of tin targets in the Ahmets-Boulder-Great Boulder area of Khartoum to gain information on the geology and mineralisation style in preparation for drilling.
- Interpret follow-up mapping, rock chip sampling and infill soil sampling results at the Whistler molybdenum prospect to better understand the Mo-Bi mineralisation style.
- Extend mapping and soil sampling at the Seven Hills gold prospect to the east.
- Complete a regional airborne geophysical survey (900 km<sup>2</sup>) over the Glen Elgin, Glen Garry and Glen Innes tenements.

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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.*