



ABN 74 106 444 606

## **Prospectus**

**For a 1 for 2 non renounceable pro rata entitlement offer of 75 cent options expiring on 30 September 2010, at an issue price of 10 cents per option and invitation to apply for Additional Options arising from any shortfall.**

**If you are a Qualifying Shareholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this Prospectus, you have any questions about the securities being offered under this Prospectus, you should contact your stockbroker, accountant or other professional adviser.**

**An investment in Options offered under this Prospectus should be considered as speculative.**

## Important Notice

### About this Prospectus

This Prospectus is dated 17 July 2008. A copy of this Prospectus has been lodged with ASIC. ASIC takes no responsibility for the contents of this Prospectus. The expiry date of this Prospectus is 16 August 2009. No securities will be issued on the basis of this Prospectus after that expiry date. On 17 July 2008 the Company applied for the grant by ASX of official quotation of the Options issued under this Prospectus. ASX takes no responsibility for the contents of this Prospectus. This is a Prospectus for an offer of options to acquire continuously quoted securities (as defined in the Corporations Act) of the Company and has been prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

### Risks

Various risks may affect the future operating and financial performance of the Company and the value of an investment in the Company. Some of these risks are listed in section 3 of the Prospectus. The potential tax effects of participating in the Offer will vary between investors. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers. The Offer is not underwritten.

### Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer, which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer.

### Foreign Jurisdictions

This Prospectus does not constitute an offer of, or an invitation to subscribe for, any Options in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. The Options being offered under the Prospectus are offered in New Zealand in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (NZ). No action has been taken to register or qualify the Options being offered under the Offer or otherwise permit a public offering of the Options in any jurisdiction other than Australia and New Zealand. This Prospectus may not be distributed to, or relied on by, persons outside Australia or New Zealand.

### Privacy

You may provide personal information to the Company and the Registry. The Company and the Registry collect, hold and use your personal information in order to service your needs as an Optionholder, provide facilities and services that you request and carry out appropriate administration. Company and tax laws require some of the information to be collected. The Company and the Registry may disclose your personal information for purposes related to your shareholding or optionholding to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act:

- the Registry for ongoing administration of the register; and
- printers and mailing houses for the purposes of preparation and distribution of Optionholder information and for handling of mail.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Company or the Registry. You can request access to your personal information by telephoning or writing to the Company through the Registry as follows:

Computershare Investor Services Pty Limited  
GPO Box 5240 Brisbane, Qld 4001  
By telephone: 1300 552 270 (within Australia)  
or +61 7 9415 4000 (outside Australia)

### Definitions and Abbreviations

Certain terms and abbreviations used in the Prospectus have defined meanings as set out in the glossary in Section 5. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated.

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### Key Offer Details

Number of Options to be issued under the Offer *	15,186,002
Offer Price	\$0.10
Qualifying Shareholders' Entitlement	1 Option for 2 Shares held on the Record Date
Amount to be raised under the Offer (before Offer costs) *	\$1,518,600

*\*Assuming that no Shares are issued pursuant to the exercise of existing options on or before the Record Date. Final number also subject to rounding.*

### Important Dates

Lodgement of Prospectus with ASIC	17 July 2008
Record Date	7.00pm (Brisbane time) 28 July 2008
Opening Date	1 August 2008
Closing Date – last date for acceptance and payment in full	5.00pm Brisbane time 22 August 2008
Deferred trading commences	25 August 2008
Allotment and issue of Options	28 August 2008
Despatch of holding statements	1 September 2008
Commencement of trading of Options on ASX	2 September 2008

*The dates above and other dates referred to in this Prospectus (except the date of this Prospectus) are indicative only. Subject to the Listing Rules and the Corporations Act, the Company reserves the right to change any date (including to extend the Closing Date of the Offer or to close the Offer early) without prior notice.*

### How to accept

Review this Prospectus and make your investment decision carefully. If you decide to take up all or part of your Entitlement, please complete the attached Entitlement and Acceptance Form. Use the addressed envelope enclosed with this Prospectus to post the Entitlement and Acceptance Form with full payment to the Registry.

The Entitlement and Acceptance Form with full payment must be received by the Registry by the Closing Date, 5.00pm Brisbane time on 22 August 2008 (unless otherwise varied). Applications received after that date may not be accepted. Further information on action required by Qualifying Shareholders is detailed in section 1.4 of this Prospectus.

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## **Letter from the Chairman**

17 July 2008

Dear Qualifying Shareholder

On behalf of the Board of Auzex Resources Limited, it is with great pleasure that I am able to provide you with this opportunity to participate in the continuing development of the Company.

The Company is seeking to raise up to approximately \$1,518,600 to strengthen its financial position as it completes the feasibility study of the Kingsgate molybdenum-silica-bismuth project in northern New South Wales, and continues assessment of the potentially world-class Khartoum tin project in north Queensland.

The details of the Offer and its effect on the Company are set out in this Prospectus. Under the Offer, Qualifying Shareholders are offered one Option for every two Shares held on the Record Date, at an issue price of \$0.10. Each Option is exercisable at \$0.75 and expires on 30 September 2010 - see section 4.4 for the full terms and conditions of the Options.

This Entitlement is non-renounceable, which means that Entitlements may be not sold. Entitlements not taken up will lapse on the Closing Date and will form part of the shortfall and be dealt with in accordance with section 1.5 of this Prospectus.

The funds raised from the exercise of Options will be directed toward continued development of our flagship projects:

**Kingsgate project** - the Kingsgate molybdenum-silica-bismuth project feasibility study is finalising metallurgical plant design to produce products expected to command premium prices. Initial resource assessment is in progress and marketing of the molybdenum, bismuth and silica has commenced. Development financing options are also being addressed.

**Khartoum tin project** - this is a highly prospective, potentially world-class tin target providing considerable exploration encouragement. A large drilling program is planned for the coming half year with a view to establishing an initial resource in early 2009.

I invite you to read this document thoroughly in conjunction with all of the publicly available information relating to the Company.

I commend the Offer to you and look forward to your participation.

Yours sincerely



**Mr John Lawton**  
Chairman

## **1 Details of the Offer**

### **1.1 Description**

The Company is offering to Qualifying Shareholders:

- by way of a non-renounceable pro-rata entitlement offer, one Option for every two Shares recorded in their name in the Register on the Record Date, at an issue price of \$0.10 per Option (**Entitlement**); and
- an opportunity to apply for Additional Options in accordance with section 1.5.

A Qualifying Shareholder is a Shareholder who, at the Record Date, has a registered address in Australia or New Zealand.

Under the Offer (which is not underwritten), the Company will issue up to 15,186,002 Options to raise approximately \$1,518,600, before costs.

Fractional entitlements to Options will be rounded up to the nearest whole number. The Entitlement of each Qualifying Shareholder under the Offer is shown on the personalised Entitlement and Acceptance Form accompanying this Prospectus. If you are a Qualifying Shareholder and did not receive your personalised Entitlement and Acceptance Form, please call the Registry on the number indicated in the Corporate Directory or your stockbroker or professional adviser.

### **1.2 Indicative Timetable Dates**

Announcement of Offer, lodgement of Prospectus with ASIC and ASX, lodgement of Appendix 3B with ASX	17 July 2008
Record Date	28 July 2008
Opening Date	1 August 2008
Closing Date – last date for acceptance and payment in full	5.00pm 22 August 2008
Deferred trading commences	25 August 2008
Allotment and issue of Options	28 August 2008
Despatch date of holding statements	1 September 2008
Commencement of trading of Options on ASX	2 September 2008

The dates above and other dates referred to in this Prospectus (except the date of this Prospectus) are indicative only and subject to the Listing Rules and the Corporations Act. The Company reserves the right to change any date, including to extend the Closing Date of the Offer or to close the Offer early without prior notice.

### **1.3 Offer is non-renounceable**

The Offer is non-renounceable, which means that your Entitlement cannot be sold.

### **1.4 How to accept the Offer**

Acceptance of the Offer must be made on the Entitlement and Acceptance Form attached to or accompanying this Prospectus. Acceptance of your Entitlement may be for any number of Options but must not exceed your Entitlement as shown on that form, unless you are applying for Additional Options in accordance with section 1.5. If it does exceed your Entitlement, your acceptance will be deemed to be for your full Entitlement.

#### **To accept your Entitlement in full:**

- complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
- attach your cheque for the amount indicated on the Entitlement and Acceptance Form.

You can also remit funds electronically using BPAY® as indicated on the Entitlement and Acceptance Form.

**To accept your Entitlement in part:**

- fill in the number of Options you wish to accept in the space provided on the Entitlement and Acceptance Form; and
- attach your cheque for the appropriate Application Monies (at \$0.10 per Option).

You can also remit funds electronically using BPAY® as indicated on the Entitlement and Acceptance Form.

If you do not wish to accept all or part of your Entitlement, you do not have to do anything and your Entitlement will automatically lapse. You will receive no payment for your lapsed Entitlement. You cannot transfer your Entitlement to another person.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed.

**1.5 Additional Options**

Qualifying Shareholders may apply for Additional Options that will be issued from any shortfall under the Offer. To apply for Additional Options, complete the 'Additional Options' section on the Entitlement and Acceptance Form.

The Directors, in their sole discretion, reserve the right to scale back or reduce to zero the number of Additional Options applied for by any Qualifying Shareholder and to place Options not taken up under the Offer at their absolute discretion.

Additional Options will not be issued to Qualifying Shareholders where to do so would involve a breach of the Listing Rules or any applicable law.

**To accept your Entitlement in full and apply for Additional Options:**

- complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
- fill in the number of Additional Options you wish to apply for in the Entitlement and Acceptance Form; and
- attach your cheque for the appropriate amount (at \$0.10 per Additional Option).

You can also remit funds electronically using BPAY® as indicated on the Entitlement and Acceptance Form.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed.

**1.6 Payment**

Use the enclosed envelope to post your completed Entitlement and Acceptance Form, accompanied by full payment in Australian currency by a cheque drawn on an Australian bank or bank draft, in each case payable to 'Auzex Resources Limited – Option Issue Account' and crossed 'Not Negotiable' to the following address:

Computershare Investor Services Pty Ltd  
Level 19, CPA Building, 307 Queen Street  
BRISBANE QLD 4000

GPO Box 5240  
BRISBANE QLD 4001

You can also remit funds electronically using BPAY® as indicated on the Application Form. If you remit only using BPAY®, you are not required to return the application form to complete your application.

For New Zealand shareholders, on request, the Directors may in their absolute discretion on a case by case basis accept payment in New Zealand dollars by cheques drawn on New Zealand banks, at an exchange rate determined by the Directors.

The Company is entitled to retain any interest paid on Application Monies, whether or not allotment and grant of the Options takes place.

### **1.7 Closing Date**

Your completed Entitlement and Acceptance Form and payment must reach the Registry no later than **5.00 pm Brisbane time on 22 August 2008**.

The Company reserves the right, subject to the Corporations Act, the Listing Rules and any requirements of ASX, to accept late Applications or to extend the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly. Unless the Company decides to accept late Applications or extend the Closing Date, Applications received after 5.00 pm Brisbane time on 22 August 2008 may be rejected and Application Monies refunded without interest.

### **1.8 Brokerage, commission and stamp duty**

No brokerage, commission or stamp duty is payable by Applicants under the Offer.

### **1.9 ASX quotation**

The Company has applied for the quotation of all Options on ASX. If official quotation of the Options is not granted by ASX within three months after the date of this Prospectus (or any longer period permitted by law), the Offer will be cancelled and Application Monies will be returned (without interest) to Applicants as soon as practicable.

### **1.10 Allotment of Options**

Allotment and issue of Options will only be made once the Application Monies have been received and ASX has granted permission for quotation of the Options. If permission is granted by ASX, it is expected the Options will be allotted on 28 August 2008 and that holding statements for the Options will be despatched on 1 September 2008.

It is the responsibility of Applicants to determine their allocation prior to trading in the Options. Applicants who sell Options before they receive their holding statement do so at their own risk.

### **1.11 CHES**

The Options issued under this Prospectus will participate from the date of commencement of quotation in the Clearing House Electronic Subregister System (**CHES**), operated by ASX Settlement and Transfer Corporation Pty Limited. They must be held in uncertificated form (i.e. no Option certificate will be issued) on the CHES subregister under sponsorship of a sponsoring participant (usually a broker) or on the issuer-sponsored Subregister.

Arrangements can be made at any subsequent time to convert a holding from the issuer-sponsored subregister to the CHES subregister under sponsorship of a sponsoring participant or vice versa by contacting the sponsoring participant. Holding statements are expected to be dispatched in accordance with the Listing Rules.

### **1.12 Withdrawal or waiver**

The Directors may decide to withdraw this Prospectus and the Offer at any time prior to the grant and allotment of Options or to waive strict compliance with any provision of the terms and conditions of the Offer.

### **1.13 Existing option holders**

Existing option holders will not be entitled to participate in the Offer unless they are entitled to, and exercise, their existing options under the terms of their issue prior to the Record Date and become a Qualifying Shareholder.

If all existing option holders whose options have vested elect to exercise their options prior to the Record Date and participate in the Offer, a further 717,500 Options may be issued under this Prospectus.

### **1.14 Overseas Shareholders**

The Offer is made only to those Shareholders with registered addresses in Australia and New Zealand and only those Qualifying Shareholders will be offered an Entitlement.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law. Persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

### **1.15 Risks**

Potential investors should read this entire Prospectus and, in particular, consider the risks that could effect the Company before deciding to invest. Various risk factors are set out in detail in section 3 of this Prospectus.

Potential investor should carefully consider the risks in light of their personal circumstances (including financial and taxation issues) and seek professional advice from their stockbroker, accountant, lawyer or other professional adviser.

### **1.16 Taxation**

It is the responsibility of all Applicants to satisfy themselves of the particular tax consequences that apply to them, by consulting their own professional tax advisers. Neither the Company nor any of its officers, employees or agents, nor its taxation or other advisers accepts any liability or responsibility in respect of taxation consequences connected with the Offer.

### **1.17 Questions**

If you are uncertain about any aspect of this Prospectus, including whether the Offer is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

## **2 Effect of the Offer on the Company**

### **2.1 Use of funds**

The funds raised under the Offer and on the exercise of the Options will be used to provide equity funding to strengthen the Company's financial position in anticipation of its capital requirements for the continued exploration of the Company's projects.

### **2.2 Effect on capital structure**

The potential effect of the Offer on the capital structure of the Company depends on:

- any new issue of Shares (for example pursuant to the exercise of any employee options) or options between the date of this Prospectus and the date of issue and allotment of the Options offered under this Prospectus;
- the level of subscriptions from Qualifying Shareholders under the Offer; and
- whether the Options are exercised.

The below table illustrates the potential effect of the Offer on the capital structure assuming that:

- no Shares are issued pursuant to the exercise of existing options on or before the Record Date;
- the Offer is fully subscribed and a total of 15,186,002 Options are granted; and
- all of the Options which are granted under this Prospectus are exercised.

	<b>Number of Shares</b>	<b>Number of shareholder options</b>	<b>Number of employee options</b>	<b>Fully diluted capital</b>
<b>Before offer</b>	30,372,005	Nil	3,935,000	34,307,005
<b>After Offer</b>	30,372,005	15,186,002	3,935,000	49,493,007

### **2.3 Effect on financial position – pro-forma balance sheet**

#### **Basis of preparation**

To illustrate the effect of the Offer on the Company, the following summary unaudited pro forma historical consolidated balance sheet of the Company has been prepared based on the consolidated balance sheet as at 31 May 2008, which was prepared in accordance with A-IFRS. In addition, reviewed results as at 31 December 2007 as released to ASX on 27 February 2008 have been provided for comparative purposes.

The financial information is presented in abbreviated form insofar as it does not include all of the disclosures required by AIFRS applicable to annual financial reports prepared in accordance with the Corporations Act.

However, accounting policies adopted in the preparation of the summary pro-forma historical consolidated balance sheet are consistent with the accounting policies adopted and described in the Company's Annual Report for the financial year ended 30 June 2007 and the half-year report for the period ended 31 December 2007 and should be read in conjunction with those reports.

The pro-forma financial information has been prepared in accordance with the requirements of Australian Accounting Standards, A-IFRS, UIG Consensus Views and the Corporations Act as at 31 May 2008.

### **Assumptions and qualifications**

The unaudited pro-forma historical consolidated balance sheet as at 31 May 2008 has been adjusted to reflect the following pro-forma transactions:

- the position as if the Offer was fully taken up and effected on 31 May 2008 and no Shares are issued pursuant to the exercise of existing options on or before the Record Date;
- receipt of approximately \$1,518,600 under the Offer from the issue of approximately 15,186,002 Options; and
- other cash costs of the Offer not paid or payable as at 31 May 2008 - \$50,000.

The Company's actual position on completion of the Offer may differ from the position illustrated in the summary pro-forma consolidated historical balance sheet, as the Entitlements taken up cannot be determined until the Closing Date.

The Company's cash assets at 30 June 2008 (unaudited) were \$888,870.

The Company is currently seeking a cornerstone investor to invest up to \$6 million in addition to the funds to be raised under the Offer. If the Company is successful in securing such an investor, any Shares or options issued to the investor and the proceeds from the issue will have a corresponding impact on the capital structure and financial position of the Company described in section 2.2 and this section.

## Auzex Resources Limited Prospectus

### Pro Forma Consolidated Balance Sheet

	Column 1	Column 2	Column 3	Column 4
	Consolidated (Audit reviewed)	Pro Forma Consolidated (unaudited)	Transaction	Pro Forma Consolidated after transaction (unaudited)
	As announced in 31/12/07 Half Yearly Final Report \$'000	As at 31 May 2008 \$'000	As at 31 May 2008 \$'000	As at 31 May 2008 \$'000
<b>CURRENT ASSETS</b>				
Cash assets	4,066	1,080	1,469	2,549
Receivables	676	259	-	259
<b>TOTAL CURRENT ASSETS</b>	<b>4,742</b>	<b>1,339</b>	<b>1,469</b>	<b>2,808</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	161	127	-	127
Deferred exploration and evaluation phase costs	9,696	12,012	-	12,012
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,857</b>	<b>12,139</b>	<b>-</b>	<b>12,139</b>
<b>TOTAL ASSETS</b>	<b>14,599</b>	<b>13,478</b>	<b>-</b>	<b>14,947</b>
<b>CURRENT LIABILITIES</b>				
Payables	999	324	-	324
Provisions	76	53	-	53
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,075</b>	<b>377</b>	<b>-</b>	<b>377</b>
<b>NON-CURRENT LIABILITIES</b>				
Provisions	88	111	-	111
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>88</b>	<b>111</b>	<b>--</b>	<b>111</b>
<b>TOTAL LIABILITIES</b>	<b>1,163</b>	<b>488</b>		<b>488</b>
<b>NET ASSETS</b>	<b>13,436</b>	<b>12,990</b>	<b>1,469</b>	<b>14,459</b>
<b>EQUITY</b>				
Contributed equity	15,445	15,445	1,469	16,914
Other Reserves	808	728	-	728
Accumulated losses	(2,817)	(3,183)	-	(3,183)
<b>TOTAL EQUITY</b>	<b>13,436</b>	<b>12,990</b>	<b>1,469</b>	<b>14,459</b>

### 3 Risks

#### 3.1 Overview

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company, the industry in which it operates and the outcome of an investment in the Company.

This section describes certain (but not all) risks associated with an investment in the Company. Each of the risks set out below could, if it eventuates, have a material adverse impact on the Company's operating performance, profits and the value of its Shares and Options.

Before deciding to invest in the Company, potential investors should read the entire Prospectus and the risk factors that could affect the financial performance of the Company. Potential investors should specifically consider the factors contained within this section, in order to appreciate fully the risks associated with an investment in the Company. You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

#### 3.2 Specific risks

**(Native title and access - Australia)** Claims and other action in accordance with the Native Title Act 1993 (Cth) may affect the Company's ability to access prospective exploration areas or subsequently to mine any such area. A number of the Company's tenements in Australia are currently affected by native title.

Additional native title claims may be lodged in Queensland and New South Wales, in which case the Company may have to pay compensation to settle any such claim or may have its access to any affected area restricted indefinitely or until the claim is settled.

**(Access - New Zealand)** Auzex Resources (NZ) Pty Limited holds three prospecting permits and five exploration permits giving it the right to prospect or explore the relevant permit area. The permits do not give Auzex NZ any general right of access, which must be separately negotiated with each landholder. Accordingly, there is a risk that Auzex NZ may be unable to obtain sufficient access to carry out adequate prospecting or exploration activities.

**(Cultural heritage)** Commonwealth and State legislation in Australia, and legislation in New Zealand, protect sites of traditional cultural significance to Aboriginal and Maori people. Some of the Company's tenements may contain culturally significant sites that would have to be avoided in carrying out exploration, including areas that may be prospective but unable to be exploited.

**(Tenements and permits)** The Company's tenements and permits are respectively governed by applicable Australian and New Zealand legislation. The Company's interests are evidenced by a permit or licence for a specific term and are subject to the Company meeting certain expenditure and reporting obligations as well as other conditions. Accordingly, the Company could lose title to and all its interests in its tenements and permits if applicable conditions are not met.

The Company has two outstanding Australian applications and there is no guarantee that exploration tenements will be granted in accordance with those applications. If the applications are granted, they will also be subject to the conditions and obligations mentioned above and any failure to comply with those conditions and other obligations may expose the licences to forfeiture.

Further, the licences are granted for a term of between two and five years and further renewal is at the discretion of the relevant Minister and there is no guarantee of that renewal.

**(Environmental)** The Company's tenements are subject to applicable environmental laws in Australia and New Zealand. Exploration and mining activity may result in a variety of environmental impacts. While the Company intends to carry out its operations in compliance with all applicable environmental laws and in a responsible manner, any non-compliance may result in tenements being forfeited or the Company being liable to pay compensation or both.

**(Mineral prospectivity)** Statements concerning prospectivity of the Company's tenements and permits are expressions of judgment on behalf of the person making the statement. Accordingly, such statements may be imprecise and depend on interpretation by the person making it and may be changed as new information becomes available.

**(Risk of insufficient capital)** The Company currently does not derive any income and is reliant on raising equity capital from time to time to fund its activities. If the Company is unable to raise sufficient capital it may not be able to complete its work programs.

The Directors believe that the Company will have sufficient capital for its current program and as its expenses are not fixed, it will be able to manage its expenditures as required.

**(Reliance on key personnel and contractors)** The Company employs only a small number of key personnel and contractors and is committed to providing an attractive employment environment, conditions and prospects to assist in retaining its key personnel and contractors. However, there can be no guarantee that the Company will be able to retain these key personnel and contractors.

In particular, John Lawton has been instrumental in achieving the Company's progress to date and his loss could have a material adverse impact on the Company.

**(Commodity price and exchange rate)** The Company is exposed to movements in commodity price and exchange rates, as the minerals that may be discovered and extracted are priced in \$US. The Company's financial statements are expressed and maintained in Australian dollars. Exchange rate movements may impact the potential profits or assets and liabilities of the Company, to the extent that commodity price or foreign exchange rate risk is not hedged or not appropriately hedged.

Movements in commodity prices or exchange rates could reduce the viability of the Company's activities, or of certain tenements, if otherwise commercially viable discoveries are made.

**(Litigation)** Litigation risks to the Company include, but are not limited to, native title claims, personal injury claims and contractor and employee claims. If any claim were to be pursued and be successful it may adversely impact the financial position of the Company.

### 3.3 General risks

**(Share market)** On completion of the Offer, the Options may trade on ASX at higher or lower prices than the Offer Price. Investors who decide to sell their Options after listing may not receive the amount of their original investment. There can be no guarantee that the price of the Options will increase after listing. The price at which Options trade on ASX may be affected by the Company's exploration and drilling results and by external factors over which the Directors and the Company have no control. These factors include movements on international option and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

**(Liquidity and realisation)** There can be no guarantee that an active market in Options will develop. There may be relatively few, or many, potential buyers or sellers of Options on ASX at any given time. This may increase the volatility of the market price of Options. It may also affect the prevailing market price at which Option holders are able to sell their Options. This

may result in Applicants receiving a market price for their Options that is less or more than the Offer Price.

**(Dependence on general market and economic conditions)** The operating and financial performance of the Company is influenced by a variety of general domestic and international economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer or business demand, could be expected to have a material adverse impact on the Company's business or financial condition. Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact on the Company's earnings and financial performance.

**(Tax)** Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns, as will any change to the rates of income tax applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking.

**(Legislative and regulatory changes)** Legislative or regulatory changes, including changes to regulation of exploration or mining activities could have an adverse impact on the Company.

**(Profitability and commercialisation)** No representations or assurances as to future profitability or dividends can be given by the Company, since these elements are dependent on the future success of the development programs currently being undertaken

## **4 Additional information**

### **4.1 Nature of this Prospectus**

This Prospectus is a prospectus to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to offers of securities in a class which has been continuously quoted by ASX for the 12 months prior to the date of the Prospectus.

### **4.2 Continuous disclosure and inspection of documents**

The Company is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require ASX to be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX.

In particular, the Company has an obligation under the Listing Rules (subject to a limited exception) to notify ASX immediately of any information concerning the Company, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its Shares. The Company is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report (including with its yearly financial statements, a remuneration report) and an audit or review report.

### **4.3 Availability of other documents**

ASX maintains detailed records of company announcements for all companies listed on ASX. Copies of ASX announcements are available on ASX's website at [www.asx.com.au](http://www.asx.com.au) or the Company's website [www.auzex.com](http://www.auzex.com).

In addition, ASIC also maintains records in respect of documents lodged with it by the Company. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company will provide a copy of any of the following documents, free of charge, to any person who requests a copy before the Closing Date:

- the annual financial report for the year ended 30 June 2007 (being the annual financial report most recently lodged with ASIC in relation to the Company before the issue of this Prospectus);
- the report for the half-year ended 31 December 2007 lodged with ASX on 27 February 2008;
- the Third Quarter Activities Report lodged with ASX on 22 April 2008;
- the Quarterly Cash Flow Report lodged with ASX on 22 April 2008; and
- any continuous disclosure notices given by the Company after the lodgement with ASIC of the Third Quarter Activities and Cash Flow reports referred to above and before the lodgement with ASIC of a copy of this Prospectus.

This Prospectus contains details specific to the Offer. If Shareholders require any further information in relation to the Company, the Directors recommend that those Shareholders take advantage of the ability to inspect or obtain copies of the documents referred to above.

**4.4 Terms and Conditions of Options**

The terms and conditions of the Options to be issued under the Offer are as follows:

- (a) Subject to adjustment in accordance with these terms and conditions, the holder of an Option is entitled to subscribe for the allotment and issue of one Share upon payment of the Exercise Price before the Expiry Date.
- (b) Each Option has an exercise price of \$0.75 (**Exercise Price**).
- (c) An Option is exercisable at any time after the date of grant and on or before 5.00pm (AEST) on 30 September 2010 (**Expiry Date**). Options not exercised by the Expiry Date lapse.
- (d) The Company will at least 10 Business Days before the Expiry Date send notices to the Option holders stating the name of the Option holder, the number of Options held and the number of securities to be issued on exercise of the Options, the exercise price, the due date for payment and the consequences of non-payment.
- (e) No certificate will be issued if the Options are granted quotation on ASX.
- (f) The Options are freely transferable in the same manner as Shares unless classified as Restricted Securities under the ASX Listing Rules.
- (g) The Options may be exercised on or before the Expiry Date by notice in writing to the Company requesting that the Options be exercised, together with payment of the Exercise Price. All cheques must be payable to the Company and crossed not negotiable. The notice must specify the number of Options being exercised.
- (h) The Option holder may not exercise less than 1,000 Options at any one time, unless the Option holder has less than 1,000 Options in which event the Option holder must exercise all such Options together.
- (i) Upon the valid exercise of an Option, the Company will issue the holder of the Option one Share for each Option so exercised within 5 Business Days from receipt of such payment.
- (j) All Shares issued upon exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.
- (k) An Option holder may participate in new issues of securities to holders of Shares only if and to the extent that an Option has been exercised and a Share has been issued in respect of the exercise before the record date for determining entitlements to the new issue. The Company must give notice to the Option holder of any new issue not less than 10 Business Days before the record date for determining entitlements to the issue.
- (l) If the Company makes a bonus issue of shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
  - the number of Shares which must be issued on the exercise of a Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
  - no change will be made to the Exercise Price.

- (m) If the Company makes an issue of shares pro rata to existing shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E[P-(S+D)]}{N + 1}$$

where

- O = the old exercise price of the Option.
- E = the number of underlying shares into which one Option is exercisable.
- P = the average market price per of Share (weighted by reference to volume) of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying shares (except those to be issued under the pro rata issue).
- N = the number of shares with rights or entitlements that must be held to receive a right to one new share.

- (n) If there is any reconstruction of the issued share capital of the Company, the number of Shares to which the Option holder is entitled, and/or the Exercise Price, must be reconstructed in a manner which will not result in any benefits being conferred on the Option holder which are not conferred on shareholders (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), but in all other respects, the terms for the exercise of a Option will remain unchanged.

#### **4.5 Rights attaching to Shares**

This Section contains a summary of the rights and liabilities attaching to the Shares the subject of the Options as at the date of this Prospectus. This summary does not purport to be exhaustive nor to constitute a definitive statement of the rights and liabilities of Shareholders, which can involve complex questions of law arising from the interaction of the Constitution, the Listing Rules, ASTC Settlement Rules and statutory and common law requirements. To obtain a definitive assessment of the rights and liabilities which attach to the Shares in any specific circumstances, investors should seek their own advice.

#### **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share. The holder of partly paid shares has a vote in respect of each share on a poll that has the same proportionate value as the proportion that the amount paid (excluding any amount paid or credited as paid in advance of a call) on the share bears to the total issue price of the share. A Shareholder is not entitled to vote at a general meeting unless all calls and other sums presently payable by the member in respect of a share have been paid. Where a Share or partly paid Share is jointly held, only one of the joint holders may vote.

#### **General Meeting and Notices**

Each Shareholder is entitled to receive notice of, and to attend and vote at, the Company's general meetings and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution, the Corporations Act or the Listing Rules. The Company may serve a notice on a Shareholder by serving it on the Shareholder or by sending it by prepaid post, courier, facsimile transmission or electronic notification

## **Auzex Resources Limited Prospectus**

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addressed to the Shareholder's registered address or the address supplied by the Shareholder to the Company for sending notices to that Shareholder.

### **Dividends**

The Directors may declare a dividend, or determine that a dividend is payable, and may fix the amount, the time for and the method of payment.

Dividends are payable on shares in proportion to the amount of the total issue price paid (but not credited) for the shares. Each partly paid share is entitled to a fraction of the divided equivalent to the proportion which the amount paid (excluding amounts credited) on the share bears to the total amounts paid and payable, whether or not called, (excluding amounts credited) on the share.

### **Variation of Class Rights**

The rights and restrictions attaching to a class of the Company's shares can only be altered with the consent of a special resolution passed at a separate meeting of the holders of that class of share by 75% of those holders, who, being entitled to do so, vote at that meeting or with the written consent of members with at least 75% of votes in the class.

### **Further Issues of Shares and Options**

The Directors may, subject to the Corporations Act, the Listing Rules or any special rights conferred on the holders of any Share or class of Share, issue or dispose of Shares or grant options over Shares to any person at any time and on any terms and conditions as they think fit. The Company may create Preference Shares.

### **Winding Up**

Subject to the rights of holders of Shares issued on special terms and conditions, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the company, divide among the Shareholders in kind the whole or any part of the Company's property. The liquidator may set such value as it deems fair on any property to be so divided and may determine how the division is to be carried out as between Shareholders or different classes of holders.

### **Small Holdings**

Subject to the Listing Rules and ASTC Settlement Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of shares.

### **Buy Backs**

Subject to applicable laws, in particular the Corporations Act and the Listing Rules, the Company may buy back Shares on such terms and conditions as the Board may determine from time to time.

### **Transfer of Shares**

Subject to the Listing Rules and the Company's constitution, the Shares are transferable in accordance with CHESS (for CHESS Approved Securities), by instrument in writing in any usual or common form or in any other form that the Directors approve. The Directors may, subject to the requirements of the Listing Rules, request ASTC to apply a holding lock to prevent a transfer of Shares in the Company.

### **Directors**

The minimum number of Directors is three and the maximum seven. The Board may appoint additional Directors to fill a casual vacancy subject to the number of Directors not being more than the permitted maximum of seven. At each of the Company's annual general meetings, one-third of the Directors (or, if the number of Directors is not a multiple of three, then the number nearest one-third) and any other Director who has held office for three years or more must retire from office. The Managing Director is exempted from retirement by rotation. A retiring Director is eligible for re-election.

**Indemnities and Insurance**

The Company must to the extent permitted by law and subject to the Corporations Act, indemnify current and past Directors, secretaries and executive officers of the Company and of any subsidiary of the Company against a liability incurred by the person acting in that capacity and against all legal costs incurred in connection with proceedings in which the person becomes involved because of that capacity. The Company may pay the premium on a policy of insurance in respect of a person who is or has been an officer of the Company to the full extent permitted by the Corporations Act.

**Proportional Takeover Provisions**

The Company is prohibited from registering a transfer giving effect to a contract resulting from the acceptance of an offer made under a proportional takeover bid (being an off-market bid for a specific proportion of a class of shares) unless and until an ordinary resolution approving the proportional takeover bid is passed by the holders of the bid class shares. In accordance with the Corporations Act, the proportional takeover provisions will automatically cease to have effect on the third anniversary of the date of the adoption of the constitution or as of the most recent renewal term, but can be renewed by the Company in general meeting.

**Amendment of the Constitution**

The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the members of the Company. The Company's constitution does not impose any further requirements to be complied with to effect a modification of the constitution, or to repeal it.

**4.6 Interests of Directors**

Except as disclosed in this Prospectus, no Director:

- Holds or has held in the last two years before the lodgement of this Prospectus with ASIC any interest in:
  - the formation or promotion of the Company; or
  - any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer under this Prospectus; or
  - the Offer under this Prospectus, or
- Has been paid or has agreed to be paid or has received or has agreed to receive any benefits:
  - to induce them to become or to qualify as a Director; or
  - for services rendered by them in connection with the formation or promotion of the Company or the Offer under this Prospectus.

**Remuneration**

The constitution of the Company provides that non-executive Directors are entitled to receive remuneration for their services as determined by the Company in general meeting. At the annual general meeting on 23 September 2005, Shareholders resolved that the maximum aggregate amount of Directors' fees (which does not include the remuneration of executive Directors and other non-director services provided by Directors) is \$100,000 per annum, inclusive of superannuation entitlements. The Directors may divide that remuneration among the non-executive Directors as they decide.

Directors are entitled to be reimbursed for their reasonable expenses incurred in connection with the affairs of the Company. A Director may also be remunerated as determined by the Directors if that Director performs additional or special duties for the Company. A former director may also receive a retirement benefit of an amount determined by the Directors in recognition of past services, subject to the Listing Rules and the Corporations Act.

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Directors' remuneration for the last two years was as follows:

Director	Salaries and Fees		Superannuation		Options (amortised cost)		Total	
	2006	2007	2006	2007	2006	2007	2006	2007
John Lawton	137,614	183,486	12,385	16,514	20,646	12,460	170,645	212,460
Greg Partington	90,075	113,612			20,646	12,460	378,971*	126,072
Paul Frederiks	62,800	73,712			10,323	6,230	73,123	79,942
Chris Baker	24,954	32,502			10,323	6,230	35,277	38,732

\* **Note:** Includes \$268,250 representing value of fully paid shares on listing

### Shareholdings and option holdings of Directors

The Directors are not required under the constitution to hold any Shares in the Company. The following table sets out the relevant interests in Shares and options held by each Director as at the date of this Prospectus:

Director	Shares held directly	Shares held indirectly	Options held as at the date of this Prospectus
John Lawton	-	6,760,316	500,000
Greg Partington	-	1,102,316	500,000
Paul Frederiks	255,555	-	250,000
Chris Baker	-	30,316	250,000

**Note:** This table does not take into account any Options the Directors may acquire under the Offer. Some or all of the Directors may participate to the extent of their Entitlement under the Offer.

### Directors' intentions

Each Director intends to take up all or part of their Entitlements in respect of Shares held directly and indirectly.

### Directors' Deeds of Indemnity, Insurance and Access

The Company has entered into Deeds of Indemnity, Insurance and Access with each Director. To the extent permitted by law and subject to the restrictions in section 199A of the Corporations Act, the Company must continuously indemnify each Director against liability (including liability for costs and expenses) for an act or omission in the capacity of Director.

However, this does not apply in respect of any liability:

- to the Company or a related body corporate;
- to some other person that arises from conduct involving a lack of good faith;
- for costs and expenses incurred by the Director in defending civil or criminal proceedings in which judgment is given against the Director or in which the Director is not acquitted; or
- for costs and expenses incurred by the Director in connection with an unsuccessful application for relief under the Corporations Act in connection with the proceedings referred to above.

The Company has also agreed to insure the Directors and provide the Directors with access to Board documents circulated during the Director's term in office.

**4.7 Disclosure of interests of advisers**

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- has any interest, or has had any interest during the last two years, in the formation or promotion of the Company, or in property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the offer of the Options; or
- has been paid, or has agreed to be paid, any amount and has received or has agreed to receive any benefit that has been given, or agreed to be given, in connection with the services provided by the person in connection with the formation or promotion of the Company, or the offer of the Options.

DLA Philips Fox have acted as legal adviser to the Offer and have generally advised in relation to due diligence enquiries and are entitled to receive up to \$30,000 plus outlays and GST in respect of these services. Further amounts may be paid to DLA Philips Fox in accordance with their usual time-based charge-out rates.

Ernst & Young have acted as auditor to the Company and have been paid \$18,000 plus outlays and GST in respect of those services during the financial year ended 31 December 2007.

**4.8 Consents and disclaimers**

None of the persons named below has authorised or caused the issue of this Prospectus or made any statement that is included in this Prospectus, or any statement on which a statement made in this Prospectus is based, except as stated below. Each of the persons named below expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given below.

The following persons have given and have not, prior to the lodgement of this Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus in the form and context in which they are named.

DLA Phillips Fox has consented in writing to be named in this Prospectus as solicitors for the Company and has not withdrawn that consent prior to this Prospectus being lodged with ASIC.

Computershare Investor Services Pty Ltd has consented in writing to be named in this Prospectus as the share registry for the Company and has not withdrawn that consent prior to this Prospectus being lodged with ASIC.

**4.9 Expenses of the Offer**

The estimated costs of the Offer, including advisory, legal, listing and administrative fees, as well as printing, advertising and other expenses are currently estimated to be approximately \$50,000.

**4.10 Governing law**

This Prospectus and the contracts that arise from acceptance of the Applications are governed by the laws of Queensland and each Applicant submits to the exclusive jurisdiction of the courts of Queensland.

**4.11 Consent to lodgement**

This Prospectus is issued by the Company. Each Director has consented to the lodgement of this Prospectus with ASIC as required by section 720 of the Corporations Act.

## **5 Glossary of terms**

**A-IFRS** means the Australian Equivalents of the International Financial Reporting Standards.

**Additional Options** means those Options that Qualifying Shareholders may apply for under section 1.5 of this Prospectus that comprise Entitlements not taken up by other Qualifying Shareholders under the Offer.

**Applicant** means a Qualifying Shareholder who submits a valid Entitlement and Acceptance Form.

**Application** means a valid Entitlement and Acceptance Form to subscribe for Options under the Offer.

**Application Monies** means monies received from Applicants in respect of their Applications.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC** means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

**ASX** means ASX Limited (ABN 98 008 624 691).

**Auzex** means Auzex Resources Limited ABN 74 106 444 606.

**Board or Board of Directors** means the Directors of Auzex acting as a board.

**Closing Date** means the date on which the Offer closes, being 5.00 pm Brisbane time on 22 August 2008 or such other date as Directors determine in accordance with this Prospectus.

**Company** means Auzex Resources Limited ABN 74 106 444 606.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means each director of the Company at the date of this Prospectus.

**Dollars (\$)** means Australian dollars unless otherwise indicated.

**Entitlement and Acceptance Form** means the personalised entitlement and acceptance form to be used by Qualifying Shareholders in connection with the Offer, attached to or accompanying this Prospectus.

**Entitlement** means each Qualifying Shareholder's right to subscribe for one Option at the Offer Price for every two Shares recorded in their name on the Register on the Record Date.

**Listing Rules** means the listing rules of ASX as in force from time to time.

**Options** means the options offered under this Prospectus.

**Offer** means the non-renounceable offer to Qualifying Shareholders under this Prospectus to take up their Entitlement.

**Offer Price** means 10 cents per Option.

**Prospectus** means this document (including any electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document.

**Qualifying Shareholder** means a Shareholder at the Record Date with an address in Australia or New Zealand.

**Record Date** means 5.00 pm Brisbane time on 28 July 2008, unless otherwise varied in accordance with this Prospectus.

**Registry** means Computershare Investor Services Pty Limited ACN 078 279 277.

**Register** means the Company's register of members.

**Shares** means fully paid ordinary shares in the capital of the Company.

**Shareholder** means a holder of Shares recorded on the Register.

**Time** Any reference to time in this Prospectus is taken to be Brisbane time.

**Corporate Directory**

**Directors**

John Lawton – Executive Chairman  
Greg Partington – Executive Director  
Paul Frederiks – Non-Executive Director  
Chris Baker – Non-Executive Director

**Company Secretary**

Paul Frederiks  
Level 30 , AMP Place  
10 Eagle Street  
BRISBANE QLD 4000  
AUSTRALIA

**Registered office**

Level 30  
AMP Place  
10 Eagle Street  
BRISBANE QLD 4000  
AUSTRALIA

**Postal address**

GPO Box 3249  
BRISBANE QLD 4001  
AUSTRALIA

**ASX code**

AZX

**Auditors**

Ernst & Young  
Level 5, Waterfront Place  
1 Eagle Street  
BRISBANE QLD 4000  
AUSTRALIA

**Registry**

Computershare Investor Services Limited  
Level 19, CPA Building  
307 Queen Street  
BRISBANE QLD 4000  
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**Postal address**

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**Solicitors**

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