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## Kingsgate Financial Models Updated

Auzex is actively pursuing the next stage of development of the Kingsgate Project.

The Company has been assessing different options in the size and scope of mining and processing at Kingsgate in order to develop the most attractive matrix of financial risk and return for the project. Variables being addressed are the annual rate of production and the products being produced. These factors directly influence the return on investment, and the scenarios being developed will be attractive to different investors.

The Kingsgate Project feasibility study was completed in December 2008 based on an annual process rate of 250,000 tonnes and delivering high value-added products including high purity silica, ammonium molybdate (or molybdenum trioxide-TMO), and bismuth metal (or fusible bismuth-lead alloy).

Subsequently, financial models have been developed for 100,000 tonnes per annum (tpa) over a 10 year mine life, and 250,000 tpa over a five year mine life. The 100,000tpa case assumes production of high purity silica and a combined Mo-Bi concentrate only, to reduce capital and operating costs. The following statistics assume metal prices of US\$15.00/lb Mo, US\$10.00/lb Bi and US\$350/mt silica at a US\$0.6625 exchange rate:

	<b>100,000tpa</b>	<b>250,000tpa</b>
Initial Capital Cost (A\$M)	42.24	80.89
Operating Cost (A\$ tonne ore)	96.16	129.47
Gross Revenue (A\$ tonne ore)	2278.00	673.70
Operating Surplus (A\$ tonne ore)	181.84	544.23
Products		
	280t MoS <sub>2</sub>	823t AMD
	167t Bi <sub>2</sub> S <sub>3</sub>	261t Bi metal
	40,000t SiO <sub>2</sub>	100,000t SiO <sub>2</sub>

Note: Molybdenite (MoS<sub>2</sub>), Bismuthinite (Bi<sub>2</sub>S<sub>3</sub>), and Silica (SiO<sub>2</sub>) are the principle ores for molybdenum, bismuth and silicon respectively. AMD is an abbreviation for ammonium molybdate.

For each processing option, three scenarios of metal price combinations have been calculated;

	<b>Molybdenum price US\$/lb</b>	<b>Bismuth price US\$/lb</b>	<b>Ammonium Molybdate price US\$/lb</b>
Upside Case	20.00	11.60	40.87
<b>Base Case</b>	<b>15.00</b>	<b>10.00</b>	<b>30.65</b>
Downside Case	10.25	8.40	20.94

The following 250,000tpa summary is modified from the feasibility study results, but most of the assumptions other than metal prices have remained unchanged.

<b>250,000tpa summary</b>	Downside Case Mo US\$10.25lb, Bi US\$8.40lb	<b>Base Case Mo US\$15.00lb Bi US\$10.00lb</b>	Upside Case Mo US\$20.00lb Bi US\$11.60lb
Capital Investment (A\$M)	81.8	<b>81.8</b>	81.8
Gross Revenue (A\$M)	534.1	<b>673.7</b>	820.3
Net Cash (A\$M)	203.8	<b>301.5</b>	404.1
NPV (10%disc.) (A\$M)	133.3	<b>207.3</b>	285.1
IRR (%)	62.6	<b>88.8</b>	115.4
Payback (years)	1.5	<b>1.1</b>	0.8

The following 100,000tpa scenario was instigated to reduce the level of capital required to develop the project. The most effective way of reducing the initial capital cost would be to restrict the processing to producing high purity silica with a clean Mo-Bi concentrate for sale to downstream processors.

<b>100,000tpa summary</b>	Downside Case Mo US\$10.25lb Bi US\$8.40lb	<b>Base Case Mo US\$15.00lb Bi US\$10.00lb</b>	Upside Case Mo US\$20.00lb Bi US\$11.60lb
Capital Investment (A\$M)	42.8	<b>42.8</b>	42.8
Gross Revenue (A\$M)	246.2	<b>278.0</b>	311.2
Net Cash (A\$M)	71.6	<b>93.9</b>	117.2
NPV (10%disc.) (A\$M)	26.9	<b>40.6</b>	54.9
IRR (%)	23.1	<b>29.2</b>	35.3
Payback (years)	3.8	<b>3.2</b>	2.7

For further information please check our website ([www.auzex.com](http://www.auzex.com)) or contact Eugene Iliescu or John Lawton on +617 3303 0393 or +617 3303 0198 respectively.



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