

13 May 2008

## Important progress for Khartoum tin project, North Queensland

### Highlights

- **Assessment of results from current exploration at the Khartoum tin project are compelling and indicate at this early stage the potential for the discovery of a new world class tin deposit.**
- **Spectral processing of satellite imagery has highlighted the considerable potential to increase the scale of the Khartoum project within the Company's tenement, outside of the area defined by current exploration.**
- **Exploration to date suggests a mineralised system with a conceptual tonnage potential of 80 – 120 million tonnes, averaging 0.2%-0.3%Sn based upon the areal extent of greisen tin mineralisation discovered within the project area, and the reported results of the Company's geological mapping, sampling and drilling program. There has been insufficient exploration undertaken to define a Mineral Resource at this time.**
- **Initial metallurgical testwork undertaken on diamond drillcore of fresh greisen mineralisation indicate a combined tin recovery from gravity and flotation of 71%. This result is considered highly encouraging because significant improvements are likely to be made with modification to grinding and flotation circuit parameters. Mineralogical studies indicate the cassiterite is generally of fine grain size (<100µm), free from sulphide, and contains only trace stannite (an uneconomic tin mineral).**
- **A total of 195 composite (5m) rock chip samples have been recently collected from 50 channel sample traverses across greisen mineralisation located in the Boulder-Ahmets region covering a 13km<sup>2</sup> area.**
- **3D modelling of mapped greisen bodies has commenced with the objective of designing a second phase of RC drilling to be conducted in the second half of 2008 aimed at developing an initial JORC compliant resource.**
- **The tin price is strong with a positive outlook; currently (9 May 2008) the metal is A\$25,900 per tonne.**

### **Khartoum Tin Project, North Queensland (Auzex 100%)**

The project is located approximately 100km south-west of Cairns and 20km north-west of Mt Garnet and covers the Elizabeth Creek Granite that contains over 50 tin, tungsten, bismuth and gold occurrences. Approximately 15,000 tonnes of tin ore at an unknown grade is reported from historic mining of eight mines in the area.

Auzex commenced exploration in mid 2007 focussing on a 9km by 3km zone covering a number of known tin occurrences and old workings. Soil sampling identified fifteen highly anomalous tin areas with values up to 1.8% associated with extensive greisen.

Follow-up channel sampling of outcropping greisen targeted twelve zones of mineralisation within one of the main anomalous areas. Best results included 5m at 1% tin, 35m at 0.38% tin and 40m at 0.30% tin associated with anomalous Ag, As, Bi, Cu, In, Pb and W. In December 2007, five RC holes and one diamond drill hole were drilled to test the best channel sample results for a combined total of 528m, comprising 383.8m of RC and 144.2m of diamond core (Refer ASX announcement 12 February 2008). All holes intersected the targeted greisen mineralisation. Visible coarse cassiterite was logged in the diamond drill hole within the greisen alteration. The drilling intersected greisen mineralisation from surface to depths greater than 150m. The mineralisation remains open in all directions.

Metallurgical testwork was undertaken on a 40 kg sample of diamond drillcore (intercept from 78 to 116m) averaging 0.26% Sn. The interval comprised a representative sample of fresh tin bearing greisenised granite. Preliminary results of sulphide flotation work at a grind size of 80% passing 106µm indicate a low loss of tin to the sulphide concentrate and low sulphide in the tails, which are the feed for tin recovery using gravity. Initial gravity testwork completed at an 80% passing 106µm grain size showed that the tin (cassiterite) grains were not being completely liberated at that grind size. This diminishes the ability of gravity based techniques to separate tin from gangue (or host) minerals. Nevertheless, a combined recovery of 71% tin was achieved which is typical for this type of mineralisation. The testwork is continuing at a finer grind size (80% passing 75µm), which is expected to improve the recovery and produce a saleable concentrate.

A suite of thirteen polished thin sections from Khartoum diamond core were studied to document the nature of the Khartoum tin mineralisation, including 1) The presence and proportion of cassiterite versus stannite, 2) cassiterite (tin) grain size, and 3) the sulphide species present. The samples are mostly of coarse grained leucocratic granitic rocks overprinted by moderate to intense greisen alteration, comprising muscovite (-sericite)-quartz with minor fluorite and trace carbonate. Many of the samples contain disseminated, as well as locally vein-hosted tin mineralisation. Cassiterite is the dominant tin species present and stannite (an uneconomic tin mineral) is very rare. Cassiterite is mostly fine grained (<0.1mm or 100µm), but forms aggregates up to several millimetres across in more strongly mineralised samples. Sulphide minerals present include sphalerite, pyrite, arsenopyrite, chalcopyrite and galena, which are most commonly disseminated as part of the alteration assemblages.

A batch of 20 high grade tin diamond and RC drill samples (ranging from 0.37% to 3.00% Sn) were submitted for analysis for 12 elements often associated with this style of mineralisation (Ag, Ce, Ga, Th, W, Bi, Mo, In, Sb, Se, Te, and Ge). Results indicate that the greisen mineralisation is also anomalous in silver, indium and gallium associated with recoverable zinc and copper sulphides.

A total of 195 composite (5m) rock chip samples have recently been collected from 50 channel sample traverses across greisen alteration located in the Boulder-Ahmets region covering a 13km<sup>2</sup> area. Results are expected in the June quarter. Additional greisen zones have been identified during the channel sampling program. Spectral processing of satellite imagery was carried out to map additional zones of greisen mineralisation. This technique has successfully mapped the distribution of known greisen and identified new areas of greisen mineralisation. These areas have been prioritised for follow-up mapping and channel sampling. The results strongly support the view that there is considerable potential to increase the size of the Khartoum project within the Company's tenement, outside of the area defined by current exploration, and that the area of greisen mineralisation may be up to ten times greater than sampled to date.

3D modelling of mapped greisen bodies has commenced with the objective of designing a second phase of RC drilling to be conducted in the second half of 2008 aimed at developing an initial JORC compliant resource for the greisen mineralisation.

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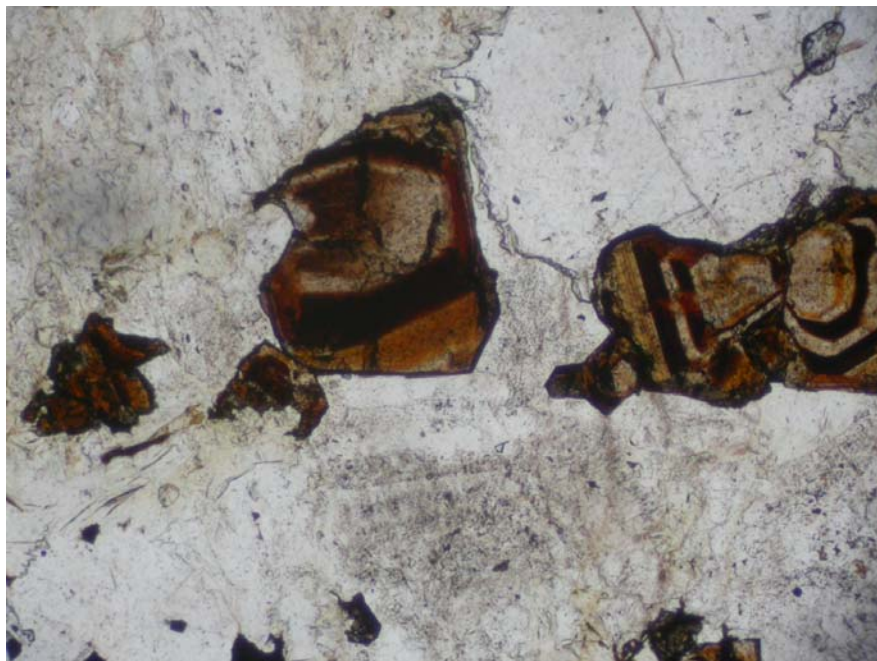
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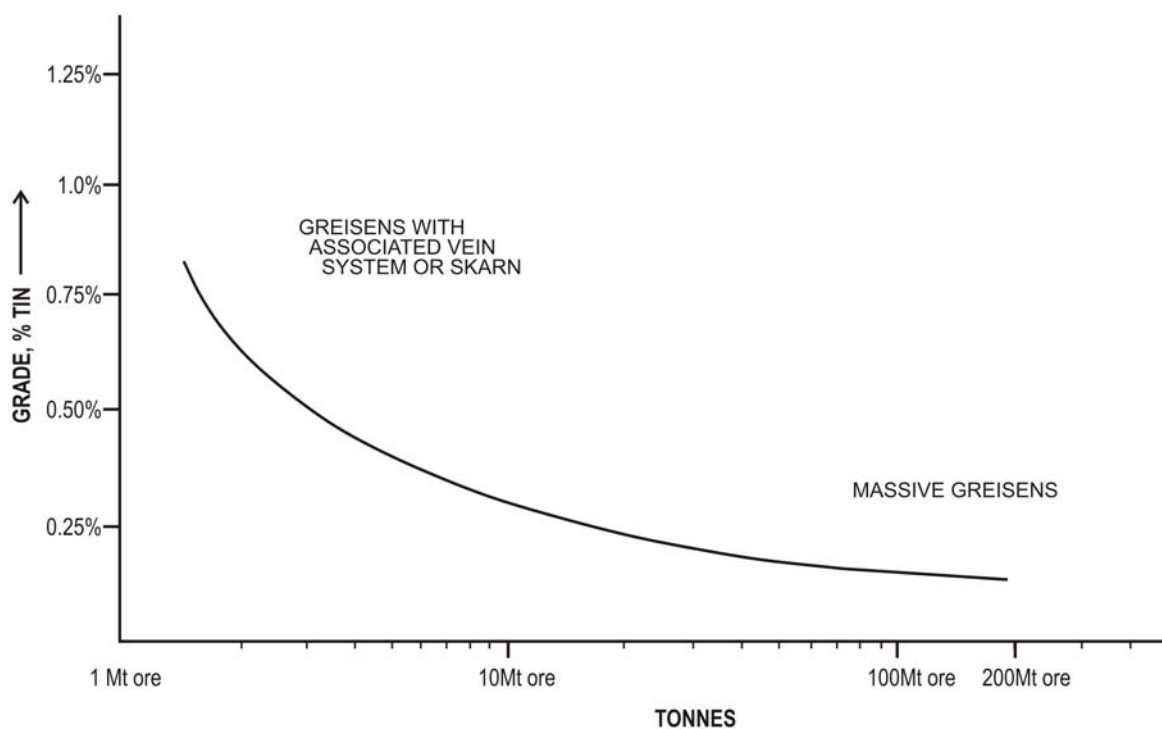
*The information in this report that relates to Exploration Results is based on information compiled by John Lawton who is a Member of The Australasian Institute of Mining and Metallurgy. He is a full-time employee of the Company and has sufficient experience that is relevant to the style of mineralisation 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.*



**Flotation of sulphides from Khartoum greisen tin mineralisation**



Photomicrograph of coarse (up to 1mm) grains of brown zoned cassiterite hosted in quartz (clear), fluorite (upper right, clear) and muscovite (left, brown). Plane polarised transmitted light, field of view 2 mm across



Tonnage – Grade Curve for global greisen tin systems similar to Khartoum