

## QUARTERLY REPORT

Three Months Ending 31 December 2008

ASX RELEASE

### Highlights

#### **Kingsgate Molybdenum-Silica-Bismuth (Mo-SiO<sub>2</sub>-Bi) Project, Glen Innes, New South Wales**

- **The feasibility study for this project was completed in mid December 2008. The financial analysis at current metal prices clearly demonstrated the project's robust and attractive financials (see ASX release dated 17 December 2008).**
- **The Company is addressing the options available for providing development capital, and may involve mining companies, product end-users or private equity.**

### Corporate

- **The Company is progressing discussions for the acquisition of a new gold project during the coming quarter**
- **If successful this acquisition would require shareholder approval**

#### **Khartoum Tin (Sn) Project, North Queensland**

- **Detailed mapping and sampling has continued to increase the area of outcropping tin mineralisation**
- **The system as outlined to date exceeds 50km<sup>2</sup> and has the potential to be a world class tin deposit**
- **The Company is actively seeking partners to advance the project**

### Gold Exploration

#### **Klondyke Gold (Au) Prospect, Glen Innes, New South Wales**

- **Recent geological mapping has confirmed the potential for Intrusion Related Gold Mineralisation within a 9km x 2km area to 50m below surface containing up to 60g/t Au.**

**Running Brook Gold (Au) Prospect,  
North Queensland**

- **Recent mapping at Running Brook has increased the potential for a Kidston style gold deposit. Geological interpretation has been hampered by poor exposure, but the intrusive complex exhibits characteristics expected to be associated with an intrusion related gold deposit.**

**Lyell Gold (Au) Project,  
New Zealand**

- **Preparation for drilling six holes to test the gold-arsenic soil anomaly over a 3000m strike length has progressed, with Department of Conservation approval expected during February.**

### **Kingsgate Molybdenum-Silica-Bismuth (Mo-SiO<sub>2</sub>-Bi) Project, Glen Innes, New South Wales (Auzex 100%)**

The Kingsgate project 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.

The Kingsgate feasibility study was completed in mid December 2008, with summary results released to the ASX on 17 December.

It is envisaged that mining will be a combination of open-pit and underground operations, although the study has assumed only open-cut mining from a number of separate pits will be undertaken during the first five years of operations. Production will be at a rate of 250,000 tonnes per year, with an estimated average overall grade of 0.18% Mo and 0.16% Bi.

The processing plant design has been developed to allow the metals produced from Kingsgate to be sold to diverse markets:

- Ammonium molybdate at a rate of 800tpa for the chemical and catalyst industries within Australia and offshore.
- High purity silica at a rate of 100,000tpa for the advanced thin film transistor (TFT) and liquid crystal display (LCD) sector of the electronics industry.
- Bismuth at a rate of 260tpa as a high purity metal for the pharmaceutical and cosmetics industries, or as a fusible alloy application utilising the metal's low melting point.

Over an initial five year operating period, the project is estimated to produce

- Total revenues of A\$445 million and after tax profit of A\$138.8 million
- A projected Net Present Value (NPV) of A\$87.7 million at a 10% discount rate
- An internal rate of return (IRR) of 45.8%
- A payback period of the capital cost of 22 months from commencement of operations (based on start-up capital of A\$ 80.9 million)

These financial estimates were based upon metal prices of US\$10.25lb Mo, US\$8.40lb Bi and US\$350mt silica for the initial five year period of operations.

The Company is addressing the options for raising development capital which may involve mining companies, product end-users or private equity.

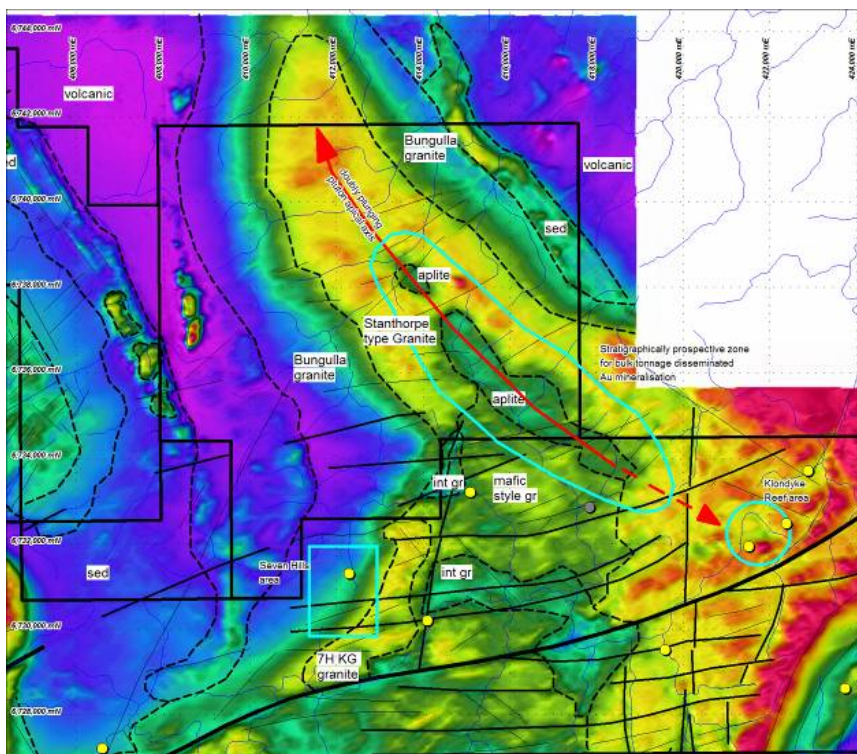
### **Klondyke Gold (Au) prospect, Glen Innes, New South Wales (Auzex 100%)**

The Klondyke gold prospect occurs as a cluster of six historical gold occurrences located approximately 50km northeast of Glen Innes in northern New South Wales immediately east of the Seven Hills gold project. The Klondyke Reef mine was the largest historic working in the area with recorded production of 184kg gold from underground workings up to 210m deep. Mineralisation consists of greisen veins over 900m in length within a granite host.

Auzex has recognised as a result of the Company's airborne magnetic survey the potential for a significant large tonnage gold deposit associated with the greisen veins, which has not been previously tested. Recent mapping has confirmed the necessary geological characteristics associated with granite hosted gold mineralisation, including

- Geological and geophysical zoning consistent with granite-hosted gold mineralisation
- Granite fractionation, which is critical for economic gold mineralisation

- The target area is an ellipsoidal shape trending NW – SE, with dimensions of approximately 9km long x 2km wide (see figure).
- Characteristic alteration usually associated with this style of mineralisation



**Klondyke Gold Prospect: Airborne magnetics illustrating northwest trending zoned granite pluton with target zone for drilling.** (Yellow dots=gold workings, grey dot=molybdenum working)

A drilling program to assess the gold mineralisation at Klondyke is being planned for the March/April period.

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

Khartoum is located approximately 100km southwest of Cairns in Far North Queensland. The Elizabeth granite, which dominates the geology of the permit area, hosts more than 50 tin, tungsten, molybdenum, gold and silver mineral occurrences. An estimated 15,000 tonnes of tin ore at an unknown grade is reported from historic mining at eight mines in the project area.

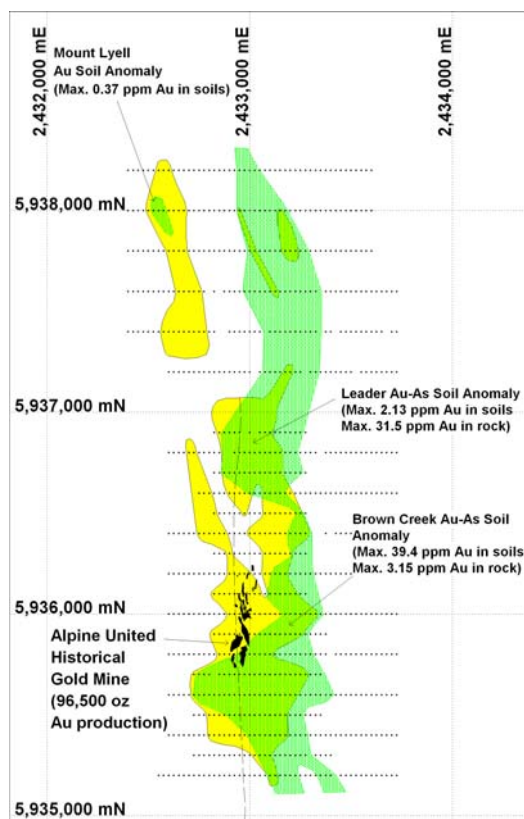
Approximately 170km<sup>2</sup> (or 70%) of the tenement area has now been covered by mapping and sampling. Outcropping tin mineralisation is associated with greisen zones that form prominent ridges. A total of 107 greisen zones have been defined that contain significant tin mineralisation. A total 1,373 composite rock samples (each sample represents a 5m width of greisen) have been taken from 309 traverse lines. The total exposed mineralised area is approximately 50km<sup>2</sup>.

Reconnaissance mapping, rock chip traverses and grid based soil sampling continued during the period in the NE and SE Khartoum region with the aim of advancing our understanding of the regional distribution of mineralised greisens and to identify the largest zones of mineralisation that contain the most significant tin mineralisation. This will assist with optimising the planning of any future drilling in the region. Prospecting has been completed in the Ahmets-Boulder to Emuford area in the western permit. New exploration during the period focussed on Right

Bower group (NE) and Excelsior Group (SE) where a significant number of new greisens have been mapped. Channel sampling of mapped greisen in metasediments commenced in the Right Bower area and identified 10 new anomalous greisens, with some high grade results, including: 2m at 2.04% and 5m at 2.55% Sn at Omeo prospect, 6m at 3510ppm Sn and 1.5m @ 7010ppm Sn at Rose of Tralee mine, 20m @ 4426ppm Sn (including 5m @ 1.58%Sn) and 10m @ 3700ppm Sn. A total of 749 minus 2mm soil samples have been collected from the Right Bower group and Excelsior group on a 200m x 200m grid. The sampling has targeted areas of poor exposure where greisen is developed at the granite-metasediment contact.

### Lyell Gold (Au) Project, New Zealand (Auzex 50%)

The Lyell gold project is located on the west coast of the south island of New Zealand, approximately 40km east of Westport. The project area is the northern extension of the Reefton Goldfield that has historically produced 2.1 million ounces of gold. Historical production of 96,500oz gold has been recorded for the Alpine United Mine at an average head grade of 16g/t gold.



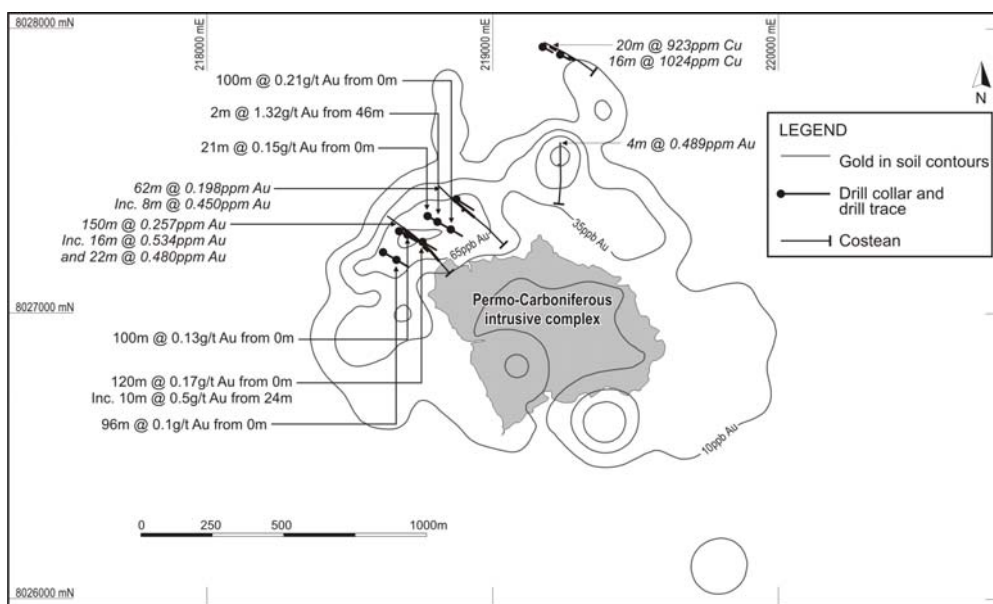
Lyell Gold Project: Soil geochemistry contours with gold (>10ppb) in yellow and arsenic (>100ppm) in green

Detailed soil geochemistry has defined a continuous gold-arsenic anomaly over a 200m width extending for 3000m associated with mapped quartz stockwork veining (see figure).

During the quarter, archaeological and biodiversity surveys were completed by consultants over six proposed drill sites with no significant issues arising that may prevent the drilling program from proceeding. An Access Arrangement for the drilling was prepared and submitted to the Department of Conservation for assessment in December 2008.

## Running Brook Gold (Au) Prospect, North Queensland (Auzex 100%)

The Running Brook gold prospect is located approximately 200km south-west of Cairns, and some 35km north of Mt Surprise township, in north Queensland. Gold mineralisation is hosted by granodiorite and granite and was initially targeted because of its geological similarities to the successful Kidston gold mine.



Drilling was undertaken by Auzex in 2007 with low grade gold mineralisation intersected over considerable widths.

Recent mapping has provided additional evidence for Intrusion Related Gold Mineralisation, including anomalous bismuth, copper and gold mineralisation related to an intrusive event of a similar age to that which produced the Kidston Gold Mine.

## Corporate

Auzex is actively pursuing a new gold opportunity which, if successful, would significantly change the Company's business. Gold is a commodity in a bull market, and in which the Company has considerable corporate and operational expertise.

A decision has been made to focus on the Company's project assets at Kingsgate, Khartoum, Lyell, Running Brook and Klondyke and suspend exploration activities.

### For further information contact:

**John Lawton**  
Executive Chairman  
Tel: +617-3303-0198

### 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 & 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 this report of the matters based on his information in the form and context in which it appears.

# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

AUZEX RESOURCES LIMITED

ABN

74 106 444 606

Quarter ended ("current quarter")

31 December 2008

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 mths) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(554)	(1,132)
(b) development	-	-
(c) production	-	-
(d) administration & working capital movements	(192)	(699)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	17
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - GST Received	69	133
<b>Net Operating Cash Flows</b>	<b>(670)</b>	<b>(1,681)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(14)	(17)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(14)</b>	<b>(17)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(684)</b>	<b>(1,698)</b>

**Appendix 5B - Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(684)	(1,698)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	40	1,187
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Share capital raising expenses		(57)
	<b>Net financing cash flows</b>	40	1,130
	<b>Net increase (decrease) in cash held</b>	(644)	(568)
1.20	Cash at beginning of quarter/year to date	965	889
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	321	321

**Payments to directors of the entity and associates of the directors  
Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	116
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil
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**Financing facilities available**

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
<b>Total</b>	200

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	129	773
5.2 Deposits at call	192	192
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	321	965

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

**Issued and quoted securities at end of current quarter**

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference *securities</b> (description)	-	-		
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 <b>*Ordinary securities</b>	30,534,783	30,372,005		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	150,000 12,778	- -	0.20 0.75	0.20 0.75
7.5 <b>*Convertible debt securities</b> (description)	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7 <b>Options</b> (description and conversion factor)	11,267,933 1,000,000 1,000,000 1,000,000 100,000 150,000 250,000 37,500 37,500 45,000 45,000 35,000 35,000 47,500 47,500 52,500 52,500	11,280,711 - - - - - - - - - - - - - - - - -	<i>Exercise price</i> \$0.75 \$1.00 \$0.75 \$0.50 \$1.25 \$1.75 \$2.25 \$1.48 \$1.78 \$1.60 \$1.92 \$1.52 \$1.83 \$1.52 \$1.83 \$1.62 \$1.95	<i>Expiry date</i> 30/09/10 30/08/10 30/08/10 30/09/10 15/06/09 15/06/09 15/06/09 19/06/10 19/06/10 08/09/10 08/09/10 18/11/09 18/11/10 04/12/09 04/12/10 08/01/10 08/01/11

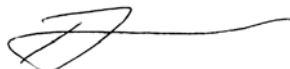
## **Appendix 5B - Mining exploration entity quarterly report**

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7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	12,778	-	0.75	30/09/10
7.10	Expired during quarter	-	-		
7.11	<b>Debentures (totals only)</b>	-	-		
7.12	<b>Unsecured notes (totals only)</b>	-	-		

### **Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 30/01/2009

Print name: Company secretary  
PAUL FREDERIKS

### **Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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