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One News Page > Business > Auzex Resources in 450 boost in gold resource

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Auzex Resources in 450% boost in gold resource to 2m ounces at Bullabulling

Reported by Proactive Investors on Monday, 16 August 2010 (1 week ago)

PROACTIVE INVESTORS

Brisbane-based Auzex Resources ([ASX: AZX](#)) has surprised on the upside with a larger than expected 450% jump in JORC reported Mineral Resource to over 1.98 million ounces of contained gold at the Bullabulling Gold Project in the Coolgardie Goldfields of Western Australia.

With further exploration drilling, this resource is is likely to increase even further.

An Inferred Mineral Resource of 41.5 million tonnes at an average grade of 1.5g/t gold has been estimated using a 0.7g/t Au cut-off, resulting in contained gold of 1.98 million ounces gold.

The resource has been estimated to a nominal depth of 315 RL, approximately 120m below surface. This depth has been used as a conservative approximation of mineralisation that is expected to be amenable to open-cut mining operations.

The **new** Mineral Resource estimate has been restricted predominantly to mineralisation within the Bullabulling Trend, which extends over approximately 6km strike and where gold mineralisation exhibits excellent lateral and vertical continuity, and is open in all directions.

The Mineral Resource excludes all historic production and does not include historic surface dumps that are reported to contain approximately 12,000 ounces of gold.

This new Mineral Resource was estimated by CSA Global.

The estimation used assays from all the historic drill hole data over a 9 km² area covering the Bullabulling shear zone and the Ordinary Kriged method for interpolation.

Grade tonnage curves at various cut offs from this estimate confirm that a significant amount of the resource sits between 0.3 and 0.9 g/t Au, consequently it is believed that the project will return the greatest value as a high tonnage low grade bulk mining operation.

The Mineral Resource has been classified as Inferred with the potential for some areas with high density historic drilling being upgraded to the Measured and Indicated categories, as soon as possible, by twinning of selected historic reverse circulation (RC) and carrying out infill drilling.

Scoping Study

A preliminary economic scoping study is currently being completed by CUBE consultants that will provide information on mining costs, treatment costs, cut off grade and the scale of the operation to be used in the Feasibility Study planned for commencement in October 2010.

Optimisation studies are planned on the global Mineral Resource to confirm the economic mining depth and this information should be available by mid to late September.

The company said the Mineral Resource will be upgraded at this time to take account of the economic depth of mining.

The Mineral Resource estimate is based on 10,522 drillholes, with approximately half being RC and half being RAB drillholes. The new estimate reconciles well against historic production.

Auzex said a recently completed diamond drilling program will also be used to update the model when all assay results are finalised and released shortly.

This is the first time that all the data have been used to estimate the gold Mineral Resource for the Project. The previous quoted Mineral Resource of 431,600 ounces of gold was confined to the main pit areas and to small laterite and supergene prospects to the north and south and contained an unusually small amount of mineral resource in the Inferred category.

The recently completed structural study demonstrated that mineralisation not only continued between the historic pits at Bacchus and Phoenix and down dip, but also the mineralised shear zone was wider and that mineralisation was also present in the foot wall and hanging wall of the Bacchus and Phoenix pits respectively.

The recently completed diamond drilling program confirms this potential and also confirms that additional mineralisation occurs in stacked shoots beneath the known zones of mineralisation as suggested by the structural modelling.

John Lawton, managing director, said the establishment of the new increased Mineral Resource for the Project is a significant milestone that will allow the project to be developed to its optimum economic potential.

The scale of the Mineral Resource also suggests that the project could develop into a significant gold project that will establish the Coolgardie Goldfield in the Eastern Goldfields of Western Australia as a significant producer.

Additional drilling is required to increase the resource classification from Inferred to Measured/Indicated categories, which is expected to significantly increase the previously reported resource of 431,600 ounces.

The acquisition of the Bullabulling Gold Project mining tenements and plant and equipment with its 50:50 joint venture partner Central China Goldfields Plc (AIM: GGG) was successfully completed on Friday 13 August 2010.

Registration of the tenement transfers from the vendors of the Project, Jervois Mining (ASX: JRV) and its wholly owned subsidiary Goldpride Pty Ltd, is underway. The vendors have obtained Ministerial consent to sell the Bullabulling pastoral lease to the joint venture.

Comment

The 450% increase in gold resource is likely to be a harbinger of further strong news flow from Auzex, as well as underpin development of the Bullabulling project and significantly increase project returns. At a market valuation of only \$8 million, against a resource of two million ounces, even allowing for its 50% share, Auzex's valuation looks very miserly indeed.

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