

1 April 2008

Promising initial Kingsgate silica (quartz) testwork

Highlights

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

- Quartz, in the form of quartz pipes, is intimately associated with the molybdenum and bismuth mineralisation at Kingsgate, which from a future mining perspective, would be mined and processed during the normal course of operations.
- Initial investigations and testwork into the potential of silica (quartz) to be a value addition in the Kingsgate production process have been positive.
- Early metallurgical testwork, which formed part of the 2007 scoping study, assumed a bulk concentrate would be produced which contained all the metals (Mo-Bi-Ag-Au-W-Pb) and the remaining material to be deposited as waste in a long term tailings storage facility. However, current testwork on this “waste” has highlighted the significant quality and value of the silica (quartz) component.
- Silica is used in the electronic, lighting, fibre optic and semiconductor industries, and in silicon production. A consultancy firm advising the Company on the marketing of its silica material has indicated, based on initial testwork assay data, that it may be suitable for high value markets such as thin film transistor (TFT) and liquid crystal display (LCD) applications. Material for such applications has an indicative value of US\$400 per tonne.
- The Company is currently completing a feasibility study assuming an overall plant process rate of 250,000tpa. Given the style of mineralisation, it is estimated that silica production could represent 100,000-150,000 tpa.
- If the results of further testwork (due at the end of this quarter) confirm the value of Kingsgate silica, then this will have a major positive impact on project profitability, resource potential and longevity.

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The tailings (residue) from metallurgical testwork undertaken for the recovery of molybdenum, bismuth and silver from Kingsgate has undergone initial metallurgical assessment to determine its suitability as raw material in the production of silicon. If final testwork is successful, the processing (and sale) of the tailings would be a complimentary process to the current process design requiring some modification at nominal capital and operating cost, but which would have a significant impact on project revenue streams.

The material utilised for the testwork was derived from the bulk sampling program undertaken in late 2006. At that time, approximately 800kg of Mo-Bi mineralisation taken during trial mining was shipped to our metallurgical consultants to determine metal recoveries and provide input to the plant design which was then incorporated in the project scoping study completed in June 2007. The sample was subjected to routine crushing and grinding followed by flotation. A bulk concentrate was produced which contained all the metals (Mo-Bi-Ag-Au-W-Pb) present in Kingsgate mineralisation. The material remaining (tailings) would normally be deposited in a long term tailings storage facility, but in this case has undergone further testwork as a potential silicon metal source.

The Kingsgate mineralisation is intimately associated with quartz pipes, which means that quartz is usually the host of the Mo-Bi-Ag mineralisation on which the current feasibility study (and previous scoping study) is based. The quartz would be mined and processed during the normal course of operations.

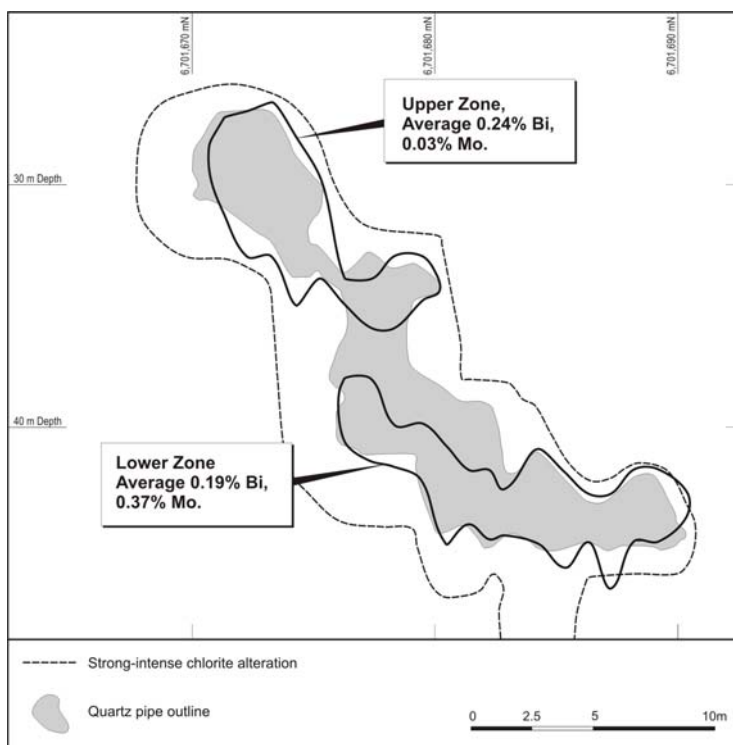
The following table summarises the comparative assay data for the Kingsgate tailings against the required specifications for quartz as a raw material for silicon production.

	*Specification of quartz for silicon production (%)	Kingsgate tailings assay after initial Mo-Bi flotation (%)	Kingsgate tailings after further testwork (%)
SiO ₂	98.0 min.	94.24	99.70 est.
Al ₂ O ₃	1.0 max.	2.79	0.059
Fe ₂ O ₃ + Al ₂ O ₃	1.5 max.	4.00	0.091
CaO	0.2 max.	0.14	0.026
MgO	0.2 max.	0.07	0.008
P ₂ O ₅	nil	0.026	nil
As ₂ O ₃	nil	nil	nil

*Source: USBM Mineral Facts and Problems

Further testwork commenced in February 2008 to assess the relative merits of flotation, magnetic and electrostatic techniques to upgrade the tailings to a saleable product, with flotation providing the best results (see table).

Although this testwork is incomplete, the results indicate that the tailings can be readily “cleaned” using standard flotation technology to provide a valuable saleable product. A consultancy firm advising the Company on the marketing of the silica material has indicated, based on the assay data, that it may be suitable for high value markets such as thin film transistor (TFT) and liquid crystal display (LCD) applications which have an indicative value of US\$400t. The Company estimates that production of silica will be 100,000-150,000 tonnes per annum (assuming a plant process rate of 250,000tpa).



Wolfram Pipe Cross Section 400,830mE, showing the quartz pipe outline on section and the associated zones of molybdenum-bismuth mineralisation.

Background facts on the silica and silicon markets

Silica (SiO_2 known also as sand or quartz) is a common rock forming compound in the Earth's crust and is commonly used in the construction industry. Two per cent of total world production is called industrial silica sand (containing over 95% SiO_2) and used in electronic, lighting, fibre optic and semiconductor industries, and in silicon (Si) production; in all cases, the higher the purity, the more valuable the product.

Silicon is produced by reduction of silica (SiO_2) using carbon in an electric arc furnace in grades ranging from standard (+98.5%Si) to high purity (+99.99%Si) and solar grade (+99.9999%Si). The world silicon market was 1.7Mt in 2006 with China accounting for approximately half of total supply. The markets for silicon metal are as an alloying element with aluminium (52%), silicone and silane chemicals (39%) and in electronics and solar cells (7%). Cast aluminium typically contains 7%Si (and up to 23%Si) and is primarily used in the transport industry as well as machinery and equipment; silicon-based chemicals, largely silicone oil, resin and rubber are used in sealants, lubricants, paints, synthetic rubber, cosmetics, polishes, textile anti-bacterial treatments, and fabric softeners; and polycrystalline silicon (polysilicon) is used in semiconductors for integrated circuits and solar photovoltaic cells (PVC) to produce electricity. The polysilicon market in 2006 was approximately 30,000t and undergoing rapid growth with expected capacity of 60,000t in 2010.

Silicon metal price is influenced by power costs which represent 50% of total operating cost, with raw material costs between 30%-40% of input costs. Each tonne of silicon product requires between 10MWh and 12MWh of electricity.

Grades of silicon are specified by minimum silicon content and maximum contents of impurities. The two common products are 5-5-3 and 4-4-1 which refer to the aluminium-iron-calcium contents and represent 0.5%Al-0.5%Fe-0.3%Ca and 0.4%Al-0.4%Fe-0.1%Ca impurity content respectively. At 27 March 2008, silicon (98.5% min.) 4-4-1 was A\$4400mt and silicon (98.5% min.) 5-5-3 was A\$4200mt approximately.

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Competent Person Statement

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.

Kingsgate Project – Background

The project area is located 20km east of Glen Innes in northern New South Wales, a well serviced regional town on the main inland highway between Sydney and Brisbane. Historically, the Kingsgate mine was the second largest producer of molybdenum in Australia with much of the ore mined from a swarm of high grade, near-surface quartz pipes. A total of 350t molybdenum and 200t bismuth was mined between the 1880s and 1920s. Very little modern exploration was undertaken until Auzex acquired the project in 2003. At the time of acquisition, molybdenum was trading at less than US\$10 lb and bismuth less than US\$5 lb – current prices as at 27/03/08 are Mo US\$33.55lb* and Bi US\$16.50lb. Over the last few years, Auzex has completed several drill programs and a Trial Mining / Bulk Sample operation. Results formed part of a Scoping Study completed in mid 2007 with the Company subsequently deciding to advance the project to Feasibility status.

(*Note: 1lb/mt = 0.0045% (or 450ppm) approx, 0.1% = 22lb/mt approx)