

11 November 2011

Unit 441 Skyline Apartments  
30 Macrossan Street  
Brisbane Qld 4000 Australia  
GPO Box 3249  
Brisbane Qld 4001 Australia  
Tel +61 7 3333 2722  
Email: [enquiries@auzex.com](mailto:enquiries@auzex.com)  
[www.auzex.com](http://www.auzex.com)

**ASX RELEASE**

## **Auzex Releases Demerger Scheme Booklet**

Auzex Resources Limited is pleased to enclose a copy of the scheme booklet for the proposed demerger of Auzex's non-Bullabulling assets by scheme of arrangement approved by the Queensland Supreme Court earlier today.

The scheme booklet will shortly be mailed to all Auzex shareholders.

### **Demerger Overview**

A condition of the merger between Auzex Resources Limited ("Auzex") and GGG Resources Limited announced on 29 August 2011 was the divestment of Auzex's non-Bullabulling assets. The non-Bullabulling Assets have now been consolidated into a new entity Auzex Exploration Limited ('Auzex Exploration'), subject only to the receipt of final regulatory approvals.

The Scheme Booklet attached sets out the full details of the proposed demerger and the steps associated with its implementation.

### **Overview of Auzex Exploration Limited**

Auzex Exploration will own the non-Bullabulling assets of Auzex and focus on the further exploration, appraisal and development of the Exploration Assets.

AEL's Board will initially comprise the following non-executive directors:

- Chris Baker – Chairman
- John Lawton
- Eugene Iliescu
- Greg Partington
- Paul Frederiks

The AEL Board will review its composition following the implementation of the Demerger.

On a pro-forma basis, the assets of Auzex Exploration after the Demerger are expected to be:

## **Assets**

Khartoum Tin-Tungsten project – North Queensland, Australia (AEL 100%)

Running Brook copper-gold project – North Queensland, Australia (AEL 100%)

Galala Range Gold-Tungsten-Molybdenum project, North Queensland (AEL 100%)

Lyell Gold project – New Zealand (AEL 58%)

Kingsgate Molybdenum-Bismuth project, New South Wales (AEL 100%)

Klondyke/Seven Hills Gold project, New South Wales (AEL 100%)

Cash at bank of \$2 million

7,022,472 shares in GGG Resources plc

The Auzex Board believes that the Demerger will create a business with independent strategic, operational and investment objectives that will be capable of responding quickly and effectively to future opportunities for strategic growth. It is anticipated that this will result in a greater focus being brought to the appraisal and development of the Exploration Assets which have arguably been undervalued by the stock market. It is the intention of the Directors that Auzex Exploration Limited will, subject to market conditions, in the first half of the 2012 calendar year, conduct an initial public offer to raise additional capital and then apply to be listed on the ASX.

The Board appointed BDO Corporate Finance (QLD) Ltd to prepare an independent expert's report on the Demerger to Auzex Shareholders. The Independent Expert has concluded that:

- The advantages of the Demerger outweigh its disadvantages and accordingly, the Demerger is in the best interests of Auzex Shareholders; and
- The Capital Reduction is fair and reasonable to Auzex's Shareholders as a whole and will not materially prejudice Auzex's ability to pay its creditors.

## **Implementation of the Demerger**

The demerger will be implemented by a reduction in capital of Auzex and a scheme of arrangement between Auzex and Auzex Shareholders.

The resolutions to give effect to the Demerger require Auzex Shareholder approval. Each Auzex Director will be voting in favour of the Demerger Proposal and encourages Auzex Shareholders to also vote in favour. If the Demerger proposal is implemented each Shareholder's investment in Auzex will be split into two separate investments in two companies, with Auzex's existing Exploration Assets and other related assets being held by Auzex Exploration.

Shareholders will be asked to vote on the divestment of the non-Bullabulling assets into Auzex Exploration Limited on the 16 December 2011. The Scheme Booklet attached sets out the full details of the proposed demerger and the steps associated with its implementation.

**Auzex after the Demerger**

Auzex will continue to be listed on the ASX pending its proposed merger with GGG Resources. Following the Demerger, Auzex's key asset will be its 50% interest in the Bullabulling Gold Project. The Auzex Board will remain unchanged.

The proposed merger with GGG Resources is progressing well and is expected to be completed by February 2012.

Further information, please contact:

John Lawton  
Managing Director  
+617 3333 2722

Paul Frederiks  
Company Secretary  
+617 3333 2722

# auzex RESOURCES LIMITED

ABN 74 106 444 606



## SCHEME BOOKLET

# DEMERGER OF AUZEX'S NON-BULLABULLING ASSETS

Scheme of Arrangement  
and Reduction of Capital  
in relation to the Demerger  
of Auzex Exploration Limited  
from Auzex Resources Limited

This is an important document and requires your immediate attention. You should read this document in its entirety. If you are in any doubt about how to deal with this document, you should contact your broker, financial advisor or legal advisor immediately.

If you have any questions in relation to this Booklet or the Demerger Proposal you can call the Auzex Information Line on 1800 356 563 (for Australian callers) or +61 2 8256 3388 (for international callers) on weekdays between 9.00am and 5.00pm (Brisbane time).

Financial  
Advisor



BBY Limited

Legal Advisor

Thomson'sLawyers<sup>®</sup>

Independent Expert



BDO Corporate Finance (QLD)

# Important Information

## Purpose of this Booklet

This Booklet sets out the effects of the Demerger, certain information required by law and all other information known to Auzex directors which is material to the decision of Auzex Shareholders in deciding whether or not to approve the Demerger (other than information previously disclosed to Auzex Shareholders) and is comprised of:

- the Explanatory Statement, as required by section 411 of the Corporations Act in relation to the Scheme; and
- all information known to Auzex that is material to Auzex Shareholders in deciding how to vote on the Capital Reduction Resolution, as required by section 256C(4) of the Corporations Act.

Auzex Shareholders should read this Booklet in full before making a decision as to how to vote on the resolutions to be considered at the General Meeting and the Scheme Meeting.

## Status of this Booklet

This Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer. It is not a prospectus under the Corporations Act. The distribution of this Booklet in certain jurisdictions may be restricted by law. If this document comes into your possession, you should inform yourself about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of such jurisdictions.

## ASIC

A copy of this Booklet has been lodged with ASIC in accordance with section 256C(5) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. Neither ASIC nor its officers take any responsibility for the contents of this Booklet.

## Court - Important Notice

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved this Booklet and explanatory statement required to accompany the notices of meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed scheme or as to how members should vote (on this matter members must reach their own conclusion); or
- (b) has prepared, or is responsible for the content of, the Booklet and explanatory statement.

## Notice to Shareholders Resident in the United States

Neither the Demerger nor the AEL Shares issuable in connection with the Demerger have been approved or disapproved by any securities regulatory authority, nor has any securities regulatory authority passed upon the fairness or merits of the Demerger or upon the adequacy or accuracy of the information contained in this Scheme Booklet. Any representation to the contrary is an offence.

The AEL Shares to be issued in connection with the Demerger have not been registered under the United States Securities Act of 1933, as amended (the US Securities Act) or any United States state securities laws and, to the extent that registration would otherwise be required under section 5 of the US Securities Act, are being issued in reliance on the exemption from such registration requirements set forth in section 3(a)(10) thereof on the basis of the approval of the Court.

Auzex is established under the laws of Australia. Any solicitation of proxies (in connection with the Demerger) involves securities of an Australian issuer and is being effected in accordance with Australian corporate and securities laws. The proxy rules under the United States Securities Exchange Act of 1934, as amended, or similar securities laws of other jurisdictions outside of Australia are not applicable to Auzex or this solicitation. Accordingly, this solicitation is not being effected in accordance with such foreign laws. Auzex Shareholders should be aware that the requirements applicable to Auzex under Australian laws may differ from requirements under corporate and securities laws relating to corporations in other jurisdictions.

The enforcement by Auzex Shareholders of civil liabilities under US securities laws may be affected adversely by the fact that Auzex is a corporation existing and governed under the laws of

Australia, and that some or all of its directors, officers and the experts named in this Booklet are not residents of the United States and that all or a substantial portion of their respective assets may be located outside the United States. As a result, it may be difficult or impossible for non-resident Auzex Shareholders to effect service of process outside Australia upon Auzex, its respective officers and directors or the experts named herein, or to realise against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" law of any state within the United States or courts of any other jurisdiction outside of Australia.

## No account of personal circumstances

This Booklet does not take into account the investment objectives, financial situation or particular needs of any Auzex Shareholder or any other person. This Booklet should not be relied upon as the sole basis for any investment decision in relation to Auzex Shares, AEL Shares or any other securities. Independent financial and taxation advice should be sought before making any investment decision in relation to Auzex Shares, AEL Shares or any other securities.

## Forward Looking Statements

Certain statements in this Booklet relate to the future, including forward looking statements relating to Auzex's and AEL's financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Auzex or AEL to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks and considerations described in sections 4.3 and 4.3.5 of this Booklet. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected.

Other than as required by law, neither Auzex nor AEL, their officers nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statement in this Booklet will actually occur. You are cautioned to not place undue reliance on those statements.

Subject to any continuing obligations under applicable law or the Listing Rules, Auzex and AEL expressly disclaim any obligation to give any updates or revisions to any forward looking statements to reflect any change in expectations after the date of this Booklet or any change in events, conditions or circumstances on which any such statement is based.

The forward looking statements in this Booklet reflect views held only immediately before the date of this Booklet.

## Privacy and personal information

Auzex and AEL and their respective share registries may collect personal information for the purpose of implementing, and administering the shareholdings arising from, the Demerger.

Shareholders who are individuals, and individuals appointed as proxies, corporate representatives or attorneys in respect of whom personal information is collected may access their personal information by calling the Auzex Information Line.

## Interpretation

Capitalised terms and certain abbreviations used in this Booklet and General Meeting Proxy Form and Scheme Meeting Proxy Form are defined in section 10.1.

Unless otherwise stated, all times and dates referred to in this Booklet are times and dates in Brisbane, Australia. All times and dates are indicative only. All references to currency is in Australian dollars unless otherwise indicated.

## Date of this Booklet

This Booklet is dated 11 November 2011.

## Further information

If Shareholders have any queries, they should call the Auzex information line on (02) 8256 3388 (within Australia) or 1800 356 563 (outside Australia). Note that calls to the information line may be recorded.

# Letter from the Chairman

11 November 2011

Dear Fellow Auzex Shareholder

Auzex Resources Limited (Auzex) has announced its intention to merge with GGG Resources plc in order to consolidate the ownership of the Bullabulling Gold Project into a single new Australian listed company to be called Bullabulling Gold Limited (BBG).

You will soon be asked to approve the merger of Auzex and GGG Resources to create BBG, in which you will receive shares.

In preparation for the proposed merger with GGG Resources, Auzex proposes to give to you, Auzex's existing shareholders, ownership of Auzex's non-Bullabulling assets by way of a demerger.

The Demerger Assets have been consolidated into a new entity, Auzex Exploration Limited (AEL), subject only to the receipt of final regulatory approvals.

Each Eligible Shareholder will receive one new AEL Share for each six (6) Auzex Shares they own.

It is the current intention of the directors that AEL will, subject to market conditions, in the first half of the 2012 calendar year, conduct an initial public offer to raise additional capital and then apply to be listed on ASX.

The resolutions to give effect to the Demerger require your approval. Each Auzex director will be voting in favour of the Demerger Proposal and encourages you to also vote in favour.

The Auzex Board appointed BDO Corporate Finance (QLD) Ltd to prepare an independent expert's report on the Demerger Proposal to Auzex Shareholders. The Independent Expert has concluded that:

- the advantages of the Demerger outweigh its disadvantages and accordingly, the Demerger is in the best interests of Auzex Shareholders; and
- the Capital Reduction is fair and reasonable to Auzex's Shareholders as a whole and will not materially prejudice Auzex's ability to pay its creditors.

The Auzex Board also believes that the Demerger will create a business with independent strategic, operational and investment objectives that is capable of responding quickly and effectively to future opportunities for strategic growth. It is anticipated that this will result in a greater focus being brought to the appraisal and development of the Exploration Assets which, have arguably been undervalued by the stock market.

This Booklet sets out full details of the proposed Demerger and the steps associated with its implementation. The meetings to vote on the Demerger Proposal are scheduled for 10.00am on Friday 16 December 2011 at 15 Ivory Lane, Brisbane. Please see the notice of general meeting on pages 2 and 3, and the notice of scheme meeting on pages 4 and 5, of this Booklet. If you will not be able to attend the meeting, proxy forms are enclosed with this Booklet.

I encourage you to read this Booklet carefully. It contains important information to help you to make an informed decision about how to vote on the resolutions to implement the Demerger.

If you have any questions about the Demerger please contact the Auzex Information Line on 1800 356 563 (from within Australia) or +61 2 8256 3388 (from outside Australia).

On behalf of the Auzex Board, thank you for your support of Auzex. Your vote is important and I look forward to seeing you at the Meetings on Friday 16 December 2011.

Yours sincerely



Chris Baker

Chairman

# Notice of General Meeting

## **auzex** RESOURCES LIMITED ABN 74 106 444 606

Notice is given that a general meeting of members of Auzex Resources Limited ABN 74 106 444 606 (**Auzex**) will be held at 15 Ivory Lane, Brisbane on Friday 16 December 2011 at 10:00 am (Brisbane time).

The business to be considered at the meeting is set out below. This notice of meeting should be read in conjunction with the accompanying Booklet (of which this notice forms part). A blue General Meeting Proxy Form also accompanies this Notice of General Meeting.

### **Business of the General Meeting**

The purpose of the meeting is to consider, and if thought fit to pass, the following resolution as an ordinary resolution to approve a reduction in the capital of Auzex as an equal capital reduction.

### **Capital Reduction Resolution**

*That subject to and conditional on:*

- (a) *the Scheme (namely, the scheme of arrangement between Auzex and Auzex Shareholders referred to as the 'Scheme', as contained in and more particularly described in the Booklet) being approved by the Court with or without modification; and*
- (b) *an office copy of the orders of the Court approving the Scheme being lodged with ASIC, on the Implementation Date under the Scheme, the capital of Auzex be reduced by \$10,098,288 and applied equally against each Scheme Share in accordance with the Scheme) (terms in this resolution having the same meaning as in the Booklet).'*

### **Defined Terms**

Terms used in this Notice of General Meeting have the same meaning as defined in the Booklet (of which this notice forms part) accompanying this Notice of General Meeting.

### **Persons entitled to vote**

Under regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the general meeting will be as it appears in the share register at 6.00 pm Brisbane time on Wednesday 14 December 2011.

### **Voting in person**

To vote in person, attend the general meeting at the time and place set out in this notice of general meeting.

### **Voting by proxy**

To vote by proxy, please complete, sign and return the enclosed blue General Meeting Proxy Form in accordance with the following instructions. If you require an additional proxy form, Auzex will supply it on request.

A member who is entitled to vote at the meeting, may appoint:

- one proxy if the member is only entitled to one vote; or
- one or two proxies if the member is entitled to more than one vote.

Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.

A proxy need not be a member of Auzex.

The proxy form must be signed by the member or the member's attorney. Proxies given by a corporation must be executed in accordance with the Corporations Act and the constitution of that corporation.

The proxy form (and any power of attorney under which it is signed) must be received by Computershare Investor Services Pty Limited via fax on 1800 783 447 (from within Australia) or +61 3 9473 2555 (from outside Australia) or by mail to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001 Australia, or delivery to Auzex's registered office at Level 16, Waterfront Place, 1 Eagle Street Brisbane Queensland 4000 Australia no later than 48 hours before the commencement of the meeting, that is by no later than 10.00 am Brisbane time on 14 December 2011. Any proxy form received after that time will not be valid for the scheduled general meeting.

### **Voting by attorney**

A member may appoint an attorney to act on the member's behalf at the general meeting. The power of attorney or such other evidence of the attorney's appointment and authority to the satisfaction of the Directors must be received by Auzex at least 48 hours before the time for holding of the general meeting or any adjourned meeting that is by no later than 10.00 am Brisbane time on 14 December 2011.

### **Enquiries**

For further information, please contact the Auzex Information Line on 1800 356 563 from within Australia or +61 2 8256 3388 from outside Australia, between 9:00am and 5:00pm Brisbane time.

By order of the Board

**Paul Frederiks**

Company Secretary

Dated 16 November 2011



# Notice of Court Ordered Scheme Meeting

## **auzex** RESOURCES LIMITED ABN 74 106 444 606

### **Notice of Court ordered meeting of Auzex Shareholders**

By order of the Supreme Court of Queensland made on 11 November 2011 pursuant to section 411(1) of the Corporations Act, a meeting of Auzex Shareholders will be held at 15 Ivory Lane, Brisbane on Friday 16 December 2011 at 10.30am (Brisbane time) or as soon after that time as the General Meeting has concluded or been adjourned.

The Court has directed that Mr Chris Baker act as chairman of the meeting or failing him, Mr John Lawton, and has directed the chairman to report the result of the meeting to the Court.

Information on the Scheme is set out in the Booklet of which this notice forms part.

### **Business of the meeting**

The purpose of the meeting is to consider and, if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between Auzex and Auzex Shareholders.

### **Scheme Resolution**

*'That subject to and conditional on the Capital Reduction Resolution being approved by Auzex Shareholders, (namely, the reduction in Auzex's share capital on the Implementation Date under section 256B of the Corporations Act, of an amount of \$10,098,288 applied equally against each Scheme Share in accordance with the Scheme), pursuant to, and in accordance with, the provisions of section 411 of the Corporations Act, the Scheme (namely, the scheme of arrangement proposed between Auzex and Auzex Shareholders, referred to as the 'Scheme', as contained in and more particularly described in the Booklet accompanying the notice convening this meeting) is agreed to with or without modification as approved by the Court (terms in this resolution having the same meaning as in the Booklet).'*

### **Defined Terms**

Terms used in this Notice of Scheme Meeting have the same meaning as defined in the Booklet (of which this notice forms part) accompanying this Notice of Scheme Meeting.

### **Shareholders who are entitled to vote**

The Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 6.00pm (Brisbane time) on 14 December 2011. Only those Auzex Shareholders entered on the Auzex Share Register at that time will be entitled to attend and vote at the Scheme Meeting.

### **Voting in person**

To vote in person, attend the Scheme Meeting at the time and place set out in this notice of meeting.

### **Voting by proxy**

To vote by proxy, please complete, sign and return the enclosed yellow Scheme Meeting Proxy Form in accordance with the following instructions. If you require an additional proxy form, Auzex will supply it on request.

A member who is entitled to vote at the scheme meeting, may appoint:

- one proxy if the member is only entitled to one vote; or
- one or two proxies if the member is entitled to more than one vote.

Where the member appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.

A proxy need not be a member of Auzex.

The proxy form must be signed by the member or the member's attorney. Proxies given by a corporation must be executed in accordance with the Corporations Act and the constitution of that corporation.

The proxy form (and any power of attorney under which it is signed) must be received by Computershare Investor Services Pty Ltd via fax on 1800 783 447 (from within Australia) or +61 3 9473 2555 (from outside Australia) or by mail to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001 Australia, or delivery to Auzex's registered office at Level 16, Waterfront Place, 1 Eagle Street, Brisbane Queensland 4000 Australia no later than 48 hours before the commencement of the Scheme Meeting, that is by no later than 10.30 am Brisbane time on 14 December 2011. Any proxy form received after that time will not be valid for the scheduled meeting.

### **Voting by attorney**

A member may appoint an attorney to act on the member's behalf at the meeting. The power of attorney or such other evidence of the attorney's appointment and authority to the satisfaction of the Directors must be received by Auzex at least 48 hours before the time for holding of the meeting or any adjourned meeting that is by no later than 10.30 am Brisbane time on 14 December 2011.

### **Court approval**

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the required majorities and the other conditions precedent to the Scheme are satisfied (including the Capital Reduction Resolution being passed at the General Meeting), Auzex intends to apply to the Court on 20 December 2011 for approval of the Scheme.

### **Enquiries**

For further information, please contact the Auzex Information Line on 1800 356 563 from within Australia or +61 2 8256 3388 from outside Australia, between 9:00am and 5:00pm Brisbane time.

By order of the Board

**Paul Frederiks**

Company Secretary

Dated 16 November 2011

# Important Dates

## EVENT

## DATE

Time and date by which the General Meeting Proxy Form must be received to be valid for the General Meeting

10:00am  
Brisbane time on  
14 December 2011

Time and date by which the Scheme Meeting Proxy Form must be received to be valid for the Scheme Meeting

10:30am on  
Brisbane time on  
14 December 2011

Time and date for determining eligibility to vote at the General Meeting and the Scheme Meeting

6.00pm  
Brisbane time on  
14 December 2011

General Meeting

10:00am  
Brisbane time on  
16 December 2011

Scheme Meeting

10:30am  
Brisbane time on  
16 December 2011

Second Court Hearing for approval of the Scheme

20 December 2011

Effective Date: Scheme takes effect

21 December 2011

Last date Auzex Shares trade on ASX with an entitlement to participate in the Scheme

22 December 2011

Record Date: Time and date for determining entitlement to AEL Shares

6.00pm  
Brisbane time on  
30 December 2011

Implementation Date: Transfer of AEL Shares to Eligible Shareholders

6 January 2012

Dispatch of share certificates for AEL Shares to Eligible Shareholders

16 January 2012

The timetable and dates above (and the references to these dates throughout this Booklet) are indicative only and, among other things, are subject to all necessary approvals. Auzex can vary these times and dates without directly notifying Auzex Shareholders. Changes to the timetable will however be announced through the ASX and notified on Auzex's website at [www.auzex.com](http://www.auzex.com).

All times and dates referred to in this Booklet are times and dates in Brisbane, Australia, unless otherwise indicated.

# Contents

	TABLE OF CONTENTS	7
<b>SECTION 1</b>	SUMMARY OF THE DEMERGER PROPOSAL	8
	2.1 General Meeting – Capital Reduction	10
	2.2 Scheme Meeting – Scheme	10
<b>SECTION 2</b>	FREQUENTLY ASKED QUESTIONS	11
<b>SECTION 3</b>	SUMMARY OF DEMERGER PROPOSAL	16
<b>SECTION 4</b>	ADVANTAGES, DISADVANTAGES AND RISKS	20
<b>SECTION 5</b>	PROFILE OF AUZEX AFTER THE DEMERGER	28
<b>SECTION 6</b>	PROFILE OF AUZEX EXPLORATION LIMITED AFTER THE DEMERGER	42
<b>SECTION 7</b>	DETAILS OF THE DEMERGER PROPOSAL	50
<b>SECTION 8</b>	TAXATION IMPLICATIONS	59
<b>SECTION 9</b>	ADDITIONAL INFORMATION	62
<b>SECTION 10</b>	DEFINITIONS AND INTERPRETATION	74
<b>SECTION 11</b>	CORPORATE INFORMATION	79
<b>APPENDIX 1</b>	INDEPENDENT EXPERT'S REPORT	
<b>APPENDIX 2</b>	SCHEME OF ARRANGEMENT	
<b>APPENDIX 3</b>	DEED POLL	

# 1

The Demerger Proposal involves separating Auzex's Exploration Assets and other related assets from Auzex, to create a new company called Auzex Exploration Limited (referred to in this Booklet as AEL).

Your investment in Auzex will be split into two entities, Auzex and AEL. Under the Demerger Proposal, Eligible Shareholders will:

- keep their existing Auzex Shares; and
- receive one AEL Share for each six (6) Auzex Shares they own on the Record Date (referred to in this Booklet as a 'Scheme Share').

# SUMMARY OF THE DEMERGER PROPOSAL

Following the Demerger, each company will pursue its own strategic objectives.

**Auzex:** will remain focused on its 50% interest in the Bullabulling Joint Venture in Western Australia. Subject to Auzex shareholders' approval and the approval of the Court, Auzex intends to merge with GGG Resources, which holds the other 50% of the Bullabulling Gold Project, by means of both Auzex and GGG Resources becoming wholly owned subsidiaries of a new Australian parent company of GGG Resources to be called, Bullabulling Gold Limited (BBG).

**AEL:** will focus on the exploration and development of the Exploration Assets, which primarily comprise:

<p>Khartoum Tin Project, North Queensland (100%)</p>	<ul style="list-style-type: none"> <li>• A major tin-tungsten exploration project located in North Queensland</li> <li>• Extensive mineralisation outcropping over 50 square kilometres</li> <li>• Wide zones of tin intersected in drilling</li> <li>• Good depth continuity and metallurgical recovery from initial program</li> </ul>
<p>Lyndbrook Cu-Au-Mo-W projects, North Queensland (100%)</p>	<ul style="list-style-type: none"> <li>• Running BrookCu-Au prospect</li> <li>• Exploration target modelled on Kidston Gold Mine (3.5Moz production) about 100km to the south</li> <li>• Wide zones of low grade gold mineralisation intersected in drilling</li> <li>• Large circular gold in soil anomaly 1.5km in diameter</li> </ul>
<p>Kingsgate Mo-Si-Bi project, New South Wales (100%)</p>	<ul style="list-style-type: none"> <li>• Area covers the site of the former Kingsgate Mine which was the second largest producer of molybdenum in Australia</li> <li>• Located 20km east of Glen Innes, NSW</li> <li>• Feasibility completed in December 2008</li> </ul>
<p>Klondyke/ Seven Hills Au project, New South Wales (100%)</p>	<ul style="list-style-type: none"> <li>• Two intrusion related gold deposits (IRGD) targets</li> <li>• Located 40km northeast of Glen Innes, NSW</li> <li>• Best RAB drilling results 13m at 8.6g/t Au and 14m at 1.3g/t Au</li> </ul>
<p>Lyell Gold project, New Zealand (58% interest)</p>	<ul style="list-style-type: none"> <li>• Covers the Lyell Goldfield on the South Island of New Zealand</li> <li>• 96,500oz gold historical production at 15g/t Au head grade from underground workings</li> <li>• Recent drilling intersected gold in alteration zones around mineralised quartz veins</li> <li>• Similar geographical setting to Reefion operations (Oceanagold Ltd)</li> </ul>

AEL will also hold the AEL Plant and Equipment, and 7,022,472 shares in GGG Resources.

The Independent Expert has concluded that:

- the advantages of the Demerger outweigh its disadvantages and accordingly, the Demerger is in the best interests of Auzex Shareholders; and
- the Capital Reduction is fair and reasonable to Auzex's Shareholders as a whole and will not materially prejudice Auzex's ability to pay its creditors.

While you do not have to vote, the Auzex Board believes that the Scheme and the Capital Reduction are important to all Auzex Shareholders and each Auzex director urges you to read this Booklet carefully and recommends that you vote **FOR** the resolutions to implement the Demerger Proposal at the General Meeting and the Scheme Meeting.

# Steps you should take

## 1. Carefully read this Booklet

You should read this Booklet in full before making any decision on how to vote. There are answers to some frequently asked questions in Section 2 of this Booklet. If you have any further questions, you can call the Auzex Information Line on 1800 356 563 (from within Australia) or +61 2 8256 3388 (from outside Australia).

## 2. Vote on the Demerger Proposal

While you do not have to vote, the Auzex Board believes that the Scheme and the Capital Reduction are important to all Auzex Shareholders and each Auzex director urges you to read this Booklet carefully and recommends that you vote FOR the resolutions to implement the Demerger Proposal at the General Meeting and the Scheme Meeting.

### 2.1 General Meeting - Capital Reduction

Auzex Shareholders are entitled to vote on whether the Capital Reduction should proceed.

You can vote:

- in person by attending the General Meeting to be held at 10:00 am (Brisbane time) on 16 December 2011 at 15 Ivory Lane, Brisbane;
- by proxy using the enclosed blue General Meeting Proxy Form;
- by attorney; or
- by corporate representative (if the Auzex Shareholder is a company).

If you wish to vote FOR the Capital Reduction by proxy you should place an 'X' in the 'FOR' box on the General Meeting Proxy Form. You must return your Form by 10.00 am on 14 December 2011 to ensure it is valid.

You can do this by using the enclosed reply paid envelope or by faxing the form to the Auzex Share Registry on fax number 1800 743 447 from within Australia or +61 3 9473 2555 from outside Australia.

### 2.2 Scheme Meeting - Scheme

Auzex Shareholders are entitled to vote on whether the Scheme should proceed.

You can vote:

- in person by attending the Scheme Meeting to be held at 10:30 am (Brisbane time) on 16 December 2011 at 15 Ivory Lane, Brisbane (the same venue as the General Meeting);
- by proxy using the enclosed yellow Scheme Meeting Proxy Form;
- by attorney; or
- by corporate representative (if the Auzex Shareholder is a company).

If you wish to vote FOR the Scheme by proxy you should place an 'X' in the 'FOR' box on the Scheme Meeting Proxy Form. You must return your Form by 10.30 am on 14 December 2011 to ensure it is valid.

You can do this by using the enclosed reply paid envelope or by faxing the form to the Auzex Share Registry on fax number 1800 743 447 from within Australia or +61 3 9473 2555 from outside Australia.

# 2

## FREQUENTLY ASKED QUESTIONS

This section answers some frequently asked questions about the Demerger Proposal. It is not intended to address all issues relevant to Shareholders. This section should be read together with all other parts of this Booklet.

### Why has the Auzex Board proposed the Demerger?

The objective of the Auzex Board in proposing the Demerger is to create long term value for Auzex Shareholders.

The immediate advantage of the Demerger is to enable the merger with GGG Resources to unify ownership of the Bullabulling Gold Project under the single ownership of a new Australian parent company of GGG Resources, to be called Bullabulling Gold Limited (**BBG**) to proceed on terms that provide fair value to Auzex Shareholders.

In the longer term, the Auzex Board believes that each of Auzex and AEL will perform better as stand-alone companies. The separation of Auzex's Exploration Assets from its interest in the Bullabulling Gold Project interests will create a business with independent strategic, operational and investment objectives that is capable of responding quickly and effectively to future opportunities for strategic growth. AEL will be able to operate a focused strategy in accordance with its own business models, with the capacity to adopt appropriate capital and financial structures. It is anticipated that this will result in a greater focus being brought to the appraisal and development of the Exploration Assets.

**Further information: Section 3.1 and 4.2**

### What are the key advantages of the Demerger?

The Auzex Board believes that the key advantages of the Demerger Proposal include:

- It will enable the merger with GGG Resources to unify ownership of the Bullabulling Project under the single ownership of BBG can proceed on terms that provide fair value to Auzex Shareholders;
- an improved ability for Auzex and AEL to pursue growth opportunities;
- an increase in the combined market valuations of Auzex and AEL in the medium to longer term when compared to the market valuation of Auzex if the Demerger Proposal was not to proceed; and
- greater investor choice reflecting Auzex and AEL's different growth and distribution profiles.

These advantages are discussed in section 4.2 of this Booklet, together with other advantages of the Demerger Proposal.

**Further information: Section 4.2**

### What are the main disadvantages and risks of the Demerger?

There are a number of disadvantages and risks associated with the Demerger Proposal, including:

- AEL will no longer have the financial support of being part of the Auzex Group;
- transaction costs of approximately \$1.1 million will be incurred;
- AEL will incur ongoing costs of approximately \$163,000 per month associated with having to meet the cost of support functions; and
- there may be no increase in the combined market valuation of Auzex and AEL when compared to the value of Auzex if the Demerger Proposal does not proceed.



## Frequently asked questions.

These disadvantages and risks are discussed in more detail in sections 4.3 and 4.3.5 of this Booklet together with other disadvantages of the Demerger Proposal. You should review these sections carefully before deciding whether to vote in favour of the resolutions to be considered at the General Meeting and the Scheme Meeting.

**Further information: Sections 4.3 and 4.3.5**

---

### What do Auzex's directors recommend?

Each Auzex director recommends that you vote in favour of the resolutions to be considered at the General Meeting and the Scheme Meeting.

Each Auzex director intends to vote all Auzex Shares held or controlled by them in favour of the resolutions to be considered at the meetings.

**Further information: Section 3.5**

---

### What is the Independent Expert's opinion on the Demerger Proposal?

The Independent Expert has concluded that:

- the advantages of the Demerger outweigh its disadvantages and accordingly, the Demerger is in the best interests of Auzex Shareholders; and
- the Capital Reduction is fair and reasonable to Auzex's Shareholders as a whole and will not materially prejudice Auzex's ability to pay its creditors.

A copy of the Independent Expert's Report is contained in Appendix 1 of this Booklet.

**Further information: Section 3.6 and Appendix 1**

---

### What are the key steps for the Demerger to proceed

The key steps to implement the Demerger are:

- Auzex Shareholders must approve the Capital Reduction at the General Meeting at 10.00 am Brisbane time on 16 December 2011;
- Auzex Shareholders must approve the Scheme at the Scheme Meeting at 10.30 am Brisbane time on 16 December 2011 (or immediately after the General Meeting); and
- the Court must approve the Scheme at the Second Court Hearing (expected to be on 20 December 2011).

Sections 7.1 and 7.2 and Appendix 2 of this Booklet contain further details of the Capital Reduction and the Scheme, including a description of the approval thresholds and the other conditions that must be satisfied or waived by Auzex for the Demerger to proceed.

**Further information: Section 7.1, 7.2 and Appendix 2**

---

### Is the Demerger subject to any conditions?

The Scheme is subject to a number of conditions precedent.

Importantly, the Scheme is conditional on the Capital Reduction and the Scheme being approved by Auzex Shareholders and the Court. These conditions precedent are described in greater detail in section 7.2.3.

**Further information: Section 7.2.3**

## Frequently asked questions.

### What will Scheme Shareholders receive if the Demerger proceeds?

If the Demerger is implemented, on the Implementation Date, Scheme Shareholders will:

- \* retain their existing shareholding in Auzex; and
- \* receive one AEL Share for each 6 Auzex Shares they own on the Record Date (6.00 pm Brisbane time on 30 December 2011).

Certain overseas Auzex Shareholders (referred to in this Booklet as '**Ineligible Foreign Shareholders**') will participate in the Capital Reduction on the same basis as all other Auzex Shareholders, but they will not receive the AEL Shares to which they would otherwise be entitled under the Scheme.

Instead, the AEL Shares to which Ineligible Foreign Shareholders are entitled will be sold under the Sale Facility and the average proceeds of sale after deduction of any applicable brokerage, taxes and charges will be remitted to the Ineligible Foreign Shareholders. The Sale Agent may delay the sale of the AEL Shares until they are listed on ASX if that is in the best interests of Ineligible Foreign Shareholders. Any such delay cannot be beyond 30 June 2012 unless at that time there is a Liquidity Event pending.

Ineligible Prior Foreign Shareholders, being those Ineligible Foreign Shareholders in respect of the Scheme Shares held before the date of this Booklet, will receive at least the amount of the Capital Reduction per Scheme Share (less applicable brokerage, taxes and charges) within 60 days of the implementation Date.

In the case of Ineligible New Foreign Shareholders however, as AEL will be an unlisted company, there is a risk that their shares will not be able to be sold in full, in part or at all or for any given price or within any particular timeframe. There is a risk for Ineligible New Foreign Shareholders that they may not receive cash value for their shares which reflects the value of the shares adopted by Auzex or AEL for the purposes of the Demerger.

**Further information: Sections 3.3.2 and 7.3**

---

### What is the impact of the Demerger on your Auzex Shares?

If the Demerger is implemented, on the Implementation Date, Scheme Shareholders will:

- retain their existing shareholding in Auzex; and
- receive one AEL Share for each 6 Auzex Shares they own on the Record Date (6.00 pm on 30 December 2011).

Certain overseas Auzex Shareholders (referred to in this Booklet as '**Ineligible Foreign Shareholders**') will participate in the Capital Reduction on the same basis as all other Auzex Shareholders, but they will not receive the AEL Shares to which they would otherwise be entitled under the Scheme.

Instead, the AEL Shares to which Ineligible Foreign Shareholders are entitled will be sold under the Sale Facility and the average proceeds of sale after deduction of any applicable brokerage, taxes and charges will be remitted to the Ineligible Foreign Shareholders.

As AEL will be an unlisted company, there is a risk that these shares will not be able to be sold in full, in part or at all or for any given price or within any particular timeframe. There is a risk for Ineligible Foreign Shareholders that they may not receive cash value for their shares which reflects the value of the shares adopted by Auzex or AEL for the purposes of the Demerger.

**Further information: Section 7.4.2**

## Frequently asked questions.

### Will AEL be listed on ASX?

Not immediately. AEL will initially be established as an unlisted public company.

It is however the current intention of the Auzex and AEL Directors that an application will be made for AEL to be admitted to list on ASX following a capital raising by way of an Initial Public Offering before July 2012.

### What happens if the Demerger does not proceed?

If the Demerger does not proceed:

- the proposed merger of Auzex with GGG Resources will not occur;
- Auzex will continue to be listed on the ASX and own the Demerger Assets that would otherwise have been held separately by AEL;
- Eligible Shareholders will not receive AEL Shares;
- Auzex will incur transaction costs of approximately \$1.1 million;
- the advantages of the Demerger described in section 4.2 of this Booklet, which the Auzex directors consider should create longer term value for Auzex Shareholders, will not be realised; and
- the disadvantages and risks of the Demerger described in sections 4.3 and 4.3.5 of this Booklet will not arise.

**Further information: Section 4.5.4**

### Who can vote at the Meetings?

Voting is not compulsory. While you do not have to vote, the Auzex Board believes the Capital Reduction and Scheme are important to all Auzex Shareholders and each Auzex director urges you to read this Booklet carefully and recommends that you vote FOR the resolutions to implement the Demerger Proposal at the General Meeting and the Scheme Meeting.

#### **Voting on the Capital Reduction Resolution at the General Meeting**

Auzex Shareholders who are registered on the Auzex Share Register at 6.00 pm Brisbane time on 14 December 2011 may vote at the General Meeting.

#### **Voting on the Scheme Resolution at the Scheme Meeting**

Auzex Shareholders who are registered on the Auzex Share Register at 6.00 pm Brisbane time on 14 December 2011 may vote at the Scheme Meeting.

Approval of the Scheme and the Capital Reduction by the requisite majorities of Auzex Shareholders is a condition of the Demerger Proposal proceeding.

**Further information: Section 7.2 and pages 2, 3, 4 and 5**

### What is AEL's strategy after it is demerged?

AEL intends to focus primarily on the further appraisal and development of the Auzex Exploration Assets. In addition, AEL will seek to secure further exploration projects both in Australia and overseas.

To fund such development and provide liquidity to AEL Shares, it is the current intention that AEL will apply for listing on ASX following a capital raising by way of an Initial Public Offering before July 2012.

**Further information: Section 6.4**

### What is Auzex's strategy after the Demerger?

Auzex's core business strategy will remain the same, namely to develop the Bullabulling Project. It is proposed however that Auzex will merge with GGG Resources, which holds the other 50% of the Bullabulling Project, to unite the ownership of the Bullabulling Project under BBG which will be listed in ASX and AIM.

**Further information: Section 5.1, 5.2 and 5.5**

## Frequently asked questions.

### **What are the taxation implications of the Demerger?**

The Demerger will have taxation implications for Auzex Shareholders. These implications will differ depending on the individual circumstances of each Auzex Shareholder. A guide to the general Australian income tax implications of the Capital Reduction for Auzex Shareholders who are residents of Australia for tax purposes is set out in section 8 of this Booklet. Residents of jurisdictions other than Australia should seek separate tax advice.

The taxation guide in section 8 is expressed in general terms and does not constitute taxation advice in respect of the particular circumstances of any Auzex Shareholder. You should seek your own specific taxation advice for your individual circumstances.

**Further information: Section 8**

### **What is the Sale Facility?**

Ineligible Foreign Shareholders will automatically have the AEL Shares to which they would otherwise have been entitled sold through the Sale Facility

**Further information: Section 7.32**

### **Is there a phone number that I can call if I have further queries in relation to the Offer?**

If you have any further queries in relation to the Offer, please call the Auzex information line on **1800 356 563** (from within Australia) or **+61 2 8256 3388** (from outside Australia). Note that calls to the information line may be recorded.



# 3

## 3.1 Background

The Auzex Board believes that the Exploration Assets are being ascribed little or no value by the stock market, and that accordingly the Demerger has the potential to unlock what was previously hidden value in the Exploration Assets for the benefit of all Auzex Shareholders.

The Demerger will also better ensure that Auzex Shareholders will receive fair value for their Auzex Shares upon the proposed merger with GGG Resources to bring the Bullabulling Gold Project under the single ownership of a new Australian parent company of GGG Resources, to be called Bullabulling Gold Limited.

The Demerger will also facilitate the recruitment, retention and incentivisation of key management personnel that will be required to realise the full potential of the Exploration Assets.



# SUMMARY OF THE DEMERGER PROPOSAL

## 3.2 The Demerger Proposal

If the Demerger Proposal is implemented, your investment in Auzex will be split into two separate investments in two companies, with Auzex's existing Exploration Assets and other related assets being held by AEL.

Eligible Shareholders will retain their Auzex Shares and receive one AEL Share for each six (6) Scheme Shares they own.

Each of Auzex and AEL will have its own Board of Directors and will pursue its own strategic objectives.

On implementation of the Demerger and subject to the Ministerial Consent, AEL will hold the Demerger Assets. Auzex will continue to hold its 50% interest in the Bullabulling Gold Project.

### 3.2.1 AEL after the Demerger

AEL will focus primarily on the further exploration, appraisal and development of the Exploration Assets.

AEL will have cash resources of \$2.085 million, which the AEL Board considers will be sufficient to meet all of AEL's existing commitments (of about \$177,000) and commitments until 30 June 2012 (primarily exploration and administration costs).

AEL's Board will initially comprise the following persons, each of whom will be non-executive directors:

- Chris Baker – Chairperson
- John Lawton
- Eugene Iliescu
- Greg Partington
- Paul Frederiks

The AEL Board will review its composition following the implementation of the Demerger.

Auzex will provide administration services to AEL under the Demerger Deed, the details of which are contained in section 7.5.

A detailed description of AEL after the Demerger is contained in section 6 of this Booklet.

### 3.2.2 Auzex after the Demerger

Auzex will continue to be listed on the ASX pending its proposed merger with GGG Resources. Following the Demerger, Auzex's key asset will be its 50% interest in the Bullabulling Gold Project.

Auzex's debt position will be unchanged as a result of the Demerger, although its cash position will be reduced by \$2.085 million which it will contribute to AEL as part of AEL's initial funding requirements.

The Auzex Board and senior management will remain unchanged.

Subject to the Demerger being approved and to GGG Resources becoming a wholly owned subsidiary of Bullabulling Gold Limited (BBG), Auzex Shareholders will be asked to approve Auzex merging with GGG Resources by Auzex also becoming a wholly owned subsidiary of BBG. If that merger is approved, Auzex Shareholders will receive shares in BBG in return for their Auzex Shares.

A detailed description of Auzex after the Demerger of AEL is contained in section 5 of this Booklet.

## Summary of the Demerger Proposal.

### 3.2.3 The proposed merger with GGG Resources

As noted, subject to the Demerger being approved and to GGG Resources becoming a wholly owned subsidiary of BBG, Auzex Shareholders will be asked to approve Auzex merging with GGG Resources by Auzex also becoming a wholly owned subsidiary of BBG.

GGG Resources proposes becoming a wholly owned subsidiary of BBG pursuant a corporate reorganisation to be implemented under a United Kingdom scheme of arrangement under the United Kingdom Companies Act 2006 (UK Scheme). The implementation of the UK Scheme is however conditional on:

- (i) the approval of the UK Scheme and of its implementation by GGG Resources' shareholders at Court ordered meeting and at a general meeting;
- (ii) the sanction of the UK Scheme and confirmation of an associated capital reduction by the Court; and
- (iii) BBG obtaining conditional approval for the admission of BBG shares to trading on ASX and the Alternative Investment Market of the London Stock Exchange.

If these conditions are not satisfied by 1 March 2012 (or such later date as may be agreed by Auzex and GGG Resources) the UK Scheme will not proceed. In that event the proposed merger of Auzex and GGG Resources will not proceed and Auzex and GGG Resources will continue to hold their respective 50% interests in the Bullabulling Gold Project.

### 3.3 Implementation of the Demerger Proposal

The Demerger Proposal will be implemented by a reduction in the capital of Auzex and a scheme of arrangement between Auzex and Auzex Shareholders.

#### 3.3.1 Capital Reduction

If the Demerger Proposal is approved, Auzex will reduce its capital by \$10,098,288.

#### 3.3.2 Scheme

Under the Scheme, Scheme Shareholders will not receive their Capital Reduction Entitlement in cash. Instead, Auzex will automatically apply the Capital Reduction Entitlement on behalf of Scheme Shareholders as consideration for the new AEL Shares to be transferred to the Eligible Shareholders (and in the case of Ineligible Foreign Shareholders, to the Sale Agent). Eligible Shareholders will not be entitled to receive cash. As a consequence of these steps, Eligible Shareholders will receive **one AEL Share for each six (6) Scheme Shares** they are registered as holding. Shareholders do not need to contribute any money for the AEL Shares they are entitled to receive under the Scheme.

Ineligible Foreign Shareholders will not receive AEL Shares. AEL Shares attributed to Ineligible Foreign Shareholders will instead be transferred to the Sale Agent and sold under the Sale Facility. Such a sale may be delayed until AEL Shares are listed on ASX if that is in the best interests of Ineligible Foreign Shareholders, but must not be delayed beyond 30 June 2012 unless at that time there is a Liquidity Event pending. The average proceeds of sale, after deduction of any applicable brokerage, taxes and charges, will be remitted to them. The Ineligible Prior Foreign Shareholders will receive a total for their AEL Shares of not less than the amount of the Capital Reduction per each of their Scheme Shares of which they were entered on the Auzex Share Registry before 11 November 2011, after deduction of any applicable brokerage, taxes and charges.

The Demerger Proposal can only be implemented if sufficient Auzex Shareholders vote in favour of the resolutions to be proposed at the General Meeting and the Scheme Meeting.

Further details on the Capital Reduction and the Scheme, including details of the approvals required from Auzex Shareholders before the Demerger can proceed, are set out in Section 7 of this Booklet.

### 3.4 Advantages, disadvantages and risks of the Demerger

The objective of Auzex's directors in proposing the Demerger is to create long term value for Auzex Shareholders, in two ways:

## Summary of the Demerger Proposal.

- (i) The Demerger will better ensure that Auzex Shareholders will receive fair value for their Auzex Shares upon the proposed merger with GGG Resources to unite the Bullabulling Gold Project under the single ownership of BBG.
- (ii) The Demerger will also allow AEL to operate a focused strategy in accordance with its business model, with the capacity to adopt growth policies, and capital and financial structures appropriate to its business.

The advantages, disadvantages and risks of the Demerger Proposal are outlined in section 4 of this Booklet.

Auzex's directors believe that the advantages of the Demerger Proposal outweigh its risks and disadvantages.

### 3.5 Auzex directors' recommendation

The Auzex Board believes that, taking into account all relevant matters, the Demerger Proposal is in the best interests of Auzex Shareholders and Auzex, and the Capital Reduction will not materially prejudice the interests of Auzex's creditors.

Importantly, if the Demerger is not approved then the proposed merger with GGG Resources will not proceed.

While you do not have to vote, the Auzex Board believes the Capital Reduction and the Scheme are important to all Auzex Shareholders. Each Auzex director recommends that Auzex Shareholders vote in favour of the Capital Reduction Resolution at the General Meeting, and vote in favour of the Scheme at the Scheme Meeting.

Refer to section 9.5 for information about the shareholdings of Auzex directors in Auzex.

### 3.6 Independent review of the Demerger Proposal

Auzex has commissioned BDO Corporate Finance (QLD) Ltd as an Independent Expert to prepare a report on the Demerger Proposal.

The Independent Expert has concluded that:

- (i) the advantages of the Demerger outweigh its disadvantages and accordingly, the Demerger is in the best interests of Auzex Shareholders; and
- (ii) the Capital Reduction is fair and reasonable to Auzex's Shareholders as a whole and will not materially prejudice Auzex's ability to pay its creditors.

A copy of the Independent Expert's Report is contained in Appendix 1 of this Booklet.

### 3.7 Relationship between Auzex and AEL after the Demerger

After the Demerger, Auzex and AEL will have certain common directors on their respective Boards. In addition, a Demerger Deed has been entered into between Auzex and AEL. The Demerger Deed includes arrangements dealing with the specific ongoing business relationship between Auzex and AEL and are summarised in section 7.5 of this Booklet.

### 3.8 Steps to implement the Demerger

The key steps to implement the Demerger are:

- Auzex Shareholders must approve the Capital Reduction at the General Meeting at 10:00 am (Brisbane time) on 16 December 2011;
- Auzex Shareholders must approve the Scheme at the Scheme Meeting to be held just after the General Meeting;
- the Court must approve the Scheme at the Second Court Hearing (expected to be held on 20 December 2011); and
- if the Court approves the Scheme, and all other conditions to the Scheme have been satisfied or waived by Auzex, AEL Shares are expected to be transferred to Scheme Shareholders (other than Ineligible Foreign Shareholders) on 6 January 2012.



# 4

## 4.1 Introduction

The Auzex Board believes the advantages of the Demerger Proposal outweigh its disadvantages and risks, and that the Demerger will enable both Auzex and AEL to more effectively maximise shareholder value.

Auzex Shareholders should however carefully consider the following advantages, disadvantages and risks of the Demerger Proposal and other relevant considerations, as well as the other information contained in this Booklet, in deciding whether or not to vote in favour of the Demerger Resolutions required to implement the Demerger Proposal.

The Exploration Assets and Auzex's interest in the Bullabulling Gold Project will continue to be exposed to many of the same risks after the Demerger as they faced before the Demerger.

# ADVANTAGES, DISADVANTAGES AND RISKS

## 4.2 Advantages of the Demerger Proposal

### 4.2.1 Improves value for Auzex Shareholders in the merger with GGG Resources

The terms proposed by GGG Resources for its acquisition of Auzex pursuant to the GGG Takeover Bid did not attribute reasonable value to Auzex's Exploration Assets, with the result that the Auzex Board considered the takeover consideration offered by GGG Resources to Auzex Shareholders neither fair nor reasonable.

The Demerger of the Exploration Assets enables Auzex Shareholders to retain their equity interest in the Exploration Assets, and receive fair value for their interest in the Bullabulling Gold Project in the proposed merger with GGG Resources.

### 4.2.2 Focus on core competencies and strategies

As a result of the Demerger, Auzex and AEL will be able to focus their attention and financial resources on their respective objectives and core competencies, and make strategic, operational and investment decisions on the basis of priorities and objectives that are relevant to each business.

AEL will be an exploration company with its own board of directors focused on the performance of the Exploration Assets. As a stand alone company, AEL will be better positioned to focus on its core business competencies and respond with greater flexibility to the challenges and opportunities presented in its business.

Auzex will continue to hold its 50% interest in the Bullabulling Gold Project. Subject to the Demerger being approved, Auzex Shareholders will be asked to approve the merger of Auzex with the holder of the other 50% of the Bullabulling Gold Project, GGG Resources, by means of Auzex becoming a wholly owned subsidiary of BBG, in consideration for which Auzex Shareholders will receive shares in BBG.

### 4.2.3 Improved ability for AEL to pursue growth opportunities

AEL as a stand alone company will be better able to pursue targeted growth opportunities. As a separate company AEL:

- will not need to compete with Auzex's Bullabulling Gold Project for capital; and
- is expected to have greater flexibility to pursue joint ventures and alliances to fund internal growth than might otherwise have been possible if it was part of the Auzex Group.

AEL's growth strategy will be primarily organic, and will focus on further exploration, appraisal and development of the Exploration Assets. AEL will, however, also seek to actively acquire further exploration projects, including in offshore jurisdictions, and will also consider corporate and asset acquisitions if, in the opinion of the AEL Board, they would materially increase AEL shareholder value.

### 4.2.4 Greater investor choice

The operating characteristics and financial profiles of Auzex and AEL will differ. Some investors look for different growth paths in earnings and different levels of distributions from an exploration business, on the one hand, and a mining development and production business, on the other. The combination of Auzex and AEL within a single group does not provide choice for those investors who prefer an exposure to an investment in one of these businesses but not the other.

The Demerger will provide current Auzex Shareholders and future investors with a clear investment choice and the flexibility to choose the level of exposure that they would like in each business. Following the Demerger, Auzex Shareholders will be able to retain, increase or decrease their investments in each business having regard to their own financial profiles and risk preferences.

### 4.2.5 Enhanced investor awareness

Following the Demerger, it will be easier for Auzex Shareholders and other investors to evaluate the projects, strategies and other characteristics of AEL.

The reduced complexity and improved transparency should improve investor understanding of AEL's businesses and strategy and increase the likelihood that AEL will achieve its optimal market valuation.

## Advantages, disadvantages and risks.

### 4.2.6 Appropriate capital structure and financial policies

Under the current ownership structure, the Exploration Assets must compete with the Bullabulling Gold Project for funding and resources. This limits to some extent the ability to pursue strategic growth opportunities in respect of the Exploration Assets. Following the Demerger, AEL will be better able to adopt a capital structure and financial policies appropriate to its particular operational and strategic objectives.

AEL will be able to operate with a capital structure and financial policies appropriate for a mining exploration business instead of those more suited to a mining development and production business. It is important to note that the ongoing capital structure and financial policies of AEL will be at the discretion of the AEL Board and may change from time to time.

## 4.3 Disadvantages of the Demerger Proposal

### 4.3.1 Additional costs for AEL

AEL will incur costs associated with certain services and internal management systems such as accounting, treasury, legal and taxation services. The majority of these services will initially be provided by Auzex until 30 June 2012 under the Demerger Deed. It is expected that these costs will initially be approximately \$163,000 per month. Further details on the Demerger Deed are at section 7.5.

### 4.3.2 AEL will no longer have the financial support of Auzex

AEL will no longer have the financial support or credit profile associated with being part of the Auzex Group and as a result may initially have a higher cost of borrowing on any required debt facilities.

### 4.3.3 Effects of reduction in size and diversification

Following the Demerger, AEL will be a less diversified company than Auzex is currently. Accordingly, the proportionate impact of an adverse development on the value of AEL Shares following the Demerger may be more significant than the impact of the same adverse development on the current value of an Auzex Share. Further, AEL will have a value and business which is significantly smaller than Auzex has currently, so there is potential for an adverse event which affects AEL to have a greater proportionate impact on AEL.

### 4.3.4 AEL will have a different investment profile

AEL's investment profile will be materially different from that of Auzex for the following reasons:

- AEL will focus on the exploration for resources rather than development and production;
- AEL will be a much smaller company;
- AEL will have limited cash resources.

Auzex will provide AEL with initial funding of \$2.085 million cash and it is expected that this will provide sufficient funding for AEL's exploration activities until AEL's intended initial public offer capital raising in the first half of 2012 or 30 June 2012, whichever is the earlier.

In addition to its initial cash reserves, AEL will have 7,022,472 shares in GGG Resources. It is anticipated that as part of the merger with GGG Resources, these shares will be exchanged for shares in BBG and, upon the successful listing of BBG, these shares will be able to be monetised by sale on ASX. Based on the closing price of GGG Resources CHESS Depository Interests on ASX on 8 November 2011 of 24.5 cents, these shares had a value of approximately \$1,720,500. There is no guarantee however that these shares will be able to be sold in full, in part or at all or for any specific price or within any given timeframe.

AEL will have to source its own funding beyond its initial cash reserves and holdings of shares in GGG Resources.

- there is no certainty that any of AEL's projects will become economically viable;
- AEL will not have any executive staff, other than an office manager. The AEL Board intends to engage consultants and contractors to carry out executive functions such as exploration work. Until 30 June 2012, AEL will be reliant on Auzex for the provision of support services under the Demerger Deed.

## Advantages, disadvantages and risks.

### 4.3.5 Ineligible Foreign Shareholders

In the case of each Ineligible Foreign Shareholder, the AEL Shares to which the shareholder would otherwise have been entitled will be transferred to the Sale Agent to be sold as soon as reasonably practicable after the Implementation Date having regard to the value that will be realized for Ineligible Foreign Shareholders, with the average proceeds of sale, after deduction of any applicable brokerage, taxes and charges, being remitted to the shareholder. Such a sale may be delayed until AEL Shares are listed on ASX if that is in the best interests of Ineligible Foreign Shareholders, but must not be delayed beyond 30 June 2012 unless at that time there is a Liquidity Event pending. Under the terms of the Scheme each Ineligible Foreign Shareholder is taken to have agreed to this process.

As a result, Ineligible Foreign Shareholder will not receive shares in AEL and will not participate in any increase in value of those shares after the date of the sale those shares by the Sale Agent.

In the case of Ineligible Foreign Shareholders, the AEL Shares to which they would otherwise be entitled in respect of Scheme Shares of which they were the registered holder before the date of this Booklet will be sold no later than 60 days after the Implementation Date for a price per AEL of not less than six times the capital Reduction per Scheme Share.

For Ineligible New Foreign Shareholders however, as AEL will be an unlisted company, there is a risk that their shares in AEL will not be able to be sold in full, in part or at all or for any given price or within any particular timeframe. In particular, there is a risk for Ineligible Foreign Shareholders that they may not receive cash value for their shares in AEL which reflects the value of the shares adopted by Auzex or AEL for the purposes of the Demerger.

## 4.4 Risks of the Demerger Proposal

### 4.4.1 Introduction

If the Demerger is implemented, Eligible Shareholders will receive AEL Shares and be exposed to the risks associated with an investment in AEL. These risks impact the financial and operational performance of AEL. This section 4.4 highlights a number of risks which:

- arise in relation to the implementation of the Demerger;
- are common to Auzex and AEL if the Demerger is implemented; and
- are specific to AEL.

The risks described in this section are a summary only, and should not be considered exhaustive. They do not take into account the investment objectives, financial situation, taxation position or particular needs of any particular Auzex Shareholder and are not exhaustive. You should carefully consider the following risks, as well as the other information contained in this Booklet, before determining how to vote on the Capital Reduction Resolution and the Scheme Resolution.

If the Demerger is implemented Auzex Shareholders will be asked to approve the merger of Auzex with GGG Resources under the single ownership of BBG. Auzex will become a wholly owned subsidiary of BBG along with GGG Resources, and Auzex Shareholders will become shareholders in BBG.

### 4.4.2 General risks in relation to the Scheme

#### (a) Court delays

There is a risk that the Court may not approve the Scheme or that the approval of the Court may be delayed.

#### (b) Capital gains tax demerger relief may not be available

Capital gains tax demerger relief may not be available. This is discussed further in section 8 of this Booklet.

### 4.4.3 Risks common to Auzex and AEL

#### (a) Uncertainty about the combined value of Auzex Shares and AEL Shares

Although the Auzex Board believes that the Demerger will enhance value for shareholders, it is not possible to predict the value of AEL Shares, or of Auzex Shares, following the Demerger if the proposed merger with GGG Resources does not proceed.

## Advantages, disadvantages and risks.

Immediately after the Demerger AEL will not be listed, and accordingly AEL shares will not trade on ASX or any other market.

It is the current intention of the AEL Board that subject to market conditions, AEL will seek to be admitted to the official list of ASX, following a capital raising by way of an Initial Public Offering, no later than July 2012. There can be no assurance that AEL will become listed on ASX within the intended time (refer to paragraph 4.4.4 (o)) or that, if it is, an active trading market will develop for AEL Shares or that AZX Shares will trade on ASX subsequent to its listing at a particular price. If AEL becomes listed the market value of AEL Shares will be determined by the stock market and will be subject to upwards or downwards fluctuations, which may result from different factors, including general economic conditions, fluctuations in international stock markets, movements in domestic interest rates and market expectations.

### **(b) General economic conditions**

Material adverse changes in the general domestic and international economic climate may have an adverse impact on the performance of both Auzex and AEL. These general economic conditions are influenced by such things as economic growth, interest rates, inflation, employment levels and consumer and business sentiment.

### **4.4.4 Risks specific to AEL**

Generally, the operations of AEL will be subject to risks associated with the acquisition of, and exploration for, minerals. Exploration for materials involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome.

Certain of the projects in which AEL will be involved may require AEL to hire personnel and consultants with specialised expertise, and require significant expenditure and financing, for successful completion. Accordingly, an investment in AEL should be considered speculative due to the risks inherent in the minerals exploration business. These, and other risks, are discussed further below.

#### **(a) Limited operating history**

AEL was incorporated on 6 October 2011 specifically to hold and operate the Demerger Assets, and accordingly has no historical financial or operating information.

While each of AEL's directors has significant experience in business, management and the mining exploration industry, AEL's ability to achieve its objectives depends on the ability of its directors to implement proposed exploration programs and to respond in a timely and appropriate manner to any unforeseen circumstances which may require changes to those programs, and accordingly this represents a risk to AEL.

#### **(b) Exploration and development risk**

Although AEL will inherit an established exploration business in the form of the Exploration Assets, its future value will be materially dependent on the success or otherwise of AEL's activities that are directed towards the search, evaluation and development of gold, copper, tin, tungsten, molybdenum and other resources.

Exploration for these resources is speculative and involves a significant degree of risk. Although the rewards can be substantial, there is no guarantee that future exploration on territories for which AEL has exploration permits and licences will lead to commercial discovery or, if there is such discovery, that AEL will be able to develop it economically. If at any stage AEL is precluded from pursuing its exploration programs or decides not to continue with any of these, this is likely to have an adverse effect on the value of AEL Shares.

#### **(c) Operating risks**

Acquiring and exploring for minerals involves certain operational risks, and may be delayed or adversely affected by factors outside the control of AEL. These factors include the performance of joint venture partners on whom AEL may be or may become reliant, compliance with current or new governmental requirements, current availability of, or delays in installing and commissioning, plant and equipment or import or customs delays. Problems may also arise due to the quality or failure of locally obtained equipment or interruptions to services (such as power, water, fuel or transport or processing capacity) or technical support, which result in failure to achieve expected target dates for exploration activities or result in a requirement for greater expenditure.

## Advantages, disadvantages and risks.

### **(d) Title risk**

AEL may lose title to, or interests in, its tenements if an appeal or challenge is made in respect of that title or interest. Moreover, if the conditions to which those tenements are subject are not satisfied by AEL, or if insufficient funds are available to meet expenditure commitments, this may lead to dilution of its interest in, or the loss of, such permits or licences without compensation.

### **(e) Lyell Gold Project – dispute over joint venture interest**

The Lyell Gold Project is owned by a joint venture comprising Auzex (through its subsidiary, Auzex Resources (NZ) Pty Limited (Auzex NZ) and New Zealand Minerals Limited (NZML)).

Auzex NZ believes that NZML has not contributed its share of joint venture expenditure and, as a result, its proportionate share of the joint venture has been (or is liable to be) diluted to at least 42%. NZML disputes its non-contribution and the dilution of its proportionate share.

### **(f) Lyell Gold Project – consequences of change in control**

Under the joint venture agreement, a 'Change in Control' of Auzex NZ occurred on 10 November 2011 when the shares in Auzex NZ were transferred to AEL under the Demerger Deed. As a result, NZML has a 60 day period (ending on 9 January 2012) to elect to purchase the whole of Auzex NZ's interest in the Lyell Gold Project at market value (which is the amount agreed by the parties or as determined by an independent expert who is agreed by the parties or appointed at the request of a party by the President for the time being of the Australasian Institute of Mining and Metallurgy).

### **(g) Funding requirements**

Auzex will provide AEL with initial funding of \$2.085 million cash and it is expected that this will provide sufficient funding for AEL's exploration activities until AEL's intended initial public offer capital raising in the first half of 2012 or 30 June 2012, whichever is the earlier.

In addition to its initial cash reserves, AEL will have 7,022,472 shares in GGG Resources. It is anticipated that as part of the merger with GGG Resources, these shares will be exchanged for shares in BBG and, upon the successful listing of BBG, these shares will be able to be monetised by sale on ASX. Based on the closing price of GGG Resources CHESSE Depository Interests on ASX on 8 November 2011 of 24.5 cents, these shares had a value of approximately \$1,720,500. There is no guarantee however that these shares will be able to be sold in full, in part or at all or for any specific price or within any given timeframe.

AEL will have to source its own funding beyond its initial cash reserves and holdings of shares in GGG Resources.

There is a risk that difficult conditions in the equity and debt markets may exist in the first half of calendar 2012 when AEL seeks to raise capital which may make it more difficult and costly for AEL to obtain its own funding independent of Auzex. Further, there can be no certainty that AEL will have access to available financial resources that will be sufficient to fund its working capital and capital expenditure requirements. If AEL is unable to obtain additional financing as and when needed, it may be required to reduce the scope of its operations or limit expansion.

### **(h) Ability to exploit discoveries**

It may not always be possible for AEL to participate in the exploitation of successful discoveries made in areas in which AEL has an interest. Such exploitation may involve the need to obtain licences or clearances from the relevant authorities, which may require conditions to be satisfied or the exercise of discretion by such authorities. It may or may not be possible for such conditions to be satisfied.

Furthermore, the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as those of AEL. Such further work may also require AEL to meet or commit to financing obligations, which it may not have anticipated or may not be able to commit to due to lack of funds or inability to raise funds.

### **(i) Access to infrastructure**

Access to the appropriate infrastructure is an essential component in the exploitation of successful exploration discoveries. There is a risk that in order to secure a position with respect to infrastructure access, AEL may be required to enter into commitments (for example for the cost of feasibility studies) in advance, which may then expose AEL to financial obligations, which might also include 'take or pay' type obligations.

## Advantages, disadvantages and risks.

### **(j) Personnel**

AEL will not have any executive staff, other than an office manager. The AEL Board intends to engage consultants and contractors to carry out executive functions such as exploration work. Until 30 June 2012, AEL will be reliant on Auzex for the provision of support services under the Demerger Deed.

There is a shortage of skilled labour in the Australian market and a great deal of competition among mining and exploration companies for the appropriate personnel and contractors. There is a risk that the execution of AEL's exploration strategy may be delayed owing to the difficulty in securing the appropriate personnel or contractors to implement it.

### **(k) Access to laboratories and equipment**

Owing to the large amount of exploration activities being undertaken in Australia, there is pressure on access to mineral testing laboratories (some programs can take up to 12 months to complete) and drilling and other exploration equipment. There is a risk that the execution of AEL's exploration strategy may be delayed owing to the difficulty in accessing mineral testing laboratories and the necessary exploration equipment.

### **(l) Changes to government policy and regulatory conditions**

Governmental action, including delay, inaction, failure to grant necessary approvals, policy change or the introduction of new, or amendment of existing, legislation or regulations, particularly in relation to access to infrastructure, environmental regulation, taxation, royalties and exploration licensing may adversely affect AEL's operations and financial performance.

### **(m) Regulatory and tax**

There is a risk that the fiscal regime of a country in which the Exploration Assets are located, including taxes and levies, could change in the future and have a material impact on the future of AEL.

### **(n) Environmental risk and regulation**

Although AEL intends to conduct its activities in an environmentally responsible manner, if it is responsible for environmental damage it may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations. Environmental and safety legislation may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. This may lead to increased costs or other difficulties with compliance for AEL.

### **(o) Risk relating to proposed listing on ASX**

As noted, it is the current intention of the AEL Board that subject to market conditions, AEL will seek to be admitted to the official list of ASX, following a capital raising by way of an initial public offering, no later than July 2012.

There is a risk that admission to ASX may not occur within the intended time frame, or at all, with the result that there would not be a liquid market for AEL shares.

In summary, there are two key requirements AEL must satisfy in order to be admitted to the official list of ASX.

- (i) AEL must have at least 500 shareholders each having a parcel of AEL shares with a value of at least \$2,000. At the time of the Demerger AEL will have about 1,300 shareholders.
- (ii) AEL will need to satisfy the 'Assets Test' in ASX listing Rule 1.3. There are three components to that test that must be satisfied at the time of the application for listing:
  - AEL must have net tangible assets of at least \$2 million or a market capitalisation of at least \$10 million. At the time of the Demerger AEL will have net tangible assets of approximately \$3,879,014, including cash of \$2,085,000 and 7,022,472 shares in GGG Resources, which could be readily converted to cash. Based on the closing price of GGG Resources CHESS Depository Interests on ASX on 8 November 2011 of 24.5 cents, these shares had a value of approximately \$1,720,500. AEL proposes to raise additional capital prior to listing by way of an initial public offering, subject to market conditions.

## Advantages, disadvantages and risks.

- Less than half of AEL's net tangible assets must be in cash or in a form readily convertible into cash, or AEL must have commitments consistent with its clearly stated business objectives to spend at least half its cash pursuant to an expenditure program. As described in section 6, the business strategy of AEL involves the further exploration, appraisal and development of its portfolio of Exploration Assets. Accordingly, exploration expenditure over the next 12 months is anticipated involve the commitment of more than one half of AEL's cash and assets convertible into cash in accordance with AEL's clearly stated business objectives. The extent of such commitments will be conditional upon the success of the proposed initial public offering.
- AEL's working capital must be at least \$1.5 million after allowing for the first full financial year's budgeted administration costs and the cost of acquiring plant, equipment and mining tenements. It is the intention of the AEL Directors to maintain minimum working capital of \$2 million by limiting administration costs and commitments to costs of plant, equipment and tenements pending the proposed capital raising pursuant to an initial public offering.

Additional risks and uncertainties not currently known to the Auzex Board may also have an adverse effect on Auzex's business and AEL's business. The information set out above does not purport to be, nor should it be construed as representing, an exhaustive summary of the risks affecting Auzex and AEL.

### 4.5 Other relevant considerations

#### 4.5.1 Dividends and franking capacity

To date Auzex has not paid any dividends. Given the strong capital investment cycle that Auzex is currently in, it is unlikely that a dividend will be paid in the short to medium term.

After the Demerger, AEL will not have any cash-flow generating assets, as they are all in the exploration or appraisal stage. Accordingly, it is also unlikely that a dividend will be paid by AEL in the short to medium term.

#### 4.5.2 Taxation implications for Auzex Shareholders

The Demerger has taxation implications for Auzex Shareholders. The taxation implications of the Demerger Proposal are complex and depend on the laws of the country in which an Auzex Shareholder is a tax resident. Auzex Shareholders should consider these implications when deciding how to vote in relation to the Demerger Proposal.

A more detailed discussion of the taxation consequences of the Demerger for Australian resident Auzex Shareholders who hold their shares on capital account is contained in section 8 of this Booklet. The discussion is in general terms and does not take into account the particular circumstances of Auzex Shareholders. It is recommended that all Auzex Shareholders should, in considering the implications to them of the Demerger, obtain independent professional tax advice regarding the income tax and capital gains tax implications specific to their circumstances.

#### 4.5.3 Independent Expert's opinion

The Auzex Board appointed BDO Corporate Finance (QLD) Ltd to prepare an independent expert's report on the Demerger Proposal to Auzex Shareholders. The Independent Expert has concluded that:

- the advantages of the Demerger outweigh its disadvantages and accordingly, the Demerger is in the best interests of Auzex Shareholders; and
- the Capital Reduction is fair and reasonable to Auzex's Shareholders as a whole and will not materially prejudice Auzex's ability to pay its creditors.

A copy of the Independent Expert's Report is contained in Appendix 1 of this Booklet.



## SECTION 4 continued

### 4.5.4 Implications if the Demerger does not proceed

If Auzex Shareholders do not approve the Demerger Proposal, the Demerger will not proceed. In that event:

- the Capital Reduction will not proceed;
- Auzex Shareholders will not receive AEL Shares (or, in the case of Ineligible Foreign Shareholders, they will not receive the proceeds, after deduction of any applicable brokerage, taxes and charges, from the sale of AEL Shares);
- the proposed merger of Auzex and GGG Resources will not proceed;
- Auzex will continue to own and manage the Exploration Assets;
- transaction costs of approximately \$1.1 million will be incurred; and
- the advantages of the Demerger, as outlined in section 4.2 and which the Auzex Board believes will promote increased value for Auzex Shareholders, may not be otherwise realised, potentially having an adverse impact on both the Exploration Assets and Auzex's interest in the Bullabulling Gold Project (conversely, the disadvantages of the Demerger identified by the Auzex Board in section 4.3 may not otherwise arise).

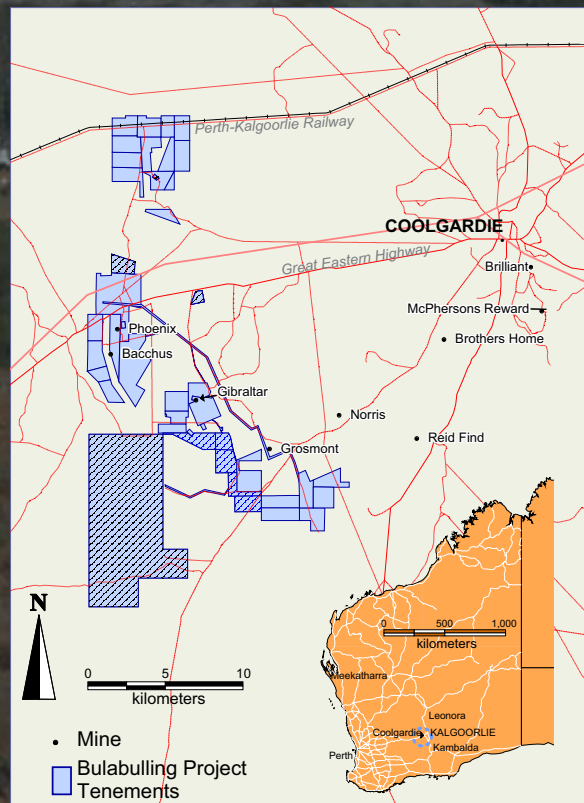
## 5.1 Introduction

This section of the Booklet sets out the profile of Auzex immediately after the Demerger, but before the proposed merger with GGG Resources.

This section does not describe the profile of Auzex after the proposed merger because:

- if the merger with GGG Resources becomes effective Auzex will, like GGG Resources, become a wholly owned subsidiary of BBG and Auzex Shareholders will become shareholders in BBG; and
- the profile of BBG will be set out in detail in the scheme booklet that will be sent to Auzex Shareholders in respect of the vote for Auzex to merge with GGG Resources.

Refer to section 3.2.3 for more information regarding the proposed merger of Auzex and GGG Resources.



# PROFILE OF AUZEX AFTER THE DEMERGER

## 5.2 Overview

After the Demerger, Auzex will retain its listing on the ASX. Auzex's core strategy will be unchanged and its key asset will continue to be its 50% interest in the Bullabulling Gold Project.

Subject to Auzex shareholders' approval and the approval of the Court, Auzex will merge with GGG Resources, which holds the other 50% of the Bullabulling Gold Project, by means of both Auzex and GGG Resources becoming wholly owned subsidiaries of BBG.

Auzex's debt position will be unaltered as a result of the Demerger, although its cash position will be reduced by \$2.085 million that is to be provided to AEL for AEL's initial funding requirements.

The Auzex Board and senior management personnel will remain unchanged. Details are set out in section 5.4.

## 5.3 Auzex's operations after the Demerger - the Bullabulling Project (Auzex 50%)

### 5.3.1 Location of the Bullabulling Gold Project

Auzex's flagship Bullabulling Gold Project is located approximately 60km south west of Kalgoorlie and 27km west of Coolgardie in the highly prospective Eastern Goldfields of Western Australia. The Eastern Goldfields has been a prominent gold mining district, ever since the discovery of gold in the region in the 1890s. Bullabulling includes a number of tenements which include granted mining leases, prospecting licences and exploration permits covering an area of 13,100 hectares in aggregate, as shown in the diagram at left.

### 5.3.2 Previous Operations

Bullabulling was operated by Resolute Mining Ltd (ASX:RSG) during the 1990's when gold production totalled approximately 371,000 ounces from 7.9 million tonnes grading 1.45g/t gold. Mining was from nine shallow pits (maximum depth 80m) over a 12km portion of the regionally extensive (and up to 800m wide) Bullabulling Shear Zone which is intimately associated with the mineralisation. Production was from predominantly surface laterite and shallow supergene ore as well as primary (fresh) mineralisation. In 2002, Resolute sold the project to Jervois Mining Ltd (ASX:JRV), which operated a small dump leach operation on the site until Auzex completed a sale and purchase agreement, whereby all the project tenements, plant and equipment were acquired, by the Bullabulling Joint Venture (Auzex 50%, GGG 50%) in August 2010.

### 5.3.3 Geology and Mineralisation

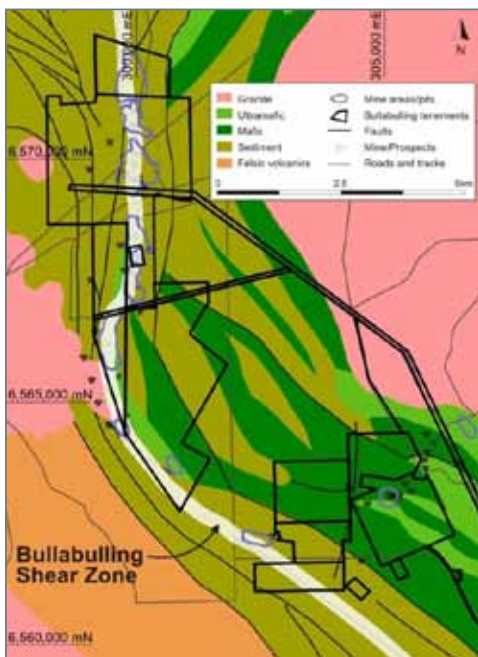
The Bullabulling Gold Project is located in the middle of the Coolgardie Domain of the Kalgoorlie Terrane in the Yilgarn Craton in Western Australia. The Coolgardie Domain is bounded by the Zuleika Shear and the Ida Fault to the east and west respectively and contains a greenstone sequence consisting of basalt, ultramafic, felsic volcanic and sedimentary units intruded by voluminous granites. Gold deposits in the region appear to be clustered around a number of late granite intrusions, with the gold deposits that comprise the Bullabulling gold camp clustered around the south western corner of the Bali Monzogranite. The deposits define lie along a trend that broadly follows the margin of the intrusion, called the Bullabulling Trend. The main regional scale structures in the Coolgardie Domain are, in addition to the bounding structures already mentioned are a NW-striking high strain zone named the Kunanalling Shear Zone that passes through middle of the domain, the Bullabulling shear zone that trends north-south through the domain and numerous folds with either north west or west-striking axial planes. In addition to these are a series of thrusts that repeat the basalt-ultramafic stratigraphy.

The Bullabulling Gold Project is a large tonnage, low grade deposit associated with the regional Bullabulling shear zone, which extends over tens of kilometres. Bullabulling contains nine gold resources along a 12km mineralised zone which remains open to the south and at depth where recent high grades have been intersected. The mineralised structure is up to 800m wide, consisting of multiple west dipping low grade stacked zones with narrower higher grade gold mineralisation. The extent of gold deposits is clearly illustrated by the soil geochemistry, from

## Profile of Auzex after the Demerger.

which two distinct trends can be defined: one is north-south and the other east-west. Most gold has been mined in open pits mainly from the north striking segment but there is one mine, Gibraltar on the northernmost end of one of the east-striking trends. The gold mineralisation occurs as a combination of primary structurally controlled deposits hosted by deformed and altered greenstone units and supergene deposits in weathered greenstone and laterite at Bullabulling.

The Bullabulling Trend extends approximately 6 km from the Bacchus South pit, in the south, north to the Bonecrusher laterite pit. Structural studies on the deposit have confirmed that gold mineralisation can be traced continuously, through 40m spaced drilling sections, along the entire 6km Bullabulling Trend, which remains open to the south and at depth. The gold deposit along the Bullabulling trend comprises a shallow (sub horizontal) west-dipping enveloping surface with steeper west-, north west- and southwest-dipping internal lodes. In detail the lodes anastomose around more competent units forming small to large scale boudins and spatially associated with prospect scale folds.

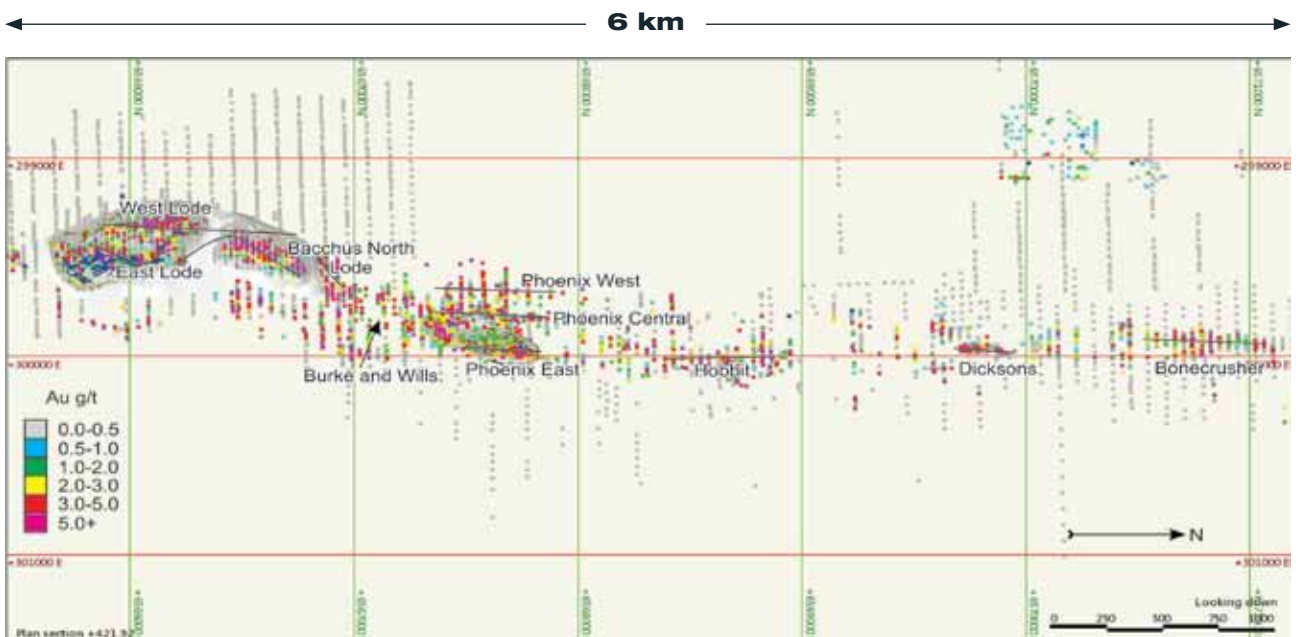


The extent of the Bullabulling Shear Zone and location of historical open pit workings is shown in the figure at left.

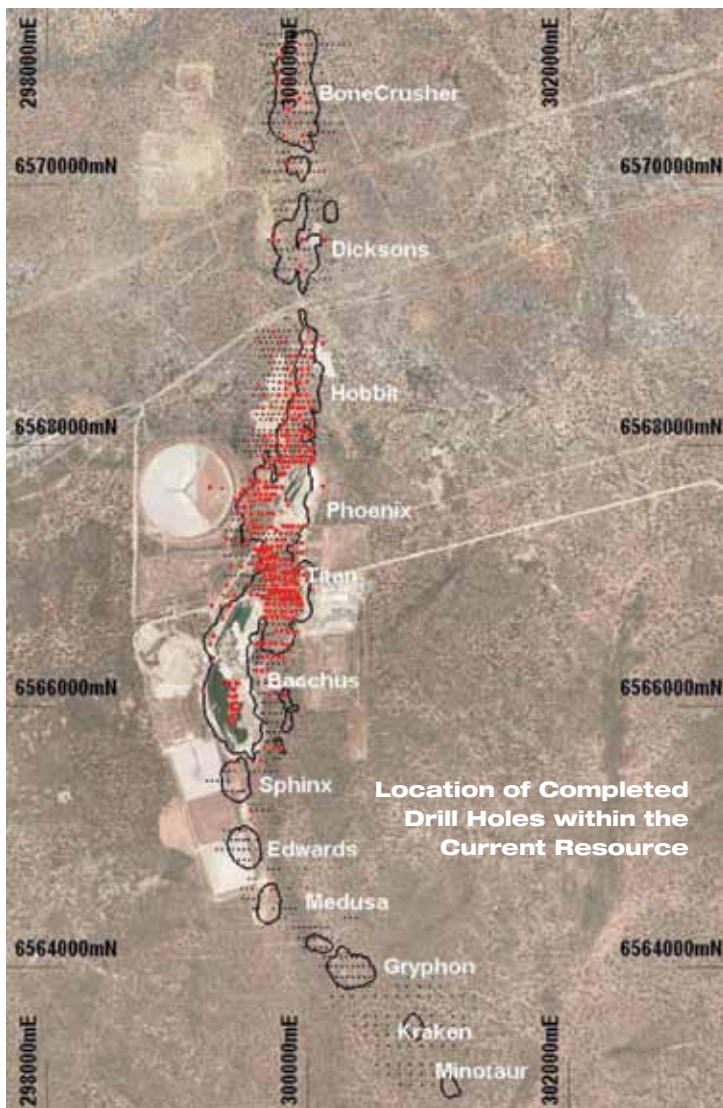
It is believed the Gold mineralisation formed during the folding of a stack of sub horizontal high strain zones by west-block-down shearing along the north-striking vertical Bullabulling shear zone during late east-west shortening. Fluid flow and resultant metasomatism and alteration was localised within reactivated late high strain zones that are recognised by their rotational effects on the early horizontal fabric.

### 5.3.4 Current and Planned Drilling Program

The Phase One drilling program, totalling approximately 35,000m primarily for QAQC (confirmation drilling), was completed in May 2011. Through a planned program of twinning and infilling of previous drill holes, the historic drill data has been confirmed as being statistically valid for use in resource estimation work. Statistical studies on defining the drill spacing for Indicated and Inferred resources were also completed and the recommended drill spacing for defining future Indicated resources has been set at 75m north-south and 35m east-west.



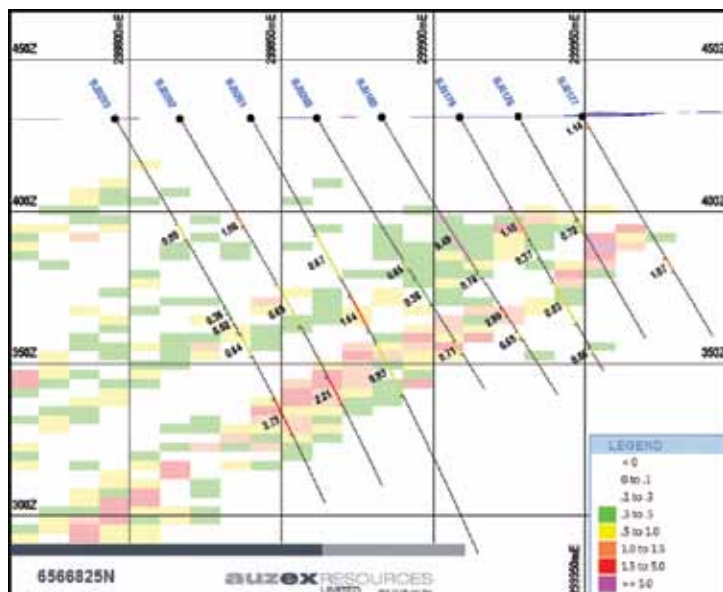
## Profile of Auzex after the Demerger.



A Phase Two drilling program of 70,000m was then planned to infill the historic and Phase one drilling to increase the confidence in the resources to at least Indicated category. This drilling program is focused on the 6km portion of the Bullabulling Trend where previous operations were concentrated. The infill drilling program was planned to be completed in early December 2011 and will be followed by a resource update during the first quarter of 2012.

The Phase Two RC resource drilling programme, which commenced in May 2011, is progressing well. There are currently three drill rigs working on the Phase Two programme, infilling the historic drilling between the Bacchus and Bonecrusher pits to increase the confidence in the current resource base. Assays from the infill drilling continue to confirm the resource estimate and geological model and of the 214 holes with assays returned only four have not intersected mineralisation. As in the historic holes, there are generally at least 4 intersections per drill hole relating to the multiple stacked lodes defined by the structural mapping. The results from the drilling are correlating well with the new resource model, with approximately 59% of the intersections to date are better than estimated by the model, 35% are similar to the model and only 6% are worse or missing as predicted by the new model. New mineralisation continues to be intersected to the east of the Bacchus pit, which is expected to add to the total resource. The infill drilling program remains on track to be completed in December.

### Drill Cross Section at Bacchus North



The location of Phase One QAQC<sup>1</sup> and Phase Two infill drilling in the main resource areas (red filled drill collars are completed holes) are shown above left.

A representative cross section of the recent drilling at the Bacchus North deposit is shown at left.

<sup>1</sup> QAQC means Quality Assurance and Quality Control and represents drilling undertaken to confirm QAQC procedures and reconcile historical drilling with a view to improving the confidence in the historical assays and allow this data to be incorporated into the current resource model and future exploration drilling programs.

## Profile of Auzex after the Demerger.

### 5.3.5 Mineral Resources Overview\*

The updated resource estimate for the Bullabulling Project, including the new QAQC drilling, was completed in August 2011 by the Snowden Group. The estimation used assays from all the historic reverse circulation (RC) and diamond drill hole data, but excludes the RAB drilling data (previously included in the August 2010 resource estimate completed by CSA Global), over a 9 km<sup>2</sup> area covering the Bullabulling Trend. Multiple Indicator Kriging (MIK) was used to establish the resource estimate, after the data were unfolded, using Datamine and GSLIB software. Variography carried out on the unfolded data provided ranges of up to 208m along strike and 108m down dip. These ranges were then used to design the primary search ellipse dimensions used in the modelling, which were 50m along strike, 25m down dip and 15m across strike. The variography reconciles well with the orientations of mineralised shoots derived from structural mapping. Recent studies on processing cost and mining cost estimations suggest a 0.5 g/t Au cut off is appropriate for this project at current gold prices and this, and future resource estimates, will be quoted at this cut off.

The current reported JORC compliant mineral resource (as at August 2011) is 78.8 million tonnes at 1.03g/t Au (or 2.60 million ounces of contained gold) at a 0.5g/t Au cut off to a nominal average depth of 275m RL, approximately 160m below surface. Of this total, 691,000 ounces of gold are classified as Indicated, with the remainder being classified as Inferred resources. This is a significant increase in resources from when Auzex acquired the project, which was a total of 9.31 million tonnes at 1.44 g/t Au for 432,000 ounces of gold at a 0.7 g/t Au cut off.

The resource estimate was reviewed statistically, checked on plan and section and compared against the ore that was previously mined from the Bacchus North and South pits. The reconciliation against the ore mined was good with 3,679,000 tonnes at 1.39 g/t Au predicted by the estimate compared to 3,040,000 at 1.59 g/t Au reported as mined. The difference in tonnes and grade is largely due to the different block sizes used for mining compared to the resource estimate, with the larger block size used for the estimate resulting in a lower average grade, but higher tonnes for a similar number of ounces.

Mineralisation type	Resource Category	Tonnes	Au	Au
	(JORC, 2004)	(Mt)	(ppm)	Ounces
Laterite	Inferred	1.6	0.89	45,737
	Indicated	21.3	1.01	690,965
Amphibolite	Inferred	50.9	1.03	1,683,877
		73.8	1.02	2,420,579
Gibraltar	Inferred	4.5	1.12	161,877
Laterite Dumps	Inferred	0.5	1.20	20,659
Grand Total		78.836	1.03	2,603,115

#### \* Competent Person Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by John Lawton who is a full-time employee of the Company and member of The Australasian Institute of Mining and Metallurgy (MAusIMM). He 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 the information in the form and context in which it appears.

## Profile of Auzex after the Demerger.

### 5.3.6 Scoping and Pre-feasibility Studies

A scoping study that has used the new resource estimate is nearing completion. Five samples were submitted for metallurgical comminution, recovery and variability test work and the data from this work was used to model potential processing and plant capital costs, assuming a base case plant capacity of 5.0Mtpa. Preliminary crushing, mill and design work has also been carried out. This information was used to optimise plant throughput, and define operating and capital costs. Mining costs were then developed using a 5.0Mtpa option and these along with the processing costs were used to develop a number of optimisation scenarios to assess the economic viability of the project and to allow the optimum mining and processing rates to be defined. This work also included preliminary mine scheduling and site layout design. The scoping study will be completed in the last quarter of 2011 and will be followed by a pre-feasibility study that is planned to be completed by the second quarter of 2012.

The main critical path task for the prefeasibility study is obtaining and testing additional metallurgical samples from the full strike length of the Bullabulling Trend. An additional 20 samples are planned to be collected for this program and drilling has commenced and is expected to be completed before the end of the fourth quarter of 2011 when the pre-feasibility study is planned to start.

### 5.3.7 Exploration

The Bullabulling trend extends a further 6 km to the south and south east, which is the focus of a 20,000m exploration drill program over the next 12 months, including exploration targets such as Sphinx, Edwards, Medusa, Gryphon, Kraken and Minotaur where previous shallow RAB (percussion) drilling has intersected widespread gold mineralisation. Preliminary scout exploration drilling has been completed between Edwards and Minotaur with low grade mineralisation intersected similar to that along the Bullabulling Trend. This mineralisation appears to be less continuous and the holes drilled to date have not intersected the higher grade zones of mineralisation found along the main part of the Bullabulling Trend. Results indicate that mineralisation is confined to the upper contact of the main komatiite unit that has been mapped along the Bullabulling Trend and swings with the stratigraphy to the southeast. The lower contact of the ultramafic, which is mineralised in the main Bullabulling Trend, remains to be effectively tested to determine whether deeper lodes occur in this position. A number of new holes are planned to test the full section of the ultramafic to cover both contacts on fence lines with a SW-NE orientation.

A review of the soil geochemistry database has been completed using historical soil data in combination with photo-mapping of regolith. It is clear that the historic drilling does not fully test significant areas of alluvial cover that are associated with low level gold soil anomalies to the south along the Bullabulling Trend within the newly granted Exploration Licences. Six regional scale targets have been identified that require follow up exploration drilling, which is planned to start immediately after the infill drilling is completed.

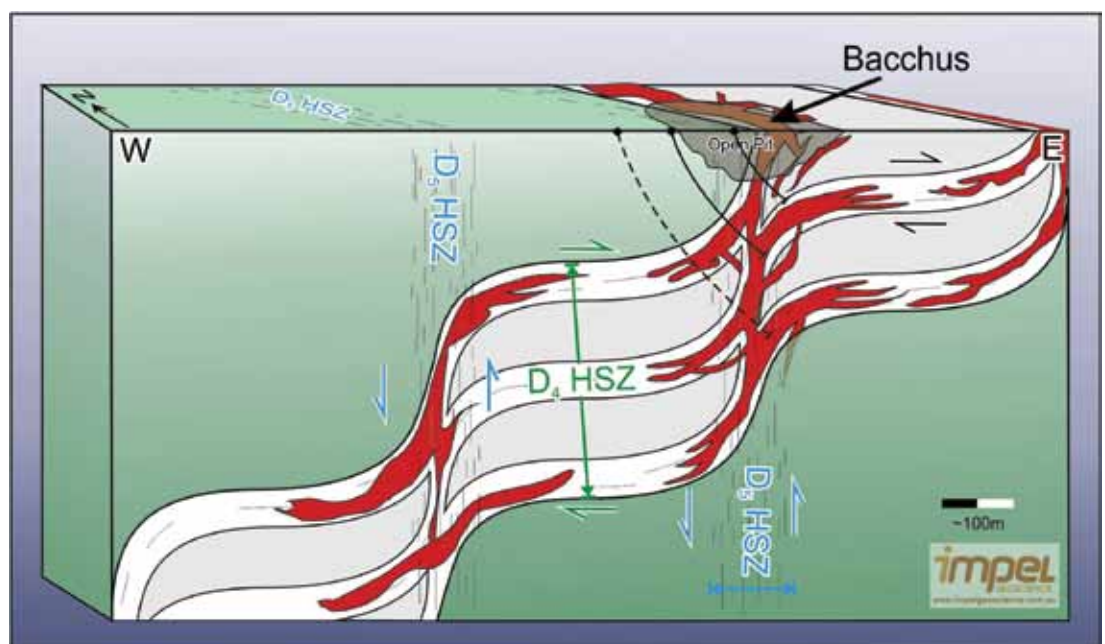
The main attractions for Auzex acquiring the Bullabulling project in January 2010 were not only the near surface low grade potential of the Bullabulling shear zone, which has now been established by the Company, but also the potential for higher grade mineralisation at depth. There are numerous examples in the Eastern Goldfields of prospects being mined for low grade near surface resources only for large high grade mineralisation to be found nearby. Recent alteration mapping and geological modelling has again hinted at this potential within the Bullabulling project area. There has been little previous work on understanding the primary controls on gold mineralisation in the region compared to other parts of the Eastern Goldfields and consequently no systematic targeting especially for deeper high grade primary mineralisation has been carried out. The structures associated with gold mineralisation can be identified by geophysics, geochemistry and alteration mapping and a detailed 3D model of the geology can be developed by using detailed ground geophysics and stratigraphic diamond drilling to target potential high grade shoots at depth. Auzex is working with CSIRO to develop accurate 3D maps of the alteration associated with gold mineralisation. When these alteration maps are combined with 3D geology and structure they will provide drill targets at depth beneath the current resource where laterally continuous zones of higher grade mineralisation may exist. Planning of the high grade deeps exploration project has been completed and 3D modelling work and geophysical data acquisition has started. The next phase of work will include:

## Profile of Auzex after the Demerger.

- Airborne and Ground geophysics
- Spectral logging of drill core and drill chips
- Stratigraphic diamond drilling
- 3D geological and spatial data modelling
- Diamond drilling of specific targets

While it is important to continue the infill drilling program in known mineralised areas in the near surface to upgrade the JORC status of the resource, this new High Grade Deeps Project has the potential to significantly increase the resource base of the project if successful and can be carried out in conjunction with infill resource drilling.

**3D Model of the structural framework of the Bullabulling Trend showing interpreted extensions to known mineralisation and also potential targets at depth within iron rich brittle lithologies.**



### 5.3.8 Exploration and Development Schedule

There is now less than 20,000m of infill drilling required to convert a significant portion of Inferred resources to Indicated resources. This infill drilling should be completed by early December 2011. A new resource estimate will be completed once this phase of drilling has been completed.

The exploration targets in the south of the Bullabulling Trend at Sphinx, Medusa, Edwards, Gryphon, Kraken and Minotaur will also be drilled during this period which should add to the current resource base.

The scoping study is nearing completion and a number of long lead time tasks for the pre-feasibility study for the project are well underway and will be progressively advanced during the next few quarters with a view to commencing discussions with project financiers and progressing detailed engineering studies during early 2012. This work includes:

- Finalising metallurgical variability test work
- Finalising power supply studies
- Final process engineering design
- Water supply studies
- Final capital and operating cost estimates
- Detailed estimation of mining costs
- Optimisation and reserve estimation
- Optimising cut-off grades and stockpiling strategy

## Profile of Auzex after the Demerger.

- Detailed mine planning and scheduling
- Financial modelling
- Completion of pre-feasibility study
- Completion of environmental studies and permitting
- Completion of bankable feasibility studies

At this stage, the project remains on schedule to meeting the commence production by 2015.

### 5.4 Directors and management

#### 5.4.1 Management

The Management team and Board of Directors have significant experience in the Australian and New Zealand mining sectors. This includes greenfields exploration through to resource assessment, mine development and operations.

The Management of Auzex and a brief description of their qualifications and other directorships are set out below:

#### 5.4.2 Directors

As at the date of this Booklet the Auzex directors are:

- Chris Baker (Chairman)
- John Lawton (Managing Director)
- Eugene Iliescu
- Greg Partington
- Paul Frederiks

All the directors intend to continue in office following the Demerger.

The Directors of Auzex and a brief description of their qualifications and other directorships are set out below:

##### (a) Chris Baker – Non-executive Chairman

B.Sc(Hons.), MBA, FAusIMM, IOD



Chris Baker is a Company Director with in excess of 30 years experience in the Australian and New Zealand resources sector. His background is as a metallurgist and his experience includes technical, operational and management roles in the mining sector including gold, uranium, tungsten, titanium, and coal. He has been involved in project development, has extensive experience in Joint Ventures and governance and has a broad and practical understanding of the mining industry and the multitude of disciplines that comprise successful projects and successful companies.

Chris has a Bachelor of Science (Hons) in Mineral Technology, and an MBA, both from Otago University, and is a Fellow of the Australasian Institute of Mining and Metallurgy. He is a member of the Institute of Directors (NZ).

Chris was previously an Alternate Director of Ross Mining NL until 2000 and currently holds a number of management and governance positions in New Zealand and Australia, including Chairman of the Coal Association of New Zealand, CEO of Straterra, a group that represents the mining industry in New Zealand, Executive Chairman of the NZCCS Partnership and Director of the Canberra based CO2CRC.



## Profile of Auzex after the Demerger.

### (b) John Lawton – Managing Director

B.Sc. (App.Sci.), MAusIMM, MAICD



John Lawton has a career spanning almost 40 years in the resources industry from exploration geology associated with gold, tin, base metals and uranium deposits to project development and corporate management, and is fortunate to have been associated with a number of discoveries and developments in that time.

In the mid 1980's - 2000, John was an executive Director of Ross Mining NL, a company he co-founded, which became a respected mid-tier gold producer through the 1990's, developing seven gold mines in Queensland, New South Wales and the Solomon Islands which delivered dividends to shareholders. Ross operated low grade gold deposits at low cash cost in a low gold price regime using innovative operation practices. He founded the Company in 2003 and funded its early development through to ASX listing in 2005.

John has a B.Sc in Applied Geology and is a member of The Australasian Institute of Metallurgy and the Australian Institute of Company Directors. He is Chairman of Peninsula Goldfields Pty Ltd.

### (c) Eugene Iliescu – Non-executive Director

Cert. Eng. Surv., Grad. Dip. Soc. Sc., Dip OH&S

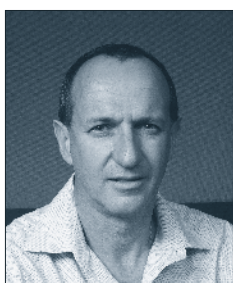


Eugene Iliescu has extensive experience in operations management and project development over a period exceeding 35 years in the resources industry working in numerous mining companies (Ross Mining, Australian Consolidated Minerals, Metana Minerals, Ronphos, Gentor Resources) and Oil & Gas companies (Western Geophysical, Norpac & Duke Energy) and renewable energy (Geodynamics & Panax).

Eugene was the resident General Manager for Ross Mining's Gold Ridge gold mine during the mines development in the Solomon Islands, He has held the position of Managing Director at the Ronphos phosphate operation in Nauru, and held a senior position with National Mining & Petrogas in the Middle East. He held the position of Managing Director of Auzex Resources Ltd for a year from March 2009 through the aftermath of the global financial crisis. Eugene is currently Managing Director of Gentor Resources LLC in Oman involved with the exploration of a copper-gold project. He has also provided consultancy services to the resources sector within the Middle East, Australia and the Pacific basin. He is a non-executive director of Kenex Pty Ltd.

### (d) Greg Partington – Executive Director of Operations

Ph.D., MAusIMM



Dr Greg Partington has more than 30 years experience in the minerals industry both in exploration and mining. He started work as an underground geologist for Western Mining and has worked in various mining and exploration management roles since. His experience with Northern Gold and Ross Mining has given him a sound understanding of what is required to find and develop economic ore bodies. He has been involved in several discoveries during his time in mineral exploration where he actively managed the development and feasibility studies of these projects that include gold, tin and tantalum mineralisation. He also has been continuously active during this period in geoscientific research and has published a number of papers on research into Archaean Gold mineralisation. He has successfully developed and managed several listed exploration companies, and part owns a company based in Wellington NZ and Perth WA, Kenex Knowledge Systems, focusing on creating business opportunities in the spatial world. Greg is now employed solely working as the operations director of Auzex Resources where he is responsible for the development of the Bullabulling Gold Project.

## Profile of Auzex after the Demerger.

Greg has a PhD in economic geology from the University of Western Australia and is a member of the AusIMM, and has expertise in mineral exploration, structural geology, database development and management, spatial analysis of data using Geographic Information Systems (GIS), resource development and business management.

### (e) Paul Frederiks – Non-executive Director and Company Secretary

B.Bus (Acc.), FCPA, FCIS, FAICD



Paul Frederiks has extensive experience in public company financial and secretarial management with more than 29 years experience in the Australian resource sector. Paul has an extensive knowledge base in listed public company financial and secretarial management, external reporting, financial modelling and forecasting, project financing, treasury management, corporate governance and hedging.

Paul held the position of company secretary and chief financial officer of Ross Mining NL for over eight years until 2000 and prior to that he was company secretary and financial controller of Atco-Apm Drilling Pty Ltd for five years. Paul established his own consultancy in 2000 providing company financial and secretarial services to both listed and unlisted public companies. He was Company Secretary of Billabong International Limited from 2000 to 2003. He is currently Company Secretary & CFO of the listed company Geodynamics Limited and has been since 2002. He is a former Nonexecutive Director of the listed company China Steel Australia Limited and a former non-executive director of GE Aviation Systems Australia Pty Ltd. Paul is a fellow of CPA Australia, The Australian Institute of Company Directors and Chartered Secretaries Australia. Paul was awarded a scholarship from CPA Australia early in 2005 to complete the Australian Institute of Company Directors Company Directors' course.

## 5.5 Business strategy

Auzex's core business strategy following the Demerger will remain the same, namely to develop its interest in the Bullabulling Gold Project.

Subject to Auzex shareholders' approval and the approval of the Court, Auzex will merge with GGG Resources, which holds the other 50% of the Bullabulling Gold Project, by means of both Auzex and GGG Resources becoming wholly owned subsidiaries of BBG.

If the proposed merger with GGG Resources does not proceed as proposed, then Auzex will ensure the development of the Bullabulling Gold Project meets the current timetable to deliver a bankable feasibility study by the end of 2012.

Auzex's growth strategy will remain primarily organic with additional resources and funding being required to develop its existing exploration assets. However, corporate and asset acquisitions will be considered by the Auzex Board if they result in a material increase in shareholder value.

## 5.6 Employee share option plan

The purpose of the Employee Option Plan is to provide performance-based remuneration for eligible employees, incentivise eligible employees by enabling them to participate in the profits and financial performance of the Company, and align the interests of eligible employees more closely with shareholders in the Company and provide greater incentive for the eligible employees (including directors and contractors) to focus on longer-term goals of the Company. Key terms of the Option Plan are:

- (i) Only eligible employees are entitled to participate in the Plan. The Board may, from time to time, determine which employees are entitled to participate in the Plan and may offer such number of options (if any) to such eligible employees in accordance with the Plan Rules.
- (ii) Offers under the Plan will be personal will generally not be assignable other than to a related nominee.
- (iii) Subject to the Plan Rules, each option will entitle the participant on exercise to subscribe for and be allotted one share at the exercise price.
- (iv) Options will not be quoted on ASX. The Company will apply for official quotation on ASX of shares issued on exercise of an option.

## Profile of Auzex after the Demerger.

- (v) Any share allotted and issued pursuant to an exercise of an option will rank equally with the shares on issue on the date of exercise of the option. Where any share is allotted and issued during a period in respect of which a dividend or distribution is declared, the holder of such a share will only be entitled to receive a dividend or distribution where the share was allotted and issued to a participant by the Company, pursuant to the exercise of an option, on or before the relevant record date.
- (vi) Notwithstanding any Plan Rule or the terms of any option, no option may be granted or exercised if to do so would contravene the Corporations Act, the Listing Rules (if applicable) or any other applicable laws.
- (vii) In the event of any reorganisation (including but not limited to consolidation, sub-division, reduction, capital return, buy back or cancellation) of the issued share capital of the Company, the rights attaching to options will be reorganised as required by the Listing Rules.
- (viii) Participants will not be entitled to participate in any new issue of shares in the Company as a result of their option holding unless they have become entitled to exercise their options under the Plan and have exercised those options or any of them in accordance with the terms of the Plan prior to the record date for the determination of entitlements to the new issue. The Company must give no less than 10 business days notice of any new issue of shares to the participant before the record date for determining entitlements to the issue in accordance with the Listing Rules, so as to permit the participant to exercise any option which, on its terms, may be exercised before the record date.
- (ix) Where, prior to the first exercise date, there is a change of control of the Company, the Board shall, notwithstanding any other provisions of the Plan Rules, allow each participant 30 days to lodge with the Company a notice of exercise which the Board will approve, after which the options will lapse.
- (x) Subject to the satisfaction of the performance hurdles or vesting conditions and the Plan Rules, an option which has not lapsed is exercisable during the exercise period by the participant lodging with the company secretary of the Company or such other person nominated by the Board for that purpose a notice of exercise signed by the participant, together with the certificate and, subject to the Plan Rules, the exercise price for each share to be acquired on exercise.
- (xi) An option may only be exercised after the first exercise date and prior to the last exercise date at any of the following times:
  - in a period specified in the Company's corporate governance policies from time to time or as otherwise approved under such policies; or
  - at or within such additional or replacement dates or periods as may be determined by the Board and notified to a Participant.
- (xii) A participant must not lodge a notice of exercise with the Board if the resulting acquisition of shares or the sale of such shares would result in a breach of Part 7.10 Division 3A of the Corporations Act.
- (xiii) An option not previously exercised during the exercise period will lapse at 5:00 pm (Brisbane, Queensland time) on the date that is the earlier of:
  - the last exercise date;
  - a period as determined by the Board after the occurrence of a special circumstance;
  - a determination of the Board following the participant having, in the opinion of the Board, been dismissed for a reason which entitles the Company or a related body corporate to dismiss the participant without notice or for cause or for committing any act or omission of fraud, defalcation or gross misconduct in relation to the affairs of the Company or any related body corporate (whether or not charged with an offence) or doing any act which in the reasonable opinion of the Board brings the Company or any related body corporate into disrepute;
  - any action or inaction by the participant which, in the reasonable opinion of the Board, constitutes hedging (using other financial contracts or securities to offset financial risk) or attempting to hedge the financial risk associated with this Plan;
  - the date on which the participant assigns the options in breach of the Plan Rules; or

## Profile of Auzex after the Demerger.

- a determination of the Board following the failure to attain one or more of the Relevant Requirements or a breach or occurrence of any of the conditions or events contained in the offer which in the opinion of the Board requires the lapse of options held by a Participant to occur.
- (xiv) Where a participant, having satisfied all performance hurdles or vesting conditions, ceases to be an employee holding options not previously exercised during the exercise period, and that have not lapsed under the Plan Rules, any such options held by the participant will lapse at 5:00 pm (Brisbane, Queensland time) on the date that is 30 calendar days from the date the participant ceased to be an employee.

### 5.7 Financial information for Auzex

#### 5.7.1 Introduction

This section contains historical financial information for Auzex as at 30 September 2011 and pro forma historical financial information for Auzex as if the Demerger Proposal had occurred on that date.

Reference to financial information relating to Auzex refers to the Auzex Group on a consolidated basis.

#### 5.7.2 Capital raising to raise up to A\$8 million

On 28 October 2011 Auzex announced that it:

- had conducted a \$3.4m placement to institutional and sophisticated investors, involving the issue of approximately 14.3 million new fully paid ordinary shares at \$0.24 per share (Placement); and
- intended to raise up to \$4.6 million via a 1 for 5 renounceable rights issue, involving the offer of approximately 19.0 million new fully paid ordinary shares at \$0.24 per share to Auzex Shareholders with registered addresses in Australia and New Zealand (Rights Issue).

On 28 October 2011, the Placement was completed and the Placement shares issued.

The Rights Issue opened on 2 November 2011 and closes on 25 November 2011. Shares under the Rights Issue will be issued on 5 December 2011. These are indicative dates only and may be changed by Auzex without notice.

The Rights Issue is fully underwritten by BBY Limited.

The proceeds of the Placement and the Rights Issue will be used:

- to fund Auzex through to the proposed merger with GGG Resources, expected to be completed by February 2012;
- to provide \$2.085 million of initial cash funding to AEL; and
- to accelerate the development of the Bullabulling Gold project.

Following the Placement and Rights Issue, Auzex will have fully paid issued capital of approximately 128.9 million shares.

#### 5.7.3 Auzex historical and proforma historical balance sheets before and after Demerger

The following table shows:

- A summary of the unaudited historical consolidated balance sheet of Auzex as at 30 September 2011 extracted from the unaudited management accounts of the Company (**Unaudited AZX Balance Sheet**).
- Unaudited proforma adjustments relating to the Placement and Rights Issue conducted by the Company as if they had occurred (and the Rights Issue fully subscribed) on 30 September 2011 (**Proforma Capital Raising Adjustments**).
- A summary of the unaudited proforma historical consolidated balance sheet of Auzex as at 30 September 2011, derived from the Unaudited AZX Balance Sheet and adjusted for the Proforma Capital Raising Adjustments.
- A summary of the unaudited proforma historical consolidated balance sheets of Auzex and of AEL as at 30 September 2011 derived from the Unaudited AZX Balance Sheet and adjusted for the Proforma Capital Raising Adjustments and proforma transactions relating to the Demerger (**Demerger Adjustments**), as if it had occurred on 30 September 2011.

## Profile of Auzex after the Demerger.

The Demerger Adjustments comprise:

- The provision of \$2.085 million in cash and cash equivalents by Auzex to AEL on the Implementation Date.
- The transfer of 7,022,472 GGG shares from Auzex to AEL.
- The transfer of \$83,509 in property, plant and equipment from Auzex to AEL.
- An indemnity of up to \$70,346 for employee benefits relating to the work done in respect of the Exploration Assets provided by AEL to Auzex.
- An indemnity of up to \$106,617 for rehabilitation costs relating to the Exploration Assets provided by AEL to Auzex.
- Deferred Exploration Expenditure is allocated between Auzex and AEL on the basis of the actual accrued exploration expenditure on each company's respective projects – that is, the Bullabulling Gold Project in the case of Auzex, and the exploration Assets in the case of AEL.
- An impairment of the Exploration Assets of \$4,759,756. This impairment represents the difference between:
  - (i) the carrying value of the Exploration Assets in the financial statements of Auzex based on the amount of capitalised exploration expenditure of \$10,759,756 expended on the Exploration Assets; and
  - (ii) the Directors' valuation of the Exploration Assets of \$6,000,000.

All historical and pro forma historical financial information is presented in an abbreviated form that does not include all of the disclosures usually provided in an annual report prepared in accordance with the Corporations Act.

## Profile of Auzex after the Demerger.

	Auzex					AEL
	Consolidated balance sheet	Proforma adjustments for Placement and Rights issue	Impairment of AEL Exploration Assets	Proforma consolidated balance sheet	Proforma consolidated balance sheet after capital raising and Demerger	Proforma balance sheet after capital raising and Demerger
	30 September 2011			30 September 2011	30 September 2011	30 September 2011
<b>CURRENT ASSETS</b>						
Cash	1,399,238	7,520,000		8,919,238	6,919,238	2,000,000
Term Deposits (secured)	750,000			750,000	675,000	75,000
Receivable from GGG Resources	959,467			959,467	959,467	-
Other Receivables and prepayments	288,658			288,658	278,658	10,000
<b>Total Current Assets</b>	<b>3,397,363</b>	<b>7,520,000</b>		<b>10,917,363</b>	<b>8,832,363</b>	<b>2,085,000</b>
<b>NON CURRENT ASSETS</b>						
Investments – Shares in GGG Resources	2,106,742			2,106,742		2,106,742
Deferred Exploration Expenditure	17,921,942		(4,759,756)	13,162,186	7,162,186	6,000,000
Property Plant & Equipment	557,173			557,173	473,664	83,509
<b>Total Non Current Assets</b>	<b>20,585,857</b>		<b>(4,759,756)</b>	<b>15,826,101</b>	<b>7,635,850</b>	<b>8,190,251</b>
<b>TOTAL ASSETS</b>	<b>23,983,220</b>	<b>7,520,000</b>	<b>(4,759,756)</b>	<b>26,743,464</b>	<b>16,468,213</b>	<b>10,275,251</b>
<b>CURRENT LIABILITIES</b>						
Payables	2,534,351			2,534,351	2,534,351	-
Transaction costs payable	1,135,036			1,135,036	1,135,036	-
Provision for Employee Benefits	70,346			70,346	-	70,346
Provision for Rehabilitation	415,317			415,317	308,700	106,617
<b>Total Current Liabilities</b>	<b>4,155,050</b>			<b>4,155,050</b>	<b>3,978,087</b>	<b>176,963</b>
<b>TOTAL LIABILITIES</b>	<b>4,155,050</b>			<b>4,155,050</b>	<b>3,978,087</b>	<b>176,963</b>
<b>NET ASSETS</b>	<b>19,828,170</b>	<b>7,520,000</b>	<b>(4,759,756)</b>	<b>22,588,414</b>	<b>12,490,126</b>	<b>10,098,288</b>
<b>SHAREHOLDERS' EQUITY</b>						
Contributed Equity	30,038,778	7,520,000		37,558,778	27,460,490	10,098,288
Other Reserves	2,376,139			2,376,139	2,376,139	-
Retained profits/(losses)	(12,586,747)		(4,759,756)	(17,346,503)	(17,346,503)	-
<b>Total Parent Entity Equity Interest</b>	<b>19,828,170</b>	<b>7,520,000</b>	<b>(4,759,756)</b>	<b>22,588,414</b>	<b>12,490,126</b>	<b>10,098,288</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>19,828,170</b>	<b>7,520,000</b>	<b>(4,759,756)</b>	<b>22,588,414</b>	<b>12,490,126</b>	<b>10,098,288</b>

# 6

## 6.1 Overview

Auzex Exploration Limited (AEL) was incorporated in Australia (and registered in Queensland) on 6 October 2011 as a public company limited by shares. It is currently a wholly-owned subsidiary of Auzex.

Subject to receipt of all necessary regulatory approvals, including the Ministerial Consent, as set out in section 7.5, the Exploration Assets have been transferred to AEL.

AEL will be focused on the exploration, appraisal and development of an advanced exploration portfolio, initially located in Australia and New Zealand. Accordingly, an investment in AEL should be considered speculative due to the risks inherent in the minerals exploration business.

The Independent Expert has assessed a value range of approximately \$5.8 million to \$7.5 million for the Exploration Assets. For the purposes of the Demerger, the Directors have adopted a market based value of the Exploration Assets for accounting, tax and all other purposes of \$6.0 million.

AEL will have sufficient cash resources to meet its anticipated commitments until AEL's intended initial public offer capital raising in the first half of calendar 2012 or 30 June 2012, whichever is the earlier.

AEL will also hold 7,022,472 shares in GGG Resources.

# PROFILE OF AUZEX EXPLORATION LIMITED AFTER THE DEMERGER

## 6.2 AEL's operations after the Demerger

AEL will own six projects which are the result of its successful prospectivity modelling program:

### 6.2.1 Khartoum Tin-Tungsten project - North Queensland, Australia (Auzex 100%)

Located approximately 100km south-west of Cairns in North Queensland, the geology of the Khartoum tenement is dominated by highly fractionated coarse-grained granites with excellent potential to host economic tin-tungsten mineralisation.

The project area covers a Late Carboniferous-Early Permian felsic intrusive (the Elizabeth Creek Granite), containing over fifty tin, tungsten, molybdenum and gold occurrences. Historic production is estimated to be 15,000t tin.

Outcropping tin mineralisation is associated with 107 recognised greisen zones covering an aggregate area exceeding 50,000 square kilometres. Exploration at this early stage indicates the potential for Khartoum to be a new world class tin system.

Regional mapping and soil sampling initially identified a 9km by 3km zone of highly anomalous tin geochemistry. Reconnaissance exploration identified fifteen key areas with soil values up to 1.8% tin. Key target areas relate to zones of greisen alteration. The greisen zones may be flat-lying / shallow dipping, steeply dipping and traceable for up to 1km in length, or forming sub-vertical 'pipes' (average width approx. 50m) and exposed as prominent topographical features. Results from rock chip sampling indicate that tin occurs as disseminated cassiterite in greisen and to a lesser extent in quartz veins.



**Tin Greisen Outcrop at Khartoum Tin Project**



## Profile of Auzex Exploration Limited after the Demerger.

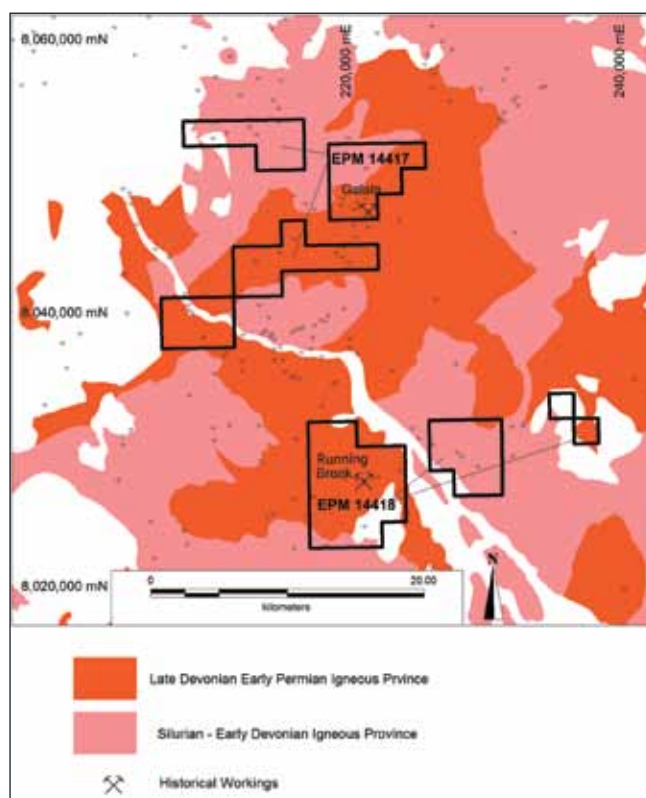
Channel sampling was completed over selected greisen bodies to assess potential grade and widths of tin mineralisation in the near surface. The sampling targeted twelve greisen zones where rock chip samples were collected over metre intervals and composited into 5m samples. Most samples came from subcrop and appear representative of in situ greisen pipe. Results were very encouraging with six of the ten pipes sampled averaging greater than 0.1% tin. Best results included 5m at 1.0% tin, 35m at 0.38% tin and 40m at 0.30% tin.

A six hole initial scout drilling program was subsequently completed. Tin mineralisation was intersected in all six holes from an area with a 2,500m strike extent and over wide intervals from surface to a depth of 132m with grades between 0.13% and 0.26% tin intersected. Narrow zones of higher grade were also intersected. Best results include 104m at 0.21% tin from 12m and 34m at 0.26% tin from 99m.

Initial metallurgical test work undertaken on diamond drill core 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, free from sulphide and contains only trace stannite (an uneconomic tin mineral).

Similar zones of mineralisation have been mapped in the 2.8km by 2.5km area, which along with several tin soil anomalies within the larger 3km by 9km area, provide numerous new targets for future resource drilling. Spectral processing of satellite imagery was used to highlight the considerable potential to increase the scale of the project within the Company's tenement, outside of the area defined by the initial exploration. By the end of 2008, detailed geological mapping and channel sampling had identified 107 greisen zones containing significant tin mineralisation. Sampling to date has totalled 1373 channel samples (each sample represents 5m length) in 309 traverse lines, 65 rock chip samples and 749 soil samples.

### 6.2.2 Running Brook Cu-Au project, North Queensland, Australia (Auzex 100%)



Located in North Queensland, 150km south-west of Cairns, the area was originally highlighted by Auzex's prospectivity modelling studies. The Running Brook prospect is located north of Mt Surprise with initial soil sampling identifying anomalous gold and copper. A 30ppb Au in soil anomaly was defined over a 1000m x 300m area. Sampling also highlighted a 150ppm Cu in soil anomaly measuring 1000m x 500m that partially overlaps the gold in soil anomaly to the north. This project was modelled on the prolific Kidston gold mine (3.5Moz between 1985 and 2001) located approximately 120km south of Running Brook.

A summary of the key features of the prospect include:

- Infill and extension soil sampling has been completed with gold and copper anomalies being defined.
- Best rock chip samples included a maximum 3.12g/t Au and 8.17% Cu.
- A series of trenches were then completed with a best result of 150m at 0.26g/t gold.
- A drill program targeting this trench anomaly returned wide zones of gold mineralisation at a similar grade to the trench results.

A ground magnetic survey was completed and the results used to target a second phase drill program. Results from follow-up sampling confirm the prospectivity of the region with the source of coherent gold and copper anomalies defined by the follow up work untested.

# Profile of Auzex Exploration Limited after the Demerger.

## 6.2.3 Galala Range, North Queensland, Australia (Auzex 100%)

The Galala Range area was originally highlighted by Auzex's prospectivity modelling studies for gold and tungsten. The Galala Range prospect occurs within a large alteration system forming a NE trending zone of sericite-silica alteration measuring 6km x 4km. Mineralisation consists of 0.5cm to 1.5m wide flat-dipping quartz veins that contain gold and tungsten as an outer halo and molybdenum within the inner halo of a sericite-silica altered biotite-muscovite granite. A review of the geology suggests the source of the metals is interpreted to be a shallow buried Late Carboniferous granite.

A summary of the key features of the prospect include:

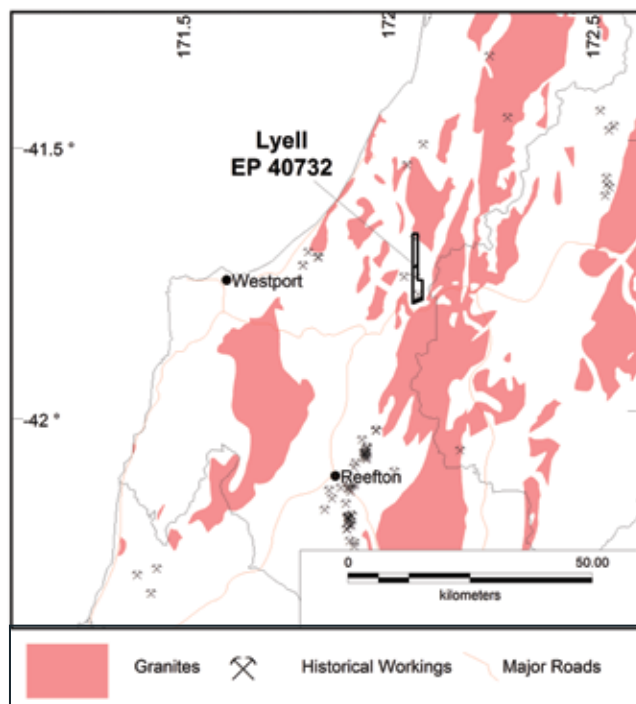
- Gold, tungsten and molybdenum anomalies have been found in soil and rock chip samples and drilling has intersected gold and tungsten mineralisation and molybdenum mineralisation.
- A first phase 33 hole RC drill program for 2,838m was completed at Galala over a 2km by 1.5km area. Twelve holes intersected significant widths of tungsten-gold or molybdenum mineralisation at shallow depths. However, the focus became the molybdenum core with better intersections including 14m @ 0.15% Mo from 15m.
- Molybdenum assay results from a third phase nine hole (884m) drill program were very encouraging highlighting continuity of mineralisation over a 600m by 400m area and confirming the potential for a sizeable molybdenum resource at shallow depth.
- Two additional holes (388m total) were drilled focusing on the molybdenum core. Both holes intersected near surface Mo mineralisation with results up to 5m @ 0.2% Mo.
- A further nine holes (for 884m) were drilled with results confirming continuity of mineralisation. All holes intersected significant molybdenum mineralisation including 17m at 0.13% Mo from 30m and 7m at 0.13% Mo from 38m.
- Drilling is planned to infill the area identified to date and to extend mineralisation to the east and south.
- A number of gold and tungsten soil anomalies remain untested.

The project has the potential for a range of metals including gold, tungsten and molybdenum.

## 6.2.4 Lyell Gold Project - New Zealand (Auzex 58%)

The Lyell gold project is located on the west coast of the South Island, approximately 50km east of the township of Westport. Much of the project area covers the northern extension of the Reefton Goldfield which has historically produced 2.1M oz gold, with new discoveries awaiting development. Auzex has previously confirmed the potential of the region to host granite related mineralisation. The current work program is focused on the Lyell gold prospect which is closely analogous to the Orogenic deposit style found at Reefton.

Gold bearing quartz lodes have been worked at Lyell over a strike length of 5km. The most profitable and greatest producer of the mines in the Lyell Goldfield was the Alpine gold mine which operated until the early 1900's producing 96,500 ounces at an average grade of 16 g/t gold. Despite the extent of the old workings, no modern exploration has been conducted at the project.



# Profile of Auzex Exploration Limited after the Demerger.

Exploration in New Zealand is subject to a Joint Venture with local company New Zealand Minerals Ltd which currently holds approximately 42% interest in all Auzex NZ properties. Auzex manages the Joint Venture and all exploration activities.

Auzex initially collected a total of 511 soil samples from the Lyell gold prospect and analysed for a range of elements with only gold and arsenic returning significant values. The results of the soil sampling were highly encouraging with five assays over 1.00g/t Au and spot assays of 39.4g/t Au and 10.05g/t Au. The gold is also associated with high arsenic values up to 6,750ppm Au, suggesting the anomalous gold is related to bed rock mineralisation, similar to that found at Reefton. This was confirmed by surface mapping that identified a continuous zone of gold and arsenic soil anomalism extending from Irishmans Creek to beyond Eight Mile Creek over a 3000m strike length. The soil anomaly straddles the interpreted trace of the anticline axis that hosts the historical Alpine gold quartz reefs and is associated with quartz vein stockworks that have been mapped over a 200m wide zone. The soil anomaly is open along strike particularly to the north.

A drilling program designed to test the coincident gold-arsenic soil geochemical anomaly, which extends over a distance of 3000m with a width of 200m from the historic Alpine United gold mine was completed. Six diamond drill holes were drilled for 753m of core. Anomalous gold was intersected all six holes with up to 2m @ 4.60 g/t Au, 1m @ 1.66 g/t Au and 1m @ 1.23 g/t Au in three holes associated with arsenic alteration and quartz veins. The highest gold grades are correlated with a combination of faulting, thin quartz veining and strong limonite oxidation (after sulphide). The mineralised zone is highly anomalous in arsenic, which is an element associated

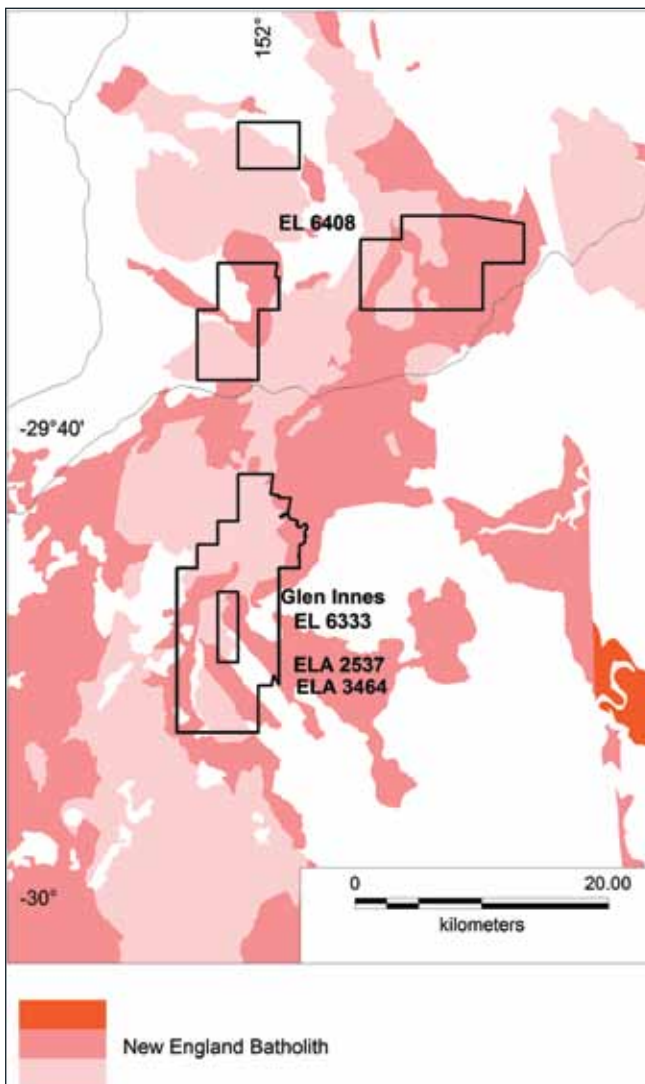
with gold mineralisation in this style of deposit. These intersections confirm that higher gold grades are present at Lyell as alteration to the main high grade mineralised quartz veins that were mined historically. The drilling has identified a large highly anomalous halo of arsenic around a major north trending structure with gold grades increasing to the west of this structure. A major north trending soil gold anomaly is present in this area and will be the target for additional drilling next summer.

## 6.2.5 Kingsgate Molybdenum-Bismuth Project, NSW, Australia (Auzex 100%)

Located 20km east of Glen Innes, the Kingsgate Mine was the second largest producer of molybdenum in Australia. Much of the ore was mined from high grade quartz pipes between the 1880's and 1920's. No modern exploration had been completed prior to Auzex acquiring the project. Detailed exploration commenced in late 2004 culminating in a Feasibility Study completed in December 2008.

A summary of the key features of the project include:

- (i) Trial Mining was successfully completed in December 2006 with results forming part of the Scoping Study.
- (ii) Drilling of the Wolfram quartz pipe which was the subject of trial mining revealed an average grade of 0.34% Mo and 0.64% Bi. The amount and grade of bismuth was unexpected and provides additional value to the project.



## Profile of Auzex Exploration Limited after the Demerger.

(iii) A Scoping Study for development of the project (based on an annual processing rate of 250,000tpa at an average grade of 0.23% Mo and 0.23% Bi) was completed in June 2007. This study was based on production of separate Mo and Bi concentrates.

(iv) Best results from the resource drilling program include 5m at 1.35% Mo and 0.69% Bi from 42m and 7m at 0.70% Mo and 0.52% Bi from 43m. Drilling was successful in identifying individual mineralised zones (quartz pipes).

A feasibility study for development of the project was completed in December 2008, based on downstream processing of high purity silica, ammonium molybdate (or molybdenum trioxide), and bismuth metal or fusible Bi-Pb alloy.

### **6.2.6 Klondyke/Seven Hills Gold Project, NSW, Australia (Auzex 100%)**

The Klondyke/Seven Hills Gold Project is located 40km north-east of Glen Innes, NSW and 30km from the Kingsgate Molybdenum Project.

Exploration to date has identified two Intrusion Related Gold Deposit (IRGD) targets in the region. Fieldwork provided initial encouraging results with rock chip samples assaying up to 2.5 g/t gold. Soil sampling and mapping subsequently defined anomalous gold in soils within a 3,500m long by 1,500m wide area of interest. The soil anomalies are typically in the range 100-600ppb gold, up to 2 g/t gold. Anomalous rock chip assays from within this zone have recorded values up to 24.4 g/t gold from limonite rich greisen altered granite sub-crop.

Hand auger sampling and trenching were also carried out returning similar gold values to the soil and rock chip sampling. Deep weathering (+20m) caused results of these programs to be sporadic and inconclusive.

Auzex completed a 28 hole (313m) RAB drill program to test four areas with rock, soil or auger gold anomalies for bedrock gold mineralisation in the 3.5 km by 1.5 km target area reported previously. The best intersections included 13m @ 8.6 g/t Au and 14m @ 1.3 g/t Au. Best results from RC drilling included 8m @ 2.7g/t Au from 3m and 8m @ 2.8g/t Au from 50m. The continuity of these intersection remains to be tested along strike and at depth. Interpretation of all data suggests near-surface enrichment from 0-20m and zones of gold depletion between 20-55m. A second program intersected fresh mineralisation in an area where weathering typically extends below 40m depth.

These results confirm the area hosts significantly anomalous bearing granite units that require follow-up exploration. There are a number of gold soil anomalies that remain untested.

## **6.3 Directors and Management**

### **6.3.1 Board of Directors**

The Directors of AEL will be the same as the current directors of Auzex, namely:

- Chris Baker (Chairman)
- John Lawton
- Eugene Iliescu
- Greg Partington
- Paul Frederiks

Brief descriptions of their qualifications and other directorships are set out in section 5.4.2.

## Profile of Auzex Exploration Limited after the Demerger.

### 6.3.2 Executive functions

AEL will not have any executive staff, other than an office manager. The AEL Board intends to engage consultants and contractors to carry out executive functions such as exploration work. In addition, until 30 June 2012, AEL will be reliant on Auzex for the provision of administrative and other support services under the Demerger Deed as described in section 7.5.

### 6.4 Business strategy

AEL's growth strategy is primarily organic, as a result of the further exploration, appraisal and development of its exploration portfolio. At the same time, AEL will continue to actively acquire further exploration projects. The AEL Board will also consider corporate and asset acquisitions if they will materially increase shareholder value.

### 6.5 Funding strategy

It is the current intention of the directors that AEL will, subject to market conditions, in the first half of the 2012 calendar year, conduct an initial public offer to raise additional capital and then apply to be listed on ASX.

In the interim, AEL will have \$2.085 million cash immediately after the Demerger, and it is expected that this will provide sufficient funding for AEL's exploration activities until AEL's intended initial public offer capital raising in the first six months of 2012.

In addition to its initial cash reserves, AEL will have 7,022,472 shares in GGG Resources. It is anticipated that as part of the merger with GGG Resources, these shares will be exchanged for shares in BBG and, upon the successful listing of BBG, these shares will be able to be monetised by sale on ASX. Based on the closing price of GGG Resources CHESD Depository Interests on ASX on 8 November 2011 of 24.5 cents, these shares had a value of approximately \$1,720,500. There is no guarantee however that these shares will be able to be sold in full, in part or at all or for any specific price or within any given timeframe.

AEL will have to source its own funding beyond its initial cash reserves and holdings of shares in GGG Resources.



# Profile of Auzex Exploration Limited after the Demerger.

## 6.6 Financial information

AEL was registered on 6 October 2011 with paid up capital of \$100 and no liabilities.

The following table shows summary of the unaudited proforma historical consolidated balance sheet of AEL as at 30 September 2011 derived from the Unaudited AZX Balance Sheet and adjusted for the Proforma Capital Raising Adjustments and Demerger Adjustments, as if the Demerger had occurred on 30 September 2011.

For further details regarding the basis of preparation of the table are set out in section 5.7.3. Reference to financial information relating to AEL refers to the AEL Group on a consolidated basis. The historical and pro forma historical financial information of AEL is presented in an abbreviated form that does not include all of the disclosures usually provided in an annual report prepared in accordance with the Corporations Act.



<b>AEL</b>	
<b>Proforma balance sheet after capital raising and Demerger</b>	
<b>30 September 2011</b>	
<b>CURRENT ASSETS</b>	
Cash	2,000,000
Term Deposits (secured)	75,000
Receivable from GGG Resources	-
Other Receivables and prepayments	10,000
<b>Total Current Assets</b>	<b>2,085,000</b>
<b>NON CURRENT ASSETS</b>	
Investments – Shares in GGG Resources	2,106,742
Deferred Exploration Expenditure	6,000,000
Property Plant & Equipment	83,509
<b>Total Non Current Assets</b>	<b>8,190,251</b>
<b>TOTAL ASSETS</b>	<b>10,275,251</b>
<b>CURRENT LIABILITIES</b>	
Payables	-
Transaction costs payable	-
Provision for Employee Benefits	70,346
Provision for Rehabilitation	106,617
<b>Total Current Liabilities</b>	<b>176,963</b>
<b>TOTAL LIABILITIES</b>	<b>176,963</b>
<b>NET ASSETS</b>	<b>10,098,288</b>
<b>SHAREHOLDERS' EQUITY</b>	
Contributed Equity	10,098,288
Other Reserves	-
Retained profits/(losses)	-
<b>Total Parent Entity Equity Interest</b>	<b>10,098,288</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>10,098,288</b>

# 7

## 7.1 Elements of the Demerger

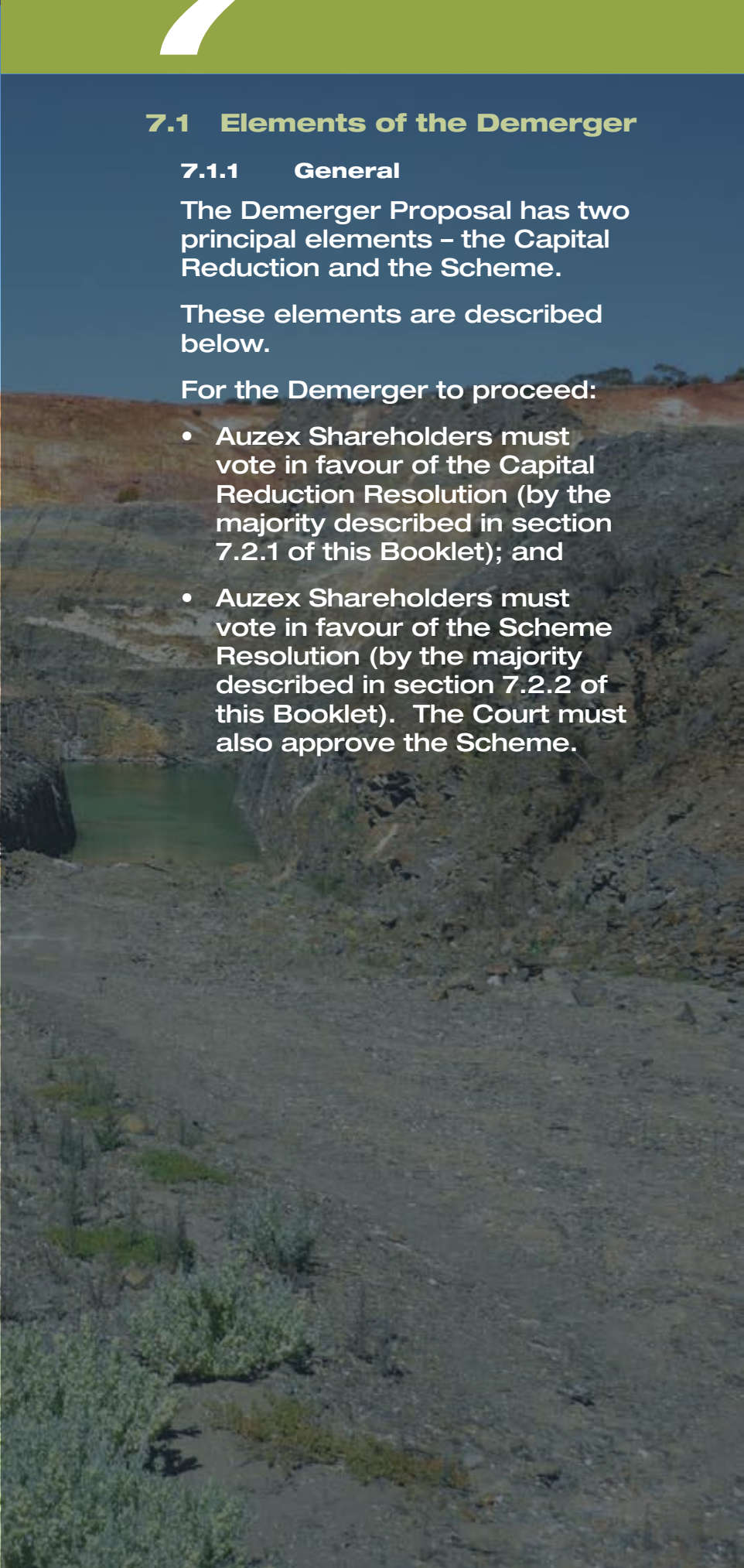
### 7.1.1 General

The Demerger Proposal has two principal elements – the Capital Reduction and the Scheme.

These elements are described below.

For the Demerger to proceed:

- Auzex Shareholders must vote in favour of the Capital Reduction Resolution (by the majority described in section 7.2.1 of this Booklet); and
- Auzex Shareholders must vote in favour of the Scheme Resolution (by the majority described in section 7.2.2 of this Booklet). The Court must also approve the Scheme.



## SECTION 7 – DETAILS OF THE DEMERGER PROPOSAL

### 7.1.1 General (continued)

A number of other conditions must also either be satisfied or waived by Auzex before the Demerger can proceed. The conditions are described in section 7.2.3 of this Booklet.

On approval of the Scheme there are three important dates – the Effective Date, the Record Date and the Implementation Date.

The **Effective Date** - is the date on which the Court order approving the Scheme takes effect. This is expected to occur on or about 21 December 2011.

The **Record Date** - is the date that is five Business Days after the Effective Date and is the date on which the Auzex Share Register is examined to determine who is entitled to participate in the Demerger. The Record Date is currently expected to be 30 December 2011.

The **Implementation Date** - is the date that is five Business Days after the Record Date, and is the date on which AEL Shares are transferred to Eligible Shareholders in the Scheme or, in the case of Ineligible Foreign Shareholders, to the Sale Agent. The Implementation Date is currently expected to be 6 January 2012.

### 7.1.2 Capital Reduction

Auzex has proposed the Capital Reduction Resolution to permit Auzex to reduce its capital on the Implementation Date by \$10,098,288. If the Capital Reduction and the Scheme are approved by Auzex Shareholders and the Scheme is approved by the Court, then on the Implementation Date the share capital of Auzex will be reduced by that amount.

The Capital Reduction is conditional on Auzex Shareholders approving the Scheme and on implementation of the Demerger. This means that Auzex will not undertake the Capital Reduction unless the Scheme becomes Effective.

### 7.1.3 Scheme

Under the Scheme, AEL will be separated from Auzex. If the Scheme becomes effective, then:

- on the Implementation Date, Auzex will undertake the Capital Reduction and will provide the Demerger Entitlement to each Scheme Shareholder;
- in the case of each Eligible Shareholder, one AEL Share will be transferred to the shareholder for each six (6) Scheme Shares the Eligible Shareholder is registered as holding on the Record Date;
- in the case of each Ineligible Foreign Shareholder, the AEL Shares to which the shareholder would otherwise have been entitled will be transferred to the Sale Agent to be sold as soon as reasonably practicable after the Implementation Date, with the average proceeds of sale, after deduction of any applicable brokerage, taxes and charges, being remitted to the shareholder. Under the terms of the Scheme each Ineligible Foreign Shareholder is taken to have agreed to this process;
- Auzex will continue to be listed on the Official List of the ASX (which will be on an ex-Capital Reduction Entitlement basis from the day after the Effective Date); and
- AEL will be unlisted.

Section 7.3 of this Booklet outlines the criteria for identifying Eligible Shareholders and Ineligible Foreign Shareholders.

The Scheme is contained in Appendix 2 of this Booklet.



## Details of the Demerger proposal.

### 7.2 Demerger procedure

#### 7.2.1 General Meeting

The Auzex Board has convened the General Meeting to consider and, if thought fit, approve the Capital Reduction Resolution. The terms of the Capital Reduction Resolution is set out in the notice convening the General Meeting at pages 2 and 3 of this Booklet.

Each Auzex Shareholder who is registered on the Auzex Share Register at 6.00pm Brisbane time on 14 December 2011 is entitled, in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative, to attend the General Meeting and vote on the Capital Reduction Resolution.

For the Demerger to proceed, the Capital Reduction Resolution must be approved by a simple majority of votes cast on the resolution (whether in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representatives). The Capital Reduction Resolution is in turn conditional on the Scheme becoming Effective. Voting at the General Meeting will be by poll.

#### 7.2.2 Scheme Meeting

On 11 November 2011 the Court ordered a meeting of all Auzex Shareholders to be convened to consider and, if thought fit, approve the Scheme Resolution, with or without amendment or modification. The notice convening the Scheme Meeting is contained at pages 4 and 5 of this Booklet and the terms of the Scheme are contained in Appendix 2.

The order of the Court convening the Scheme Meeting is not, and should not be treated as, an expression of opinion by the Court on the Scheme or any other element of the Demerger Proposal.

The Court order provides that each Auzex Shareholder who is registered on the Auzex Share Register as the holder of an Auzex Share at 6.00pm on 14 December 2011 is entitled to attend and vote, in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative, at the Scheme Meeting.

For the Demerger to proceed, the Scheme Resolution must be approved by a majority in number of Auzex Shareholders present and voting at the Scheme Meeting (whether in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative) and at least 75% of the votes cast on the resolution at the Scheme Meeting.

Voting at the Scheme Meeting will be by poll.

#### 7.2.3 Conditions precedent to implementation of the Scheme

The Scheme will become binding on Auzex and Scheme Shareholders only if the following conditions are satisfied (or, in some cases, waived by Auzex):

- (a) **Termination of demerger documents:** neither the Demerger Deed nor the Deed Poll are terminated before the Court approves the Scheme at the Second Court Hearing.
- (b) **Capital Reduction Resolution:** Auzex Shareholders pass the Capital Reduction Resolution at the General Meeting by the required majority (as set out in section 7.2.1);
- (c) **Scheme:** Auzex Shareholders pass the Scheme Resolution at the Scheme Meeting by the required majority (as set out in section 7.2.2); and
- (d) **Court approval and lodgement with ASIC:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC.

The conditions are for the benefit of Auzex and, aside from conditions (b),(c) and (d), may be waived by Auzex. Auzex will provide a certificate to the Court at the Second Court Hearing confirming whether these conditions have been satisfied or waived.

## Details of the Demerger proposal.

### 7.2.4 Second Court Hearing

If the Capital Reduction Resolution and the Scheme Resolution are approved by Auzex Shareholders, and all other conditions to the Scheme (other than the condition (d) referred to in section 7.2.3 above relating to court approval) have been satisfied or waived, Auzex will apply to the Court for an order approving the Scheme on or around 20 December 2011.

Any Auzex Shareholder who wishes to oppose the approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Auzex a notice of appearance in the prescribed form together with any affidavit on which the shareholder will seek to rely at the Second Court Hearing.

If the Court approves the Scheme, the Effective Date will be the date on which the Court order approving the Scheme takes effect (which is when an office copy of the Court order approving the Scheme is lodged with ASIC). The Scheme will become binding on all Scheme Shareholders (including those who voted against the resolutions required to implement the Demerger) on the Effective Date. It is currently anticipated that the Effective Date will be 21 December 2011.

### 7.2.5 Deed Poll

On 10 November 2011 AEL entered into the Deed Poll in favour of Auzex Shareholders under which AEL has undertaken to take the steps to be performed by it under the Scheme, including issuing AEL Shares to Auzex as contemplated by the Scheme.

The Deed Poll is contained in Appendix 3 of this Booklet.

### 7.2.6 Timetable

An indicative timetable appears on page 6 of this Booklet.

The dates and times in the indicative timetable may change depending on a number of factors, some of which are outside the control of Auzex (such as the timing of Court approval of the Scheme). In addition, Auzex has the right to vary any of the times and dates in the timetable without first having to notify Auzex Shareholders.

### 7.2.7 Expiry date

If the Effective Date does not occur by 1 March 2012, then the Capital Reduction and the Scheme will lapse and the Exploration Assets will continue to be owned and operated by AEL as a wholly owned subsidiary of Auzex.

## 7.3 Entitlement to participate

### 7.3.1 Shareholders eligible to participate

Scheme Shareholders (which are Auzex Shareholders as at the Record Date) will be entitled to the Capital Reduction Entitlement and to participate in the Scheme. The way in which they participate will depend on whether they are classified as Eligible Shareholders or as Ineligible Foreign Shareholders.

For the purposes of determining which Scheme Shareholders are entitled to the Capital Reduction Entitlement and to participate in the Scheme, dealings in Auzex Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESSE, the transferee is registered on the Auzex Share Register as the holder of the relevant Auzex Shares on the Record Date; and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Auzex Share Registry on or before the Record Date.

For the purpose of determining entitlements under the Scheme, Auzex will not recognise any transfer or transmission application in respect of Auzex Shares received after the Record Date.

## Details of the Demerger proposal.

### 7.3.2 Eligible Shareholders and Ineligible Foreign Shareholders

Ineligible Foreign Shareholders will not be entitled to have AEL Shares transferred to them pursuant to the Scheme.

An Ineligible Foreign Shareholder is a Scheme Shareholder whose Registered Address on the Record Date is in any jurisdiction other than Australia and its external territories or New Zealand, unless Auzex otherwise determines acting reasonably that it is not unlawful, not unduly onerous and not unduly impracticable to transfer AEL Shares to a Auzex Shareholder in that jurisdiction. Any such Auzex Shareholder will be notified directly of that determination.

An Auzex Shareholder on the Record Date who is not an Ineligible Foreign Shareholder is an Eligible Shareholder and will be entitled to have AEL Shares transferred to them under the Scheme.

Ineligible Foreign Shareholders will participate in the Capital Reduction on the same basis as all Eligible Shareholders. However, AEL Shares will not be transferred to Ineligible Foreign Shareholders. Instead, the AEL Shares to which the Ineligible Foreign Shareholders would otherwise have been entitled will be transferred to the Sale Agent. This is because the transfer of AEL Shares to Ineligible Foreign Shareholders may be prohibited by the laws of the jurisdictions in which they reside or may require compliance with conditions or legal requirements which are unduly onerous or impractical.

The Sale Agent will sell those AEL Shares on the instructions of Auzex and account for the proceeds of sale of the AEL Shares to which the Ineligible Foreign Shareholder would otherwise have been entitled, in accordance with the Sale Facility. Such a sale may be delayed until AEL Shares are listed on ASX if that is in the best interests of Ineligible Foreign Shareholders, but must not be delayed beyond 30 June 2012 unless at that time there is a Liquidity Event pending. The receipt by Ineligible Foreign Shareholders of the average proceeds of sale, after deduction of any applicable brokerage, taxes and charges, by cheque will be in full satisfaction of the rights and entitlements of Ineligible Foreign Shareholders under the Demerger.

The average proceeds of sale, after deduction of any applicable brokerage, taxes and charges, will be paid to Ineligible Foreign Shareholders as soon as reasonably practical after the sale of the AEL shares by cheque in Australian currency drawn on an Australian bank. Any Auzex Shares held by Ineligible Foreign Shareholders will not be sold under the Sale Facility.

Full details of this process are contained in clause 4.6 of the Scheme which is contained in Appendix 2 of this Booklet.

## 7.4 Operation of the Demerger

### 7.4.1 Restructuring of Auzex's business

The structural changes to Auzex to prepare for the Demerger included:

- (a) **asset restructure:** all of the Demerger Assets, except the initial cash funding amount were transferred to AEL;
- (b) **corporate restructure:** Auzex's shareholdings in GGG Resources and in Auzex Resources (NZ) Pty Ltd were transferred to AEL; and
- (c) **funding:** Auzex agreeing to provide, on the Implementation Date, \$2.085 million in initial funding to AEL in consideration for the issue of AEL Shares to Auzex.

### 7.4.2 Transfer of AEL Shares

If the Demerger is implemented, a Demerger Entitlement will arise for each Scheme Shareholder.

The amount of the total Demerger Entitlement which represents Auzex's assessment of the fair value of AEL's net assets is \$10,098,288.

Under the Scheme, Auzex Shareholders will not receive their Capital Reduction Entitlement in cash. Auzex will automatically apply the Capital Reduction Entitlement on behalf of each Scheme Shareholder as consideration for the AEL Shares to be transferred to Eligible Shareholders (or, in the case of Ineligible Foreign Shareholders, to the Sale Agent), being one AEL Share for each six (6) Scheme Shares held by those Scheme Shareholders (subject to rounding for fractional entitlements, as set out in section 4.9 of the Scheme which is contained in Appendix 2 to this

## Details of the Demerger proposal.

Booklet). The obligation to transfer the AEL Shares to Eligible Shareholders (or, in the case of Ineligible Foreign Shareholders, to the Sale Agent) will be discharged by:

- AEL issuing new AEL Shares to Auzex, being the number calculated by the formula:  
(SS divided by 6) plus R less the AEL Share on issue and held by Auzex on the Record Date,  
Where:  
**SS** is the number of Scheme Shares on issue on the Record Date.  
**R** is the number of AEL Shares (positive or negative in number) resulting from rounding of the Demerger Entitlements of Scheme Shareholders in accordance with the Scheme.
- Auzex procuring the transfer of AEL Shares to all Eligible Shareholders or, in the case of Ineligible Foreign Shareholders, to the Sale Agent (as described in section 7.3.2 of this Booklet).
- AEL procuring the entry in the AEL Share Register of the names of the Eligible Shareholders in respect of the AEL Shares transferred to them or, in the case of the Ineligible Foreign Shareholders, the name of the Sale Agent in respect of the AEL Shares that would otherwise have been transferred to the Ineligible Foreign Shareholders.
- \* AEL sending or procuring the dispatch to each Eligible Shareholder by pre-paid post to the person's Registered Address as shown in the Auzex Share Register on the Record Date, share certificates for the AEL Shares transferred to them under the Scheme. In the case of joint shareholders, share certificates for AEL Shares will be sent to the address of the Auzex Shareholder whose name first appears in the Auzex Share Register.

### 7.4.2 Transfer of AEL Shares

If the Demerger is implemented, a Demerger Entitlement will arise for each Scheme Shareholder.

The amount of the total Demerger Entitlement which represents Auzex's assessment of the fair value of AEL's net assets is \$10,098,288.

Under the Scheme, Auzex Shareholders will not receive their Capital Reduction Entitlement in cash. Auzex will automatically apply the Capital Reduction Entitlement on behalf of each Scheme Shareholder as consideration for the AEL Shares to be transferred to Eligible Shareholders (or, in the case of Ineligible Foreign Shareholders, to the Sale Agent), being one AEL Share for each six (6) Scheme Shares held by those Scheme Shareholders (subject to rounding for fractional entitlements, as set out in section 4.9 of the Scheme which is contained in Appendix 2 to this Booklet). The obligation to transfer the AEL Shares to Eligible Shareholders (or, in the case of Ineligible Foreign Shareholders, to the Sale Agent) will be discharged by:

- AEL issuing new AEL Shares to Auzex, being the number calculated by the formula:
  - (SS divided by 6) plus R less the AEL Share on issue and held by Auzex on the Record Date,
  - Where:
  - SS is the number of Scheme Shares on issue on the Record Date.
  - R is the number of AEL Shares (positive or negative in number) resulting from rounding of the Demerger Entitlements of Scheme Shareholders in accordance with the Scheme.
- Auzex procuring the transfer of AEL Shares to all Eligible Shareholders or, in the case of Ineligible Foreign Shareholders, to the Sale Agent (as described in section 7.3.2 of this Booklet).
- AEL procuring the entry in the AEL Share Register of the names of the Eligible Shareholders in respect of the AEL Shares transferred to them or, in the case of the Ineligible Foreign Shareholders, the name of the Sale Agent in respect of the AEL Shares that would otherwise have been transferred to the Ineligible Foreign Shareholders.
- AEL sending or procuring the dispatch to each Eligible Shareholder by pre-paid post to the person's Registered Address as shown in the Auzex Share Register on the Record Date, share certificates for the AEL Shares transferred to them under the Scheme. In the case of joint shareholders, share certificates for AEL Shares will be sent to the address of the Auzex Shareholder whose name first appears in the Auzex Share Register.

## Details of the Demerger proposal.

### 7.4.3 Dispatch of share certificates for AEL Shares

It is expected that the Eligible Shareholders will have their names entered on the AEL Share Register on 5 January 2012. Share certificates for AEL Shares are expected to be dispatched to Eligible Shareholders on 16 January 2012. A share certificate will be sent by pre-paid post to an Eligible Shareholder's address on the Auzex Share Register (unless the shareholder has directed otherwise).

Except for an Eligible Shareholder's tax file number (which will be required to be provided by each Eligible Shareholder to the AEL Share Registry), binding instructions between such Eligible Shareholders and Auzex relating to their respective Auzex Shares will, from the Record Date, be deemed to be similarly binding instructions to, and accepted by, AEL in respect of the AEL Shares transferred to those Eligible Shareholders.

### 7.4.4 ASX listing of AEL

It is the current intention of the Auzex Board that following a successful implementation of the Demerger of AEL, an IPO and listing of AEL will be planned, subject to market conditions, during the first half of 2012.

Whether or not the Demerger proceeds, Auzex will continue to be listed on the ASX and Auzex Shares will continue to be quoted on the ASX (subject to Auzex merging with GGG Resources by becoming a wholly owned subsidiary of BBG).

### 7.4.5 Creditors

In the opinion of the Auzex directors, the Capital Reduction will not, if implemented, have a material adverse impact on the interests of Auzex's creditors. No material additional liability will be incurred by Auzex.

Further, apart from the Demerger Entitlement and the transactions contemplated by the Demerger Proposal and in section 7.4.1, there will be no other outflow of funds or property from Auzex under the Demerger Proposal, other than the transaction costs incurred in connection with the implementation of the Demerger Proposal disclosed in section 9.15.

The Independent Expert has concluded that the Capital Reduction does not materially prejudice the interests of Auzex's creditors. A copy of the Independent Expert's Report is contained in Appendix 1 of this Booklet.

### 7.4.6 Option holders

As at the date of this Booklet, Auzex has 11,612,874 listed options and 2,369,904 unlisted options on issue which, if exercised, would convert into 13,982,778 Auzex Shares (subject to the relevant terms of the options).

If the Demerger is implemented, then, in accordance with the terms of each of the option agreements and Listing Rule 7.22.3, the exercise price of each option will be reduced by the Capital Reduction Entitlement.

## 7.5 Demerger Deed

Auzex and AEL have entered into a Demerger Deed, which sets out the key separation and liability principles governing the ongoing relationship of Auzex and AEL following the Demerger.

**Demerger Principle:** The fundamental principle underlying the Demerger Deed as to the intended economic and legal effect of the Demerger is that, following the Demerger, the parties intend that AEL will have the entire economic benefit and risk of the Demerger Assets as if AEL had owned and operated the Demerger Assets at all times (**the Demerger Principle**). Auzex and AEL give certain indemnities to each other consistent with the Demerger Principle.

**Tenement Transfer:** Auzex agrees to transfer to AEL the Tenements. At the date of this Booklet transfer forms have been submitted to the relevant government authorities for assessment. Auzex has no reason to expect that the transfers will not be approved in due course.

**Acknowledgment by Auzex and AEL:** Consistent with the Demerger Principle, Auzex and AEL acknowledge that once the Demerger is implemented, AEL will not have any rights against an entity of the post-demerger Auzex Group and no entity within the post-demerger Auzex

## Details of the Demerger proposal.

Group will have any rights against AEL, except as expressly provided in the Demerger Deed or other transaction documents. Neither Auzex nor AEL will have any right to make a claim for loss or damage arising directly or indirectly in relation to the Demerger or the Capital Reduction.

The Demerger Deed does however preserve all rights of Auzex and AEL to claim against the other if either party has a claim brought against them by a third party. If this occurs, Auzex, AEL and their respective group companies reserve all rights available to them at law including any right to claim a contribution from or to join to the claim by the third party, a member of the other group.

**Obligations on the Implementation Date:** The Demerger Deed provides for the following things, among others, to occur on the Implementation Date:

- Auzex will subscribe for, and AEL will issue to Auzex, such number of AEL Shares, (SS divided by 6) plus R less the AEL Share on issue and held by Auzex on the Record Date,  
Where:  
**SS** is the number of Scheme Shares on issue on the Record Date.  
**R** is the number of AEL Shares (positive or negative in number) resulting from rounding of the Demerger Entitlements of Scheme Shareholders in accordance with the Scheme.
- Auzex will provide AEL with \$2.085 million in initial funding in consideration for the issue of the AEL Shares to Auzex;
- Auzex will reduce the capital of each Auzex Share on issue at the Record Date by an amount equal to the Capital Reduction Entitlement. The Capital Reduction Entitlement will be applied in accordance with the Demerger; and
- Auzex will transfer to Eligible Shareholders (and to the Sale Agent in respect of Ineligible Foreign Shareholders) one AEL Share for each six (6) Scheme Shares held by the Auzex Shareholders and AEL will register those transfers.

**Indemnities:** Each of Auzex and AEL and their respective group companies indemnifies the other and its group companies in relation to any liability or loss which arises from or in connection with a breach by it or one of its group companies of the Demerger Deed.

**Other provisions:** The Demerger Deed contains provisions:

- relating to the management of, and the funding for, the Exploration Assets until the Ministerial Consent is granted. Auzex has appointed AEL to manage the conduct of the exploration activities with respect to the Exploration Assets. AEL will provide Auzex with the funding for the exploration activities with respect to the Exploration Assets. AEL has agreed to provide Auzex with regular updates on the exploration activities.
- in respect of various other matters, including access to and maintenance of records and limited warranties by Auzex in relation to the Demerger Assets.

**Administrative Services:** In order to ensure that AEL can function as a stand-alone group after the Demerger, Auzex and AEL will supply to AEL certain services, on a transitional basis, until 30 June 2012 (or any other date agreed by Auzex and AEL). The services to be provided by Auzex (or procured by Auzex to be provided) to AEL under the Management Services Agreement include:

- operational and management support;
- secretarial and office administration support;
- accounting and financial administration services;
- office accommodation and car parking;
- office supplies, consumables, and utilities;
- fixed and mobile telephony and telecommunications;
- information technology support and internet services; and
- certain insurance policy coverage.

AEL will pay Auzex for the services to be provided at cost.

In the event that Auzex is no longer able to provide a service, it must use its reasonable endeavours to assist AEL to effect the transfer of the supply of the service to a third party.

AEL can terminate the Services Agreement at any time on giving one months' notice to Auzex. Auzex may only terminate the Services Agreement in the event of an unremedied breach by AEL or an event of force majeure.

## **7.6 Notice to Scheme Shareholders in the United States of America**

The AEL Shares to be issued pursuant to the Demerger have not been, and will not be registered under the US Securities Act or filed with or reviewed by the United States Securities and Exchange Commission or any United States state securities regulatory authority, and none of them endorsed the merits of the Demerger or the content of this Scheme Booklet. The AEL Shares will be issued pursuant to an exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of the US Securities Act, based on the approval of the Scheme by the Court.

Section 3(a)(10) of the US Securities Act exempts securities issued in connection with a securities exchange transaction from the registration requirements of the US Securities Act where the fairness of the terms and conditions of the issuance and exchange of the securities have been approved by any court or authorized governmental entity, after a hearing upon the fairness of the terms and conditions of the exchange at which all persons to whom the securities will be issued have the right to appear and to whom adequate notice of the hearing has been given. An order by the Court at the Second Court Hearing is required for the Scheme, and ultimately the Demerger, to become effective, and the Court will be advised that if the terms and conditions of the Scheme are approved by the Court, the AEL Shares issuable will not require registration under the US Securities Act, pursuant to Section 3(a)(10) thereof. Therefore, if the Court approves the Scheme, its approval will constitute the basis for the AEL Shares to be issued without registration under the US Securities Act.

# 8

## TAXATION IMPLICATIONS

### 8.1 Introduction

#### 8.1.1 This section

This section provides a general outline of the main Australian taxation implications for Auzex Shareholders who are residents of Australia for income tax purposes, hold their Auzex Shares as a long term investment on capital account, are not subject to the rules concerning the taxation of financial arrangements contained in Division 230 of the Income Tax Assessment Act 1997 (Cth) (TOFA Rules) in respect of their Auzex Shares and participate in the Demerger (Participating Australian Shareholders).

#### 8.1.2 Scope and currency

This outline relates solely to matters governed by, and should be interpreted in accordance with, the laws of Australia as in force and as interpreted at 9.00am (Brisbane time) on the date of this Booklet. Future amendments to taxation legislation, or its interpretation by the courts or Australian taxation authorities, may take effect retrospectively and/or affect the conclusions drawn.

This outline does not take into account or anticipate changes in the law (by legislation or judicial decision) or practice (by ruling or otherwise) after that time.

This outline is not a complete analysis of Australian taxation laws which may apply in relation to the Demerger. The outline is also not exhaustive of all taxation implications which could apply in the circumstances of any given Auzex Shareholder. In particular, special rules apply to certain shareholders such as persons not resident in Australia for income tax purposes, tax exempt organisations, listed investment companies, insurance companies, superannuation funds, banks, Auzex Shareholders who hold their Auzex Shares other than by way of long term investment or as trading stock and Auzex Shareholders, who are subject to the TOFA Rules in respect of their Auzex Shares or who hold their Auzex Shares as a result of participating in an employee share scheme.

This outline does not address any of the above circumstances or special rules.

All Auzex Shareholders, and particularly those Auzex Shareholders not covered by this outline as noted above, should consult with their own independent taxation advisers regarding the Australian and, if applicable, foreign, taxation implications of participating in the Demerger given the particular circumstances which apply to them.

### 8.2 Australian taxation implications

#### 8.2.1 Income tax

##### (a) CGT consequences

The Capital Reduction will result in a CGT event happening in relation to each Auzex Share held by a Participating Australian Shareholder. The CGT consequences will depend on whether demerger tax relief is available, and a choice is made to apply it.

##### (b) Implications for Participating Australian Shareholders if demerger tax relief is available

- (i) Implications for Participating Australian Shareholders who choose demerger tax relief

If demerger tax relief is available and a Participating Australian Shareholder chooses demerger tax relief, any capital gain that arises as a result of the CGT event happening in relation to each of their Auzex Shares will be disregarded.

The first element of the cost base and the reduced cost base of each Post-CGT Auzex Share and corresponding AEL Shares held by a Participating Australian Shareholder immediately after the Demerger will be determined as follows:

- calculate the total of the cost bases of the Post-CGT Auzex Shares held (worked out just before the Demerger); and
- apportion the result of the above calculation between the Auzex Shares and AEL Shares held after the Demerger, having regard to the market values (or a reasonable approximation thereof) just after the Demerger of the Auzex Shares and the AEL.



## Taxation implications.

Auzex will advise Participating Australian Shareholders of these amounts after the Demerger.

Participating Australian Shareholders will be treated as having acquired the corresponding AEL Shares on the same date as their Post-CGT Auzex Shares for the purpose of determining the availability of the CGT discount in respect of any subsequent disposal of those shares (see below).

(ii) Implications for Participating Australian Shareholders who do not choose demerger tax relief

- Participating Australian Shareholders who do not choose demerger tax relief:
- must reduce the cost base and reduced cost base of the Auzex Shares by the amount of the Capital Reduction (but not below zero); and

if the Capital Reduction amount exceeds the cost base, will realise a capital gain to that extent.

Individuals and trustees of trusts (other than trusts that are complying superannuation entities) may be entitled to the 50% CGT discount in respect of the amount of any capital gain (i.e. after taking into account current year or carry forward capital losses) if the Capital Reduction happens to their Auzex Shares that were acquired at least 12 months before the Capital Reduction.

The cost base and reduced cost base of the Auzex Shares and the corresponding AEL Shares will be apportioned as set out above. The AEL Shares will be treated as having been acquired on the same date as their Auzex Shares for the purpose of determining the availability of the CGT discount in respect of any subsequent disposal of those shares (see below).

**(c) Implications for Auzex Shareholders if demerger tax relief is not available**

If demerger tax relief is not available, Participating Australian Shareholders:

- may realise an assessable capital gain as a result of the CGT event happening to their Auzex Shares and should see the discussion at section 8.2.1(b)(ii) above in this regard; and
- will be treated as having acquired the AEL Shares corresponding to their Auzex Shares on the Implementation Date. The first element of the cost base and reduced cost base of the AEL Shares will need to be determined under the ordinary CGT cost base rules. Participating Australian Shareholders in these circumstances should obtain their own independent taxation advice.

**(d) Implications of holding Auzex Shares and AEL Shares after the Demerger**

(i) Subsequent dividends

Participating Australian Shareholders will be required to include dividends in respect of Auzex Shares and AEL Shares they hold after the Demerger in their assessable income for the income year in which the dividends are paid.

Dividends may be franked, i.e. have franking credits for tax paid by the relevant company attached to the dividends. As for their Auzex Shares, to be entitled to franking credits, a Participating Australian Shareholder must be a 'qualified person' by satisfying the 'holding period rule', or qualifying for an exemption from that rule. On the assumption that a Participating Australian Shareholder is a 'qualified person', the tax treatment of dividends received from Auzex and AEL will depend on the character of the shareholder as follows:

- **Individuals:** The dividend plus any franking credit will be included in the individual's assessable income. A tax offset for the amount of the franking credit will be available to offset the tax payable on the individual's assessable income. Any excess tax offset (after offset against tax payable) should be refundable to the individual.
- **Companies:** The dividend plus any franking credit will be included in the company's assessable income. A tax offset for the amount of the franking credit will be available against tax payable on the company's taxable income. A company that

## Taxation implications.

is a franking entity may be able to credit its franking account with the franked amount of the dividend which may enable the company to pay franked dividends to its own shareholders.

- **Trustees (excluding trustees of superannuation funds):** If Australian resident beneficiaries of a trust are presently entitled to a distribution of the net income for the year in which the dividend is derived by the trust, generally the franked dividend should flow through to, and be taxable in the hands of, the beneficiaries in accordance with their particular tax status and profile (subject to the trust having positive net income and the beneficiaries also satisfying the qualified person rules referred to above).
- (ii) Subsequent Sale of shares

Participating Australian Shareholders will need to consider the CGT implications of any subsequent disposal of Auzex Shares or AEL Shares.

A capital gain will arise to the extent the capital proceeds from the disposal of shares exceed the cost base of the shares held by a Participating Australian Shareholder. A capital loss will be incurred to the extent the capital proceeds are less than the reduced cost base (effectively the cost base of an asset excluding certain items, such as deductible expenditure) of the shares held by a Participating Australian Shareholder.

For the purpose of determining whether a Participating Australian Shareholder will realise a capital gain or a capital loss in respect of the disposal of Auzex Shares or AEL Shares the cost base or reduced cost base of the Auzex Shares and AEL Shares will be calculated as detailed above.

The capital gains, after applicable discounts, and any capital losses of a taxpayer from all CGT events are aggregated to calculate the taxpayer's net capital gain or loss for the income tax year. A net capital gain is included in the assessable income of the taxpayer and may be subject to income tax. A net capital loss may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains (subject to satisfaction of loss recoupment tests for certain taxpayers).

Individuals and trustees of trusts (other than a trust that is a complying superannuation entity) who do not index, or are not entitled to index, the cost base of their shares may be entitled to discount the amount of their capital gain from the disposal of Auzex Shares or AEL Shares (i.e. after taking into account current year or carry forward capital losses) by 50%.

The above CGT discount will only be available if the disposal by the Participating Australian Shareholders happens to shares they acquired at least 12 months before the disposal (noting that the time of acquisition may be determined in accordance with the principles set out at above). Although trustees of trusts may be entitled to the above CGT discount, special rules apply in respect of beneficiaries of such trusts. Participating Australian Shareholders that are trustees should consult with their own independent tax advisers regarding the income tax implications of distributions attributable to discount capital gains.

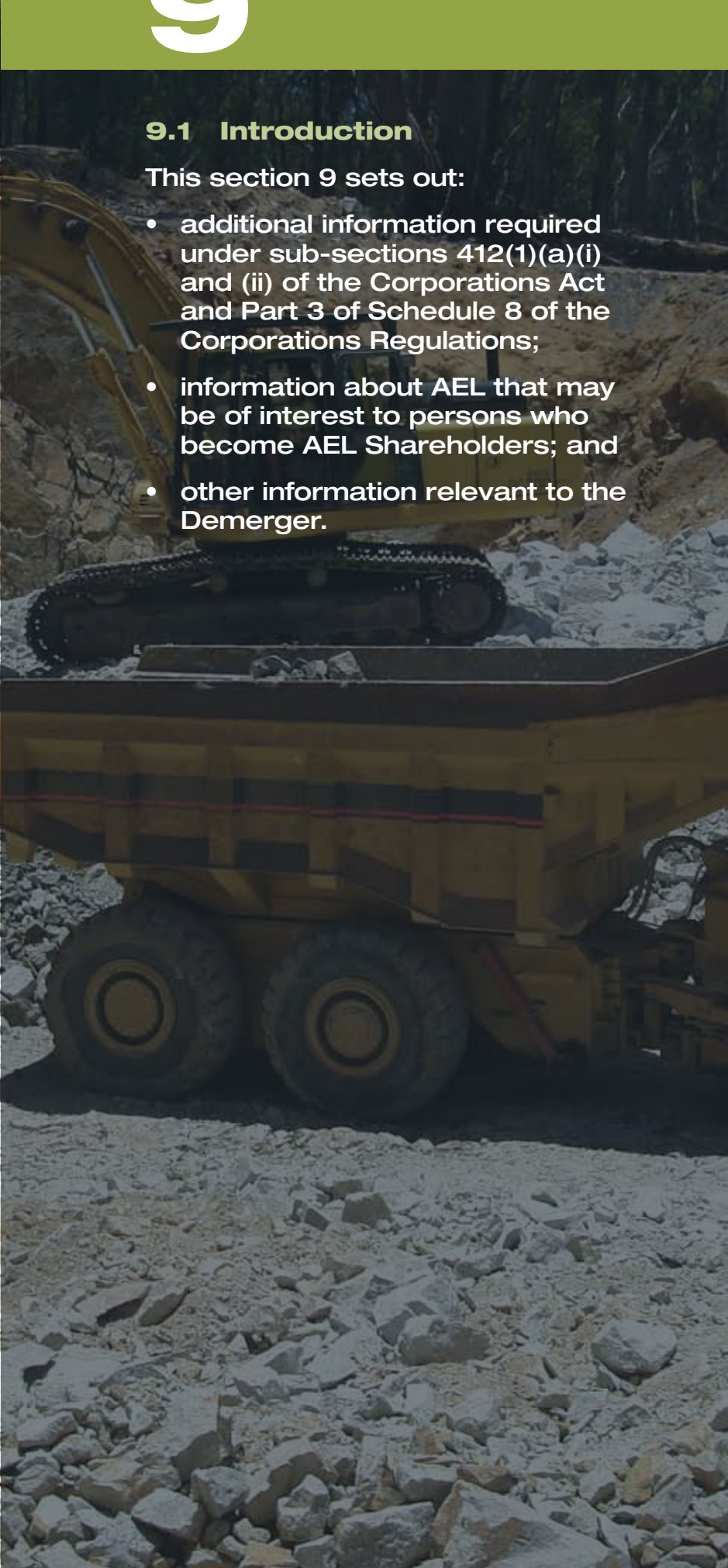
Participating Australian Shareholders that are companies (not acting as trustees) will not be entitled to any discount in respect of their net capital gains on disposal of their Auzex Shares or AEL Shares.

# 9

## 9.1 Introduction

This section 9 sets out:

- additional information required under sub-sections 412(1)(a)(i) and (ii) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations;
- information about AEL that may be of interest to persons who become AEL Shareholders; and
- other information relevant to the Demerger.



# ADDITIONAL INFORMATION

## 9.2 Auzex directors' recommendation and intention

The Auzex directors believe that, taking into account all relevant matters (including alternatives to the Demerger Proposal), the Demerger is in the best interests of Auzex Shareholders and Auzex, and the Capital Reduction will not materially prejudice the interests of Auzex's creditors.

While you do not have to vote, the Auzex Board believes that the Demerger is important to all Auzex Shareholders. Each Auzex director recommends that Auzex Shareholders vote in favour of the Capital Reduction Resolution at the General Meeting and in favour of the Scheme at the Scheme Meeting.

Each Auzex director intends to vote all Auzex Shares held or controlled by them in favour of the resolutions to be considered at the Meetings, unless they are stated in the relevant notice of meeting as being precluded from voting.

## 9.3 Intention of Auzex directors concerning the businesses of Auzex

Other than as disclosed in this Booklet, it is the present intention of the Auzex Board following the implementation of the Demerger Proposal:

- to continue, and not make any major changes to, the businesses of Auzex, as set out in section 5 of this Booklet;
- not to make any major changes to the business of Auzex except as contemplated in this Booklet; and
- to continue the present policies of Auzex relating to the employment of its employees.

## 9.4 Intention of AEL directors concerning the business of AEL

Other than as disclosed in this Booklet, it is the present intention of the Auzex Board and of the AEL Board following the implementation of the Demerger Proposal to continue, and not make any major changes to, the businesses of AEL as set out in section 6 of this Booklet.

## 9.5 Interests of Auzex Directors

### 9.5.1 Directors' interests in Auzex securities

No marketable securities of Auzex are held by or on behalf of Auzex directors and no such persons are otherwise entitled to such securities as at the date of this Booklet other than, the following interests (which are held either directly or indirectly):

Name	Shares Held	15c Options Held	20c Options Held
Chris Baker	388,817	104,348	47,415
John Lawton	7,171,689	782,609	55,556
Greg Partington	1,205,310	652,174	197,371
Eugene Iliescu	1,850,534	153,889	104,348
Paul Frederiks	1,012,505	300,000	95,025

## Additional Information.

### 9.5.2 Directors' interests in AEL securities

No marketable securities of AEL are held by or on behalf of Auzex directors as at the date of this Booklet.

Subject to the comments above, Auzex directors who hold Auzex Shares will be entitled to vote on the Capital Reduction Resolution and the Scheme Resolution, and to receive AEL Shares under the Scheme on the same terms as all other Auzex Shareholders, as set out below:

Name	AEL Shares
Chris Baker	64,803
John Lawton	1,195,283
Greg Partington	200,885
Eugene Iliescu	308,422
Paul Frederiks	168,751

### 9.5.3 Agreements or arrangements with Auzex directors in connection with the Demerger

There are no agreements or arrangements made between any Auzex director and any other person in connection with, or conditional upon, the outcome of the Demerger Proposal.

### 9.5.4 Payments and other benefits to Auzex directors, secretaries or executive officers

It is not proposed that any payment or other benefit will be made or given to any director, secretary or executive officer of Auzex, or any body corporate related to Auzex, as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office as director, secretary or executive officer of Auzex or a body corporate connected with Auzex.

## 9.6 AEL capital structure

The capital structure of AEL as at the date of this Booklet is set out below. No AEL Shares have been sold during the three month period ending on the date of this Booklet.

The rights attaching to AEL Shares are set out in the AEL constitution described in section 9.8.

Shareholder	Number of AEL Shares	Fully Paid	Percentage of Shares
Auzex Resources Limited	1	Yes	100%

The pro-forma capital structure of AEL on implementation of the Demerger is set out below. The rights issue currently being undertaken by Auzex is fully underwritten, with the result that the number of Auzex shares on issue after the close of the rights offer will be 128,855,457. The Demerger will result in the issue of one AEL share for each six Auzex shares on issue.

## Additional Information.

Shareholder	Number of AEL Shares	Fully Paid	Percentage of Shares
Auzex Shareholders pursuant to the Scheme	21,475,910	Yes	100%

### 9.7 Capital raising by AEL

Except for the \$2.085 million to be provided by Auzex on the Implementation Date in accordance with the Demerger Deed as described in this Booklet, AEL has not raised any capital for the three months prior to the date of this Booklet and will not need to raise any capital for the three months after that date.

### 9.8 Overview of AEL's constitution

AEL is an Australian public company registered under the Corporations Act and has adopted a constitution in substitution for the replaceable rules in the Corporations Act. The rights attaching to AEL Shares are set out in the Constitution. Some important features of AEL's Constitution are summarised below.

#### 9.8.1 Directors

The AEL constitution deals with the rights and obligations of directors and officers of AEL, including:

- the appointment, retirement and removal of directors, including a managing director (if appointed) and chairperson;
- the appointment of a company secretary;
- the remuneration of directors;
- the powers of directors;
- meetings and written resolutions of directors; and
- the right of directors and officers to be indemnified (subject to statute) against all liabilities incurred as an officer of AEL, including all legal costs incurred in defending or resisting proceedings, whether criminal, civil, administrative or judicial, relating to such liabilities, and the right of AEL to maintain insurance in respect of directors and officers (see section 9.9 for further details).

The Board of AEL will be comprised of at least three directors. Details of the directors of AEL are set out in section 6.3.1.

The quorum for a meeting of directors is two directors. Resolutions at a meeting of directors are to be decided by a majority vote.

The Board of AEL has the power to manage the business of AEL.

#### 9.8.2 General meetings

General meetings of AEL are to be held in accordance with the Corporations Act, and each AEL Shareholder will be entitled to receive notice of a general meeting in accordance with the Corporations Act and, except in certain circumstances, attend and vote at general meetings of AEL.

## Additional Information.

### 9.8.3 Voting at a general meeting

Subject to any special rights or restrictions for the time being attached to any class of AEL Shares and to the AEL Constitution, at a general meeting, each AEL Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and one vote for each fully paid AEL Share on a poll, or for a partly paid AEL Share, a fraction of a vote equal to the proportion which the amount paid on the AEL Share bears to the total issue price of the AEL Share.

Voting at any meeting of shareholders is by a show of hands (unless a poll is demanded). The quorum required for a meeting of shareholders is two members present in person or by proxy, attorney or representative.

### 9.8.4 Dividends

Under the AEL Constitution, the directors may determine that a dividend is payable, fix the amount and the time for payment and determine the method of payment of the dividend to each AEL Shareholder entitled to that dividend. If a dividend is paid, it will be paid in proportion to the number of AEL Shares held by an AEL Shareholder and, in the case of partly paid AEL Shares, in proportion to the percentage of the issue price that has been paid (excluding amounts credited and amounts paid in advance of a call). Interest is not payable in respect of any dividend.

### 9.8.5 Transfer of AEL Shares

AEL Shareholders may transfer AEL Shares in accordance with the ASTC Settlement Rules, by instrument in writing in any form the directors approve, or by any other method of transfer of marketable securities permitted by the Corporations Act, ASTC and the ASX and approved by the directors.

The directors may, if the Listing Rules, the ASTC Settlement Rules and the AEL Constitution permit AEL to do so, request ASTC to apply a holding lock to prevent a transfer of AEL from being registered or refuse to register a transfer of AEL Shares.

### 9.8.6 Issue of further AEL Shares

Subject to the Corporations Act and the Listing Rules, the issue of shares (including partly paid shares and redeemable preference shares) in AEL is under the control of the directors of AEL. The Board of AEL has the power to issue shares, options and other securities convertible into shares to any person at any time and for such consideration as it determines.

### 9.8.7 Small holdings

While AEL is listed, AEL may sell the AEL Shares of an AEL Shareholder who holds less than a marketable parcel of AEL Shares. AEL must hold the proceeds of sale on trust for the divested AEL Shareholder and deal with that amount as directed by the AEL Shareholder.

### 9.8.8 Dividend plans

AEL may establish a bonus share plan on any terms as the Board resolves under which participants may elect to receive AEL Shares or other financial products instead of receiving a cash dividend from the company.

AEL may establish a dividend reinvestment plan on any terms as the Board resolves under which participants may elect to apply the whole or part of a dividend from the company in subscribing for or purchasing AEL Shares or other financial products.

The Board of AEL may implement, amend, suspend or terminate any bonus share plan or dividend reinvestment plan at any time.

### 9.8.9 Calls, forfeiture and liens

If an AEL Shareholder fails to pay a call in respect of any amount unpaid on any AEL Shares on the payment date specified, AEL may give notice to that AEL Shareholder requiring payment of that call, together with any costs and interest that has accrued. If, after receiving notice, the call remains unpaid, the Board may by resolution forfeit the relevant AEL Shares.

The Board may sell, otherwise dispose of or re-issue AEL Shares forfeited in this way, subject to compliance with the Corporations Act and the Listing Rules.

## Additional Information.

### 9.8.10 Winding up

If AEL is wound up, the liquidator may, with the sanction of a special resolution of AEL Shareholders, distribute among AEL Shareholders the whole or any part of the property of AEL and may determine how to distribute the property as between AEL Shareholders or different classes of shareholders.

### 9.8.11 Remuneration of AEL directors

AEL may pay or provide to their non-executive directors fees in an amount or value determined by the AEL Board which does not in any financial year exceed in aggregate the amount last determined by AEL in general meeting (or, until so determined, by the AEL Board). These fees may be provided in cash or any other manner agreed between AEL and the relevant non-executive director. AEL must not pay remuneration to directors that is calculated as a commission on, or a percentage of, operating revenue or, in the case of non-executive directors, profits.

Auzex, as sole shareholder of AEL, has approved the remuneration of AEL directors up to the amount currently payable to Auzex directors.

### 9.8.12 Expenses and extra services

If any AEL director, with the approval of the AEL Board, performs extra or special services, AEL may, subject to the Corporations Act and the AEL Constitution, provide additional remuneration or provide benefits to that director as the AEL Board resolves.

AEL must pay all reasonable travelling, accommodation and other expenses that an AEL director properly incurs in attending meetings of the AEL Board, meetings of AEL Board committees, meetings of AEL Shareholders, or otherwise in connection with the business of AEL.

## 9.9 Deeds of indemnity, insurance and access with directors and officers

AEL 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, AEL 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 AEL 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 officer or in which the officer 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.

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

### 9.9.1 Indemnity

To the maximum extent permitted by law, AEL will indemnify each of its directors against:

- liabilities incurred as an officer of AEL and each subsidiary of AEL; and
- all legal costs and other expenses arising from proceedings or investigations incurred in their capacity as an officer of AEL or in relation to a subsidiary of AEL.

AEL can terminate the indemnity on 30 days notice to the director, but only in respect of liabilities arising after the notice takes effect.

To the extent that the indemnity is permitted by law, AEL must also pay or lend to the director, on such terms as it reasonably determines, amounts required to pay for legal costs incurred by the director in defending an action to which the indemnity applies.



## Additional Information.

### 9.9.2 Insurance

To the maximum extent permitted by law, AEL will use reasonable endeavours to obtain and maintain directors' and officers' insurance cover for each director for the period of his or her directorship and for the period of seven years from the date a director ceases to hold office as a director. This obligation is limited to the extent that such coverage is available on terms which AEL reasonably considers are financially prudent.

### 9.9.3 Access to company records

Each AEL director agrees that their rights to inspect AEL's records for the period of seven years after they cease to hold office are regulated by the deed. AEL can refuse inspection where it could result in the waiver of, or otherwise prejudice, the legal professional privilege attaching to documents and it can demonstrate that such inspection would be materially adverse to it.

For the period of seven years after a director has ceased to hold office, AEL will, at its cost, provide copies of documents requested where they had been circulated, whilst the director held office, for the purpose of meetings of the AEL Board. During that seven year period, copies of other documents may be taken at the directors' own expense.

## 9.10 AEL Corporate Governance

### 9.10.1 Overview

After the Demerger, the directors of AEL intend to adopt the same corporate governance policies used by Auzex and outlined in Auzex's Annual Report for 2011. These corporate governance practices comply with the ASX's Corporate Governance Council's (Council) Corporate Governance Principles and Recommendations (Recommendations) and are summarised below.

### 9.10.2 Role of the AEL Board

The primary role of the AEL Board is to guide and monitor the business and affairs of AEL on behalf of the shareholders by whom they are elected and to whom they are accountable, including the protection and enhancement of long-term shareholder value. To fulfil this role, the AEL Board is responsible for the overall corporate governance of the consolidated entity including its strategic direction, approving and monitoring financial reports, capital expenditures, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

### 9.10.3 Composition of the AEL Board

The composition of the AEL Board will be determined by applying the following principles and guidelines:

- directors appointed by the AEL Board will be subject to election by shareholders at the following annual general meeting and thereafter are subject to re-election every three years;
- the AEL Board shall comprise at least three directors, increasing where additional expertise is considered desirable in certain areas; and
- the AEL Board should comprise directors with an appropriate range of qualifications and expertise.

The AEL Board will review its composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with the relevant qualifications, skills and experience.

Notwithstanding the Council's Recommendation 2.1 that the majority of the Board should be independent directors, the AEL Board believes that the current size and complexity of AEL does not warrant the addition of any independent directors to the Board. The AEL Board is of the opinion that the objectives and current strategy of AEL are best served and achievable by persons associated with AEL since its inception, irrespective of their degree of independence.

It is the Board's intention to continually review and assess the benefits associated with the introduction of external independent non-executive directors.

## Additional Information.

### 9.10.4 Nomination and remuneration committees

The AEL Board believes that AEL is not of a size, nor are its financial affairs of such complexity to justify the establishment of a nomination committee of the board of directors as recommended by the Council's Recommendation 2.4. All matters which may be properly dealt with by a nomination committee will be considered at meetings of the full AEL Board. The AEL Board will review annually the necessity to establish a nomination committee.

The AEL Board believes that AEL is not of a size, nor are its financial affairs of such complexity to justify the establishment of a remuneration committee of the board of directors as recommended by the Council's Recommendation 8.1. All matters which may be properly dealt with by a remuneration committee will be dealt with by the AEL Board. The Board will review annually the necessity to establish a remuneration committee.

### 9.10.5 Audit committee

The AEL Board intends to constitute an audit committee in accordance with ASX Listing Rule 12.7. It is expected that the role of the audit committee in discharging its responsibilities would include:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- assessing whether non-audit services (if any) provided by the external auditor are consistent with maintaining the external auditor's independence;
- reviewing the nomination and performance of the external auditor;
- assessing the adequacy of the internal control framework and AEL's code of conduct;
- monitoring the procedures to ensure compliance with the Corporations Act, the ASX Listing Rules and other regulatory requirements; and
- addressing any matters outstanding with auditors, the ATO, ASIC, the ASX and financial institutions.

It is also expected that the audit committee would review the performance of the external auditors on an annual basis and meet with them during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed; and
- finalise half-year and annual reporting to:
  - review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made; and
  - review the draft financial reports and recommend approval of the financial reports required, to organise, review and report on any special reviews or investigations deemed necessary.

### 9.10.6 Risk management

The AEL Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements. Operational, financial reporting and compliance risks will be continually assessed, monitored and managed at management level and any specific areas of risk which are classified as material will be considered and dealt with at Board level. While the AEL Board acknowledges that it is responsible for the overall internal control framework, it is also cognisant that no cost effective internal control system will preclude all errors and irregularities.

Areas of major risks which will be faced by AEL include matters of financial reporting, the use of information systems, environmental and safety risks with respect to exploration and development activities and optimisation of returns on funds and listed securities.

## Additional Information.

To better manage AEL's risk profile, the AEL Board intends to establish an internal control framework that can be described as follows:

- financial reporting accuracy and compliance with the financial reporting regulatory framework, such that:
  - there is a comprehensive budgeting system with an annual budget approved by the directors. It is intended for monthly financial results to be reported against budget and revised forecasts prepared when necessary;
  - cash flow statements are also prepared on a regular basis; and
  - half-yearly and annual statutory reports are reviewed and audited respectively by AEL's external auditors and reported to the ASX;
- all business transactions of a material nature properly authorised and executed; and
- the recruitment and retention of personnel with due experience, commitment and integrity.

Further, AEL is committed to ensuring that safe and sound environmental practices are carried out while undertaking exploration activities and that such practices meet or exceed the relevant statutory requirements under applicable legislation.

### **9.10.7 Ethical standards**

All directors and employees are expected to act with the utmost integrity and objectivity and to comply at all times with the existing laws governing AEL's operations. In addition, they are also expected to conduct AEL's activities in keeping with the highest legal, moral and ethical standards.

In accordance with the Corporations Act and AEL's Constitution, directors must keep the AEL Board advised, on an ongoing basis, of any interest that could potentially conflict with those of AEL. Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

All employees (including directors) are required at all times to act ethically, honestly, responsibly and diligently by:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core AEL values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- maintaining appropriate sound accounting policies and practices and disclosure;
- observing employment practices such as occupational health and safety, employment opportunity, the level and structure of remuneration, and conflict resolution;
- complying with their responsibilities to the community, such as environmental protection policies, supporting community activities, sponsorships and donations;
- complying with their responsibilities to other persons, such as privacy, use of privileged or confidential information, and conflict resolution;
- complying with all laws and legislation, including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's;
- avoiding and declaring conflicts of interest;
- not misusing corporate opportunities, such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- observing confidentiality of corporate information;
- engaging in fair dealing;
- ensuring the protection and proper use of AEL's assets; and
- reporting unethical behaviour.

## Additional Information.

### 9.10.8 Share trading

The AEL Board is mindful of its responsibility to comply with the Corporations Act in relation to insider trading and the proper use of inside information.

To ensure compliance with the requirements of the Corporations Act, the AEL Board intends to establish a policy on share trading in the company's securities by directors and employees. Restrictions which are intended to be imposed by the AEL Board with respect to share trading are summarized as follows:

- directors and employees must notify the Chairman of their intent to trade the company's shares and confirm that they are not aware of any inside information;
- trading in the company's shares is prohibited:
  - during the 10 days prior to the release of any quarterly report by the company, which is normally one month following the end of each calendar quarter; and
  - if the director or employee is in possession of unpublished price sensitive information which may or may not be generally available and which will materially affect the price or value of the company's shares; and
- active trading in the company's shares with a view to derive profit related income is prohibited at all times.

### 9.10.9 Continuous disclosure

The AEL Board intends to provide shareholders with information using a comprehensive continuous disclosure policy which includes identifying matters that may have a material effect on the price of the company's securities, notifying them to the ASX, posting them on the company's website and issuing media releases.

## 9.11 Auditor

Ernst and Young will act as AEL's auditor.

## 9.12 Interests of advisers

Except as set out below or elsewhere in this Booklet, no person named in this Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Booklet has, or has had in the two years before the date of this Booklet, an interest in:

- the formation or promotion of AEL;
- any property acquired or proposed to be acquired by AEL in connection with its formation or promotion or the Demerger; or
- the Demerger,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no-one has given or agreed to give a benefit, to any such person for services rendered in connection with the promotion or formation of AEL or the Demerger.

## 9.13 Material changes in financial position

The latest published financial statements of Auzex are the financial statements for the year ended 30 June 2011 that were released to the ASX and sent to Auzex Shareholders pursuant to section 314 of the Corporations Act on 25 October 2011. To the knowledge of the Auzex directors, there has not been a material change in the financial position of Auzex since 30 June 2011, except as disclosed in this Booklet or in announcements to the ASX.

Auzex will provide, free of charge, copies of the financial statements to anyone who requests them.

## Additional Information.

### 9.14 Consents and disclaimers

#### 9.14.1 Consents

Each of the parties named below as consenting parties:

- has given and has not, before lodgment of this Booklet with ASIC, withdrawn its written consent to be named in this Booklet in the form and context in which it is named;
- has given and has not, before the lodgment of this Booklet with ASIC, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names below, and the references to those statements and reports in the form and context in which they are included in this Booklet; and
- does not make, or purport to make, any statement in this Booklet other than those statements referred to below in respect of that person's name (and as consented to by that person).

Role	Consenting Party
Independent Expert	BDO Corporate Finance (QLD) Ltd
Qualified Person under VALMIN Code	Mr David Jones
Technical Valuer	Mining Associates Pty Ltd
Financial advisor	BBY Limited
Legal Adviser	Thomsons Lawyers
Sale Agent	BBY Limited
Share Registry	Computershare Investor Services Pty Limited

#### 9.14.2 Disclaimer

Each person named in section 9.14.1:

- (a) does not make, or purport to make, any statement in this Booklet or any statement on which a statement in this Booklet is based, other than their respective statements and reports noted next to their names (where applicable) which has been included in this Booklet with the consent of that party; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Booklet, other than their respective statements and reports noted next to their names (where applicable) which has been included in this Booklet with the consent of that party.

### 9.15 Costs

The total expenses of the Demerger payable by Auzex are estimated at approximately \$1.1 million which includes stamp duty, advisory, legal, accounting, listing and administrative fees as well as printing, advertising and other expenses.

### 9.16 Regulatory and Legal

#### 9.16.1 Foreign exchange controls

The Reserve Bank of Australia generally does not restrict the import and export of Australian dollars. There are currently no Australian exchange controls or other limitations, other than an applicable withholding of Australian tax, which restrict the remittances of any dividends, interest or other payment by Auzex to non-resident holders of Auzex Shares outside Australia, provided they are not resident in or a resident of a place to which, or a person to whom, such remittances would be prohibited.

## Additional Information.

### 9.16.2 Restrictions on foreign ownership

There are no limitations, either under the laws of Australia or under the constitution of AEL, to the right of non-residents to hold or vote AEL Shares other than the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth) (FATA). FATA may affect the right of certain persons to hold or control AEL Shares. Acquisitions of shares in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under FATA, which applies to any acquisition by a foreign person or associated foreign person which would result in a holding of 15% or more of the issued shares of, or control of 15% or more of the voting power in, an Australian company. Further, it applies to any acquisition by non-associated foreign persons which would result in a holding by these persons of 40% or more of the issued shares of, or control of 40% or more of the voting power in, an Australian company.

### 9.17 Other information material to the making of a decision in relation to the Demerger Proposal

Except as set out in this Booklet, there is no other information material to the making of a decision in relation to the Demerger Proposal, being information that is within the knowledge of any Auzex director, or any director of any related body corporate of Auzex, which has not previously been disclosed to Auzex Shareholders.

### 9.18 Supplementary information

Auzex will issue a supplementary document to this Booklet if it becomes aware of any of the following between the date of lodgment of this Booklet for registration by ASIC and the Effective Date:

- a material statement in this Booklet is false or misleading;
- a material omission from this Booklet;
- a significant change affecting a matter included in this Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Booklet if it had arisen before the lodgment of this Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Auzex may circulate and publish any supplementary document by:

- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Auzex's website at [www.auzex.com](http://www.auzex.com); or
- making an announcement to the ASX.

### 9.19 Availability of documents

A copy of any of the following documents will be provided free of charge to any person who requests a copy by calling the Auzex Information Line on 1800 356 563 (for Australian callers) or +61 2 8256 3388 (for international callers) on weekdays between 9.00am and 5.00pm (Brisbane time):

- AEL's Constitution; and
- Auzex's Constitution.

AEL will provide regular communication to AEL Shareholders, including publication by way of either notification on the company's website or, if appropriate, distribution of:

- an AEL half-yearly report which provides an update on the investments held, operation of AEL, and performance for the period;
- an AEL annual report with audited financial statements for each year ending 30 June; and
- any continuous disclosure notices given by AEL to ASIC (and, after listing, to ASX).

AEL, as a disclosing entity, will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to AEL may be obtained from, or inspected at, an ASIC office.

You also have the right to obtain a copy of each annual report, half-yearly report and any continuous disclosure notice relating to AEL free of charge. At the date of lodgment of this Booklet for registration by ASIC, no annual reports or half-yearly reports relating to AEL have been lodged with ASIC.

# 10

## 10.1 Definitions

In this Booklet the following words have these meanings unless the contrary intention appears or the context otherwise requires:

<b>AEL</b>	Auzex Exploration Limited ACN 153 608 596
<b>AEL Constitution</b>	the constitution of AEL
<b>AEL Plant and Equipment</b>	Plant and equipment associated with the Exploration Assets, being office equipment and field plant and equipment
<b>AEL Share</b>	a fully paid ordinary share in the capital of AEL
<b>AEL Share Register</b>	the register of AZX Shareholders maintained in accordance with section 169 of the Corporations Act
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited or the financial market which it operates, as the context requires
<b>ASX Listing Rules or Listing Rules</b>	the official listing rules of the ASX
<b>ATO</b>	the Australian Taxation Office
<b>Auzex</b>	Auzex Resources Limited ACN 106 444 606
<b>Auzex Group</b>	Auzex and any of its controlled entities.
<b>Auzex Share</b>	a fully paid ordinary share in the capital of Auzex
<b>Auzex Shareholder</b>	a registered holder of an Auzex Share
<b>Auzex Share Register</b>	the register of Auzex Shareholders maintained in accordance with section 169 of the Corporations Act
<b>Auzex Share Registry</b>	Computershare Investor Services Pty Ltd (ABN 48 078 279 277)
<b>Board or Auzex Board</b>	the board of directors of Auzex
<b>Booklet</b>	this booklet containing the explanatory statement relating to this Scheme as required by Part 5.1 of the Corporations Act, notices of meeting in relation to the Capital Reduction Resolution and the Scheme, and other information (including any supplementary information) relating to any of the above matters and distributed to Auzex Shareholders
<b>Bullabulling Gold Limited or BBG</b>	A new Australian parent company of GGG Resources called Bullabulling Gold Limited ACN 153 234 532
<b>Bullabulling Gold Project</b>	the proposed development of a mine in respect of the gold deposits known as 'Bullabulling'
<b>Bullabulling Joint Venture</b>	the 50-50 joint venture between Auzex and GGG Resources for the exploration and development of the Bullabulling Project

# DEFINITIONS AND INTERPRETATION

<b>Capital Reduction</b>	the reduction in the share capital of Auzex by the amount of \$10,098,288 applied equally against each Scheme Share in accordance with the terms of the Capital Reduction Resolution
<b>Capital Reduction Entitlement</b>	in relation to each Scheme Shareholder, so much of the amount allocated to the Scheme Shareholder under the Capital Reduction Resolution as is attributable to the Scheme Shares held by that Scheme Shareholder
<b>Capital Reduction Resolution</b>	the ordinary resolution to approve the Capital Reduction in the form set out in the notice of general meeting contained in pages 2 and 3 of this Booklet
<b>CGT</b>	Capital gains tax
<b>Corporations Act</b>	the Corporations Act 2001 (Cth)
<b>Court</b>	Supreme Court of Queensland
<b>Deed Poll</b>	the deed poll in favour of Auzex Shareholders, in the form contained in Appendix 3 of this Booklet (subject to any amendments permitted by its terms), under which AEL undertakes to take the steps required to be taken by it for proper implementation of the Scheme
<b>Demerger</b>	the demerger of AEL from Auzex, to be implemented in the manner described in this Booklet
<b>Demerger Adjustments</b>	Mean the proforma adjustments to the Auzex balance sheet described in section 5.7.3.
<b>Demerger Assets</b>	<ul style="list-style-type: none"><li>• the Exploration Assets, related mining information, records and arrangements;</li><li>• the AEL Plant and Equipment;</li><li>• 7,022,472 shares in GGG Resources;</li><li>• All of the issued shares in Auzex Resources (NZ) Pty Ltd; and</li><li>• the initial cash contribution of \$2,085,000</li></ul>
<b>Demerger Deed</b>	the deed dated 10 November 2011 between Auzex and AEL dealing with transitional and miscellaneous commercial issues arising in connection with the legal and economic separation of AEL from Auzex, a summary of which is set out in section 7.5 of this Booklet
<b>Demerger Entitlement</b>	in relation to a Scheme Shareholder, the number of AEL Shares to which the Scheme Shareholder is entitled in accordance with the Scheme
<b>Demerger Proposal</b>	the proposal by Auzex to effect the Demerger
<b>Directors</b>	the members of the Board
<b>Effective Date</b>	the date on which the office copy of the Court order approving the Scheme in accordance with section 411(4)(b) of the Corporations Act is lodged with ASIC, expected to be 21 December 2011



## Definitions and Interpretations.

<b>Eligible Shareholder</b>	a Scheme Shareholder who is not an Ineligible Foreign Shareholder
<b>Explanatory Statement</b>	has the meaning given to it in part 5.1 of the Corporations Act
<b>Exploration Assets</b>	The assets identified in section 6.2 of this Booklet
<b>General Meeting</b>	the general meeting of Auzex Shareholders convened to consider the resolution set out in the notice of general meeting contained at pages 2 & 3 of this Booklet and to be held at 10.00am on 16 December 2011 at 15 Ivory Lane, Brisbane
<b>General Meeting Proxy Form</b>	the blue proxy form for the General Meeting enclosed with this Booklet
<b>GGG Resources</b>	GGG Resources plc
<b>GGG Takeover Bid</b>	the takeover bid for Auzex made by GGG Resources
<b>Implementation Date</b>	the fifth Business Day after the Record Date, or such other date as may be determined by Auzex, expected to be on 6 January 2011
<b>Independent Expert</b>	BDO Corporate Finance (QLD) Limited
<b>Independent Expert's Report</b>	the report of the Independent Expert, a copy of which is Appendix 1 of this Booklet
<b>Ineligible Foreign Shareholder</b>	each Scheme Shareholder whose Registered Address on the Record Date is in any jurisdiction other than Australia and its external territories or New Zealand unless Auzex otherwise determines that it is not unlawful, not unduly onerous and not unduly impractical to implement the Scheme and to transfer AEL Shares to a Scheme Shareholder in that jurisdiction
<b>Ineligible New Foreign Shareholder</b>	an Ineligible Foreign Shareholder in respect of Scheme Shares of which it was entered on the Auzex Register as the holder on or after 11 November 2011.
<b>Ineligible Prior Foreign Shareholder</b>	an Ineligible Foreign Shareholder in respect of Scheme Shares of which it was entered on the Auzex Register as the holder on before 11 November 2011
<b>IPO</b>	an initial public offering of shares
<b>JORC Code</b>	the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy and the Australasian Institute of Geoscientists and Minerals Council of Australia, 2004 edition
<b>Liquidity Event</b>	listing of AEL shares on ASX, or any transaction pursuant to which a majority of AEL shares may be acquired including but not limited to a takeover bid or scheme of arrangement
<b>Listing Rules</b>	the Official Listing Rules of ASX, as amended from time to time.
<b>Ministerial Consent</b>	The consent of the relevant government authorities required for the transfer of the Exploration Assets to AEL
<b>Options or Auzex Options</b>	all options to acquire Auzex Shares as set out in section 7.4.6 of this Booklet

## Definitions and Interpretations.

<b>Record Date</b>	the date that is five Business Days after the Effective Date and is the date on which the Auzex Share Register is examined to determine who is entitled to participate in the Demerger. The Record Date is currently expected to be 30 December 2011.
<b>Sale Agent</b>	BBY Limited, or its nominee, being the person that Auzex intends to appoint prior to the Implementation Date to sell the AEL Shares referable to Ineligible Foreign Shareholders.
<b>Sale Facility</b>	the facility in accordance with an agreement between Auzex and the Sale Agent, under which the AEL shares of Ineligible Foreign Shareholders will be sold, as described in section 7.3.2 of this Booklet
<b>Scheme</b>	the scheme of arrangement under part 5.1 of the Corporations Act between Auzex and Scheme Shareholders as described in this Booklet and as contained in Appendix 2 of this Booklet, subject to any alternations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act
<b>Scheme Meeting</b>	the meeting of Auzex Shareholders ordered by the Court to be held to consider the resolution set out in the notice of meeting contained in pages 4 & 5 of this Booklet to be held at 10.30am on 16 December 2011 or following conclusion or adjournment of the General Meeting at 15 Ivory Lane, Brisbane.
<b>Scheme Meeting Proxy Form</b>	the yellow proxy form the Scheme Meeting which is enclosed with this Booklet
<b>Scheme Resolution</b>	the special resolution to approve the Scheme in the form set out in the notice of Court ordered Scheme Meeting contained in pages 4 & 5 of this Booklet
<b>Scheme Share</b>	an Auzex Share on issue at the Record Date
<b>Scheme Shareholder</b>	each person entered on the Auzex Share Register at the Record Date as the holder of a Scheme Share
<b>Second Court Date</b>	the date of the Second Court Hearing
<b>Second Court Hearing</b>	the hearing of the application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme
<b>Technical Valuer</b>	Mining Associates Pty Ltd

# Definitions and Interpretations.

## 10.2 General Interpretation

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise:

- (i) a reference to time is a reference to Brisbane time;
- (ii) headings are for convenience only and do not affect interpretation;
- (iii) the singular includes the plural and conversely;
- (iv) a reference to a section is to a section of this Booklet;
- (v) a gender includes all genders;
- (vi) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (vii) \$, dollar or cents is a reference to the lawful currency in Australia, unless otherwise stated;
- (viii) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (ix) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (x) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it;
- (xi) a reference to any instrument or document includes any variation or replacement of it;
- (xii) a term not specifically defined in this Booklet has the meaning given to it (if any) in the Corporations Act or the ASX Settlement Operating Rules, as the case may be;
- (xiii) a reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually; and
- (xiv) the words 'include', 'including', 'for example' or 'such as' are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.

**Directors**

Mr Chris Baker, Chairman  
Mr John Lawton, Managing Director  
Dr Greg Partington,  
Mr Paul Frederiks  
Mr Eugene Iliescu

**Company Secretary**

Mr Paul Frederiks

**Share Registry**

Computershare Investor  
Services Pty Limited  
117 Victoria Street  
West End QLD 4101

**Corporate Advisor**

BBY Limited  
Level 38 Rialto South Tower  
525 Collins Street  
Melbourne VIC 3000

**Independent Expert**

BDO Corporate Finance  
(QLD) Ltd  
Level 18  
300 Queen Street  
Brisbane QLD 4000

**Registered Office**

C/- Level 16 Waterfront Place  
1 Eagle Street  
Brisbane Qld 4000

**Website**

<http://www.auzex.com>

**ASX Code**

AZX  
AZXOA (AZX listed Options)

**Legal Advisor**

Thompsons Lawyers  
Level 16 Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

**Technical Expert**

Mining Associates Pty Ltd  
Level 4  
67 St Paul's Terrace  
Spring Hill QLD 4004

# Appendix 1





**AUZEX RESOURCES LIMITED**  
Independent Expert's Report

10 November 2011

## TABLE OF CONTENTS

<b>FINANCIAL SERVICES GUIDE</b> .....	<b>III</b>
<b>GLOSSARY</b> .....	<b>VI</b>
<b>1.0 INTRODUCTION</b> .....	<b>1</b>
<b>2.0 SUMMARY OF OPINION</b> .....	<b>3</b>
2.1 ASSESSMENT OF THE PROPOSED DEMERGER .....	3
2.2 ASSESSMENT OF WHETHER THE CAPITAL REDUCTION MATERIALLY PREJUDICES AUZEX’S ABILITY TO PAY ITS CREDITORS	5
2.3 OTHER CONSIDERATIONS .....	6
<b>3.0 OUTLINE OF THE PROPOSED DEMERGER</b> .....	<b>7</b>
3.1 DESCRIPTION OF THE PROPOSED DEMERGER .....	7
3.2 MANNER IN WHICH THE PROPOSED DEMERGER WILL BE IMPLEMENTED .....	8
3.3 CONDITIONS FOR THE PROPOSED DEMERGER TO BE IMPLEMENTED.....	9
3.4 STRATEGIC RATIONALE .....	9
<b>4.0 SCOPE OF REPORT &amp; METHODOLOGY FOR ASSESSMENT</b> .....	<b>11</b>
4.1 SCOPE OF REPORT .....	11
4.2 ASSESSMENT METHODOLOGY.....	12
<b>5.0 BACKGROUND OF AUZEX BEFORE THE PROPOSED DEMERGER</b> .....	<b>14</b>
5.1 OVERVIEW OF AUZEX .....	14
5.2 OVERVIEW OF AUZEX’S EXPLORATION ASSETS .....	14
5.3 PROPOSED MERGER WITH GGG TO FORM BULLABULLING GOLD .....	16
5.4 EQUITY STRUCTURE OF AUZEX.....	17
5.5 TRADING OF AUZEX SHARES .....	18
5.6 HISTORICAL FINANCIAL INFORMATION.....	23
<b>6.0 OVERVIEW OF AUZEX AND AEL ASSUMING THE PROPOSED DEMERGER IS IMPLEMENTED</b> .....	<b>28</b>
6.1 AUZEX.....	28
6.2 AEL.....	28
6.3 PRO FORMA STATEMENTS OF FINANCIAL POSITION OF AUZEX AND AEL .....	29
<b>7.0 VALUATION OF AEL</b> .....	<b>31</b>
7.1 COMMON VALUATION METHODOLOGIES .....	31
7.2 VALUATION APPROACH .....	32
7.3 VALUATION OF NON-BULLABULLING EXPLORATION ASSETS.....	34

7.4	OTHER ASSETS AND LIABILITIES TRANSFERRED TO AEL .....	39
7.5	ASSET BASED VALUE OF AEL .....	40
<b>8.0</b>	<b>ASSESSMENT OF THE PROPOSED DEMERGER .....</b>	<b>41</b>
8.1	ADVANTAGES OF THE PROPOSED DEMERGER .....	41
8.2	DISADVANTAGES AND RISKS OF THE PROPOSED DEMERGER .....	49
8.3	INELIGIBLE FOREIGN SHAREHOLDERS .....	51
8.4	TAXATION CONSIDERATIONS .....	52
8.5	ALTERNATIVES TO THE PROPOSED DEMERGER .....	52
8.6	POSITION OF SHAREHOLDERS IF THE PROPOSED DEMERGER IS NOT APPROVED .....	52
8.7	CONCLUSION .....	53
<b>9.0</b>	<b>ASSESSMENT OF WHETHER THE CAPITAL REDUCTION MATERIALLY PREJUDICES AUZEX'S ABILITY TO PAY ITS CREDITORS .....</b>	<b>55</b>
<b>10.0</b>	<b>SOURCES OF INFORMATION .....</b>	<b>57</b>
<b>11.0</b>	<b>REPRESENTATIONS, INDEMNITIES &amp; WARRANTIES .....</b>	<b>58</b>
11.1	REPRESENTATIONS .....	58
11.2	INDEMNITIES & WARRANTIES .....	58
<b>12.0</b>	<b>EXPERIENCE, DISCLAIMERS AND QUALIFICATIONS .....</b>	<b>59</b>
<b>APPENDIX A - INDUSTRY INFORMATION .....</b>		<b>60</b>
A.1	GOLD MINING IN AUSTRALIA .....	60
A.2	MINERALS EXPLORATION IN AUSTRALIA .....	62
<b>APPENDIX B - GGG MARKET BASED VALUATION .....</b>		<b>66</b>
B.1	ANALYSIS OF SHARE MARKET PERFORMANCE .....	66
B.2	LIQUIDITY OF GGG SHARES .....	68
B.3	MARKET BASED VALUATION .....	69
<b>APPENDIX C - TECHNICAL EXPERT'S REPORT .....</b>		<b>70</b>





## Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

- a) financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and
- b) arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

### General Financial Product Advice

The following report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

### The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to provide an independent expert's report to the shareholders of Auzex Resources Limited ('Auzex') in relation to the proposed demerger of Auzex's non-Bullabulling assets ('the Proposed Demerger'). The non-Bullabulling assets include interests in Auzex's Australian exploration assets ('the Australian Exploration Assets') other than the Bullabulling Gold Project, Auzex Resources (NZ) Pty Limited ('Auzex NZ') and 7,022,472 GGG Resources Plc ('GGG') shares.

Further details of the Proposed Demerger to which the Report relates are set out in Section 3.0. The scope of this Report is set out in detail in Section 4.0 of this Report. This Report provides an opinion as to whether or not the Proposed Demerger is in the 'best interests' of the shareholders of Auzex. This Report also provides an opinion as to whether the capital reduction, to be implemented as part of the Proposed Demerger, is 'fair and reasonable' to Auzex shareholders as a whole and whether the capital reduction materially prejudices Auzex's ability to pay its creditors.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote for or against the Proposed Demerger is likely to be influenced by the shareholder's particular circumstances, for example, the shareholder's taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

---

## **Fees, commissions and other benefits we may receive**

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately \$67,500. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Demerger.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

## **Associations and relationships**

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. Neither BDO CFQ nor its related entities have provided audit, tax or advisory services to Auzex in the last two years.

It is proposed that Auzex will merge with GGG in due course by way of a transaction separate to the Proposed Demerger. A BDO member firm in Western Australia ('BDO (WA)') has provided services and proposes to provide further services to GGG. Those services can be summarised as follows:

- An independent accountant's report in relation to the ASX dual listing of GGG;
- Tax structuring advice to GGG in relation to the merger transaction proposed with Auzex, specifically advice relating to the re-domiciliation of GGG and the moving of GGG into the proposed combined structure; and
- Reporting accountant role in relation to the Alternative Investments Market ('AIM') of the London Stock Exchange ('LSE') admission of the merged entity if the proposed merger proceeds.

It is our view and the view of BDO (WA) that the services to be provided by BDO (WA) do not compromise the independence of BDO CFQ in relation to this engagement, for the following reasons:

- BDO (WA) are providing services to GGG as an independent adviser and, other than fees received for services rendered to GGG, have no interest in the outcome of any of the transactions being completed by Auzex and/or GGG;
- BDO CFQ are providing services to Auzex as an independent adviser and, other than fees received for services rendered to Auzex in relation to this Report, have no interest in the outcome of any of the transactions being completed by Auzex and/or GGG;
- BDO CFQ has not been engaged by GGG on any matters and, other than in its capacity as an independent expert, has had no prior relationship with Auzex, the commissioning party;



- BDO CFQ and BDO (WA) have not participated in any strategic planning work for Auzex and GGG respectively;
- BDO CFQ and BDO (WA) are separate BDO member firms, are located in different jurisdictions, have mutually exclusive ownership structures and both have comprehensive internal controls and confidentiality protocols; and
- BDO (WA) and their staff members have not been engaged to work on this engagement.

The signatory to the Report does not hold any shares in Auzex or GGG and no such shares have ever been held by the signatory.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which is publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

### Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with the Institute of Chartered Accountants, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission (ASIC) also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

### Contact Details

#### BDO Corporate Finance (QLD) Ltd

Location Address:	Postal Address:
Level 18 300 Queen Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

## Glossary

Reference	Definition
ABV	Asset based valuation
Act, the	The Corporations Act 2001
Adjusted Enterprise Value	Market capitalisation, adjusted for the cash and cross-holdings of the proposed merged entities
AEL	Auzex Exploration Limited, the demerged entity
AIM	Alternative Investments Market
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Australian Exploration Assets, the	Auzex's exploration assets including the Khartoum, Lyndbrook, Kingsgate, Klondyke / Seven Hills Projects
Auzex	Auzex Resources Limited
Auzex NZ	Auzex Resources (NZ) Pty Limited
BDO (WA)	BDO member firms in Western Australia
BDO CFQ	BDO Corporate Finance (QLD) Ltd
Bullabulling Gold	Bullabulling Gold Limited
Capital Reduction, the	The capital reduction to be implemented as part of the Proposed Demerger
CGT	Capital gains tax
CME	Capitalisation of maintainable earnings
Company, the	Auzex Resources Limited
DCF	Discounted cash flow
Demerger Scheme Booklet, the	The Demerger Scheme Booklet prepared by Auzex, to be dated on or about 11 November 2011
EV	Enterprise value
FSG	Financial Services Guide
GGG	GGG Resources Plc
GGG Shares	The 7,022,472 GGG shares held by Auzex
Ineligible Foreign Shareholders	Auzex shareholders whose registered address is in a jurisdiction other than Australia, New Zealand or the United Kingdom
IPO	Initial public offering
km	Kilometres
LSE	London Stock Exchange
MBV	Market based valuation
New Zealand Minerals	New Zealand Minerals Limited
non-Bullabulling Exploration Assets, the	Auzex's exploration assets other than the Bullabulling Gold Project
NSW	New South Wales
NZ	New Zealand
Proposed Demerger, the	The demerger of Auzex's non-Bullabulling assets from the Auzex Group
QLD	Queensland

Reference	Definition
Report, this	This Independent Expert's Report
RG111	Regulatory Guide 111: Content of Expert Reports
RGs	Regulatory Guides
Scheme, the	The scheme of arrangement between Auzex and Auzex shareholders
VWAP	Volume-weighted average share price
WA	Western Australia
We, us or our	BDO Corporate Finance (QLD) Ltd

The Shareholders  
C/- The Directors  
Auzex Resources Limited  
GPO Box 3249  
Brisbane QLD 4001

10 November 2011

Dear Shareholders

## Independent Expert's Report

### 1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDO CFQ') has been engaged to provide an Independent Expert's Report ('this Report') to the shareholders of Auzex Resources Limited ('Auzex' or 'the Company') in relation to the proposed demerger of Auzex's non-Bullabulling assets ('the Proposed Demerger'). Auzex's non-Bullabulling assets include:

- 100% interests in the 'Australian Exploration Assets' which comprise the following projects:
  - Khartoum (tenements EPM 14797 and EPM 15570);
  - Lyndbrook (tenements EPM 14417 and EPM 14418);
  - Kingsgate (tenement EL 6333); and
  - Klondyke / Seven Hills (tenement EL 6408);
- 100% interest in Auzex Resources (NZ) Pty Limited ('Auzex NZ'). Auzex NZ has a 58% interest in a joint venture with New Zealand Minerals Limited ('New Zealand Minerals') for the exploration of the Lyell project (tenement EP 40372); and
- 7,022,472 GGG Resources Plc ('GGG') shares ('GGG Shares').

In this Report, the interests in the Australian Exploration Assets and Auzex NZ are collectively referred to as the non-Bullabulling Exploration Assets.

Broadly, the Proposed Demerger involves the transfer of the non-Bullabulling assets into a new entity, Auzex Exploration Limited ('AEL'), which will be demerged from the Auzex Group to create two separate companies. The Proposed Demerger is to be implemented by way of a capital reduction ('the Capital Reduction') and a scheme of arrangement between Auzex and Auzex shareholders ('the Scheme').

If the Proposed Demerger is implemented, eligible Auzex shareholders will receive one AEL share for each six Auzex shares which they are registered as owning. Ineligible foreign Auzex shareholders<sup>1</sup> ('Ineligible Foreign Shareholders') will not receive AEL shares. Instead, AEL shares that would otherwise have been attributed to Ineligible Foreign Shareholders will be transferred to a sale agent to be sold as soon as reasonably practicable after the implementation date having regard to the value that will be realised for Ineligible Foreign Shareholders. We are instructed that such a sale may be delayed until AEL shares are listed on the ASX, if that is in the best interests of Ineligible Foreign Shareholders, but must not be delayed beyond 30 June 2012 unless at that time there is a liquidity event pending.<sup>2</sup> Ineligible Foreign Shareholders will receive the average proceeds from the sale, after deduction of any applicable brokerage, taxes and charges, multiplied by the number of AEL shares that they would otherwise have been entitled to.

A more detailed summary of the Proposed Demerger is set out in Section 3.0 of this Report.

In this Report, BDO CFQ has expressed an opinion as to whether or not the Proposed Demerger is in the 'best interests' of Auzex shareholders. As instructed, BDO CFQ has also expressed an opinion as to whether the Capital Reduction is 'fair and reasonable' to Auzex shareholders as a whole and whether the Capital Reduction materially prejudices Auzex's ability to pay its creditors.

This Report has been prepared solely for use by the shareholders of Auzex immediately prior to the Proposed Demerger to provide them with information relating to the Proposed Demerger. We do not provide an opinion as to whether the Proposed Demerger is in the 'best interests' of the holders of options issued in Auzex.

We understand that this Report will be provided to Auzex shareholders to assist them to make an informed decision on whether to vote for or against the Proposed Demerger. Apart from the purpose stated directly above, this Report cannot be used or relied on for any other purpose or by any other person or entity.

This Report should be read in full, including the assumptions underpinning our work, together with the other information provided to Auzex shareholders in conjunction with this Report, including the Demerger Scheme Booklet prepared by Auzex and to be dated on or about 11 November 2011 ('the Demerger Scheme Booklet').

This Report does not address circumstances specific to individual Auzex shareholders. An Auzex shareholder's decision to vote for or against the Proposed Demerger is likely to be influenced by their own particular circumstances including, for example, the shareholder's taxation considerations and risk profile. Auzex shareholders should obtain their own professional advice in relation to their own circumstances.

---

<sup>1</sup> Ineligible Foreign Shareholders are Auzex shareholders whose registered address is in any jurisdiction other than Australia, New Zealand and the United Kingdom. Eligible shareholders are not Ineligible Foreign Shareholders.

<sup>2</sup> A liquidity event is defined in the Demerger Scheme Booklet as a listing of AEL shares on the ASX, or any transaction pursuant to which a majority of AEL shares may be acquired including but not limited to a takeover bid or scheme of arrangement.

## 2.0 Summary of Opinion

This section is only a summary of our opinion and cannot substitute for a complete reading of this Report.

### 2.1 Assessment of the Proposed Demerger

In our view, to assess whether the Proposed Demerger is in the ‘best interests’ of Auzex shareholders it is relevant to consider whether the advantages of the Proposed Demerger outweigh the disadvantages along with other factors that are relevant to the Proposed Demerger.

To assess whether or not the advantages of the Proposed Demerger outweigh the disadvantages, we have considered a number of quantitative and qualitative factors. Based on these factors, we have formed a view as to whether the advantages of the Proposed Demerger outweigh the disadvantages and whether the Proposed Demerger is in the ‘best interests’ of Auzex shareholders.

It is our view that the advantages, summarised below and described in more detail in Section 8.1, include the following:

- The Proposed Demerger is a condition of the merger with GGG. If the Proposed Demerger is approved then Auzex shareholders will have the option to consider the proposed merger with GGG (refer to Section 5.3 for additional information in relation to the proposed merger with GGG);
- Our analysis suggests that the market, in recent trading periods, may not be placing a material value on the non-Bullabulling Exploration Assets. If this is the case, then the market price of Auzex would not be expected to decrease materially post the implementation of the Proposed Demerger;
- Our analysis suggests that the market, in the period from August 2010 to October 2011, has placed an average premium on Auzex over GGG of approximately \$4.7 million. This can be compared to the value that we have adopted for the non-Bullabulling Exploration Assets in the range of \$5.8 million to \$7.5 million (refer to Section 7.3 of this Report for additional information) and the value that the technical valuer, Mining Associates, has adopted for the non-Bullabulling Explorations Assets which is in the range of \$15.7 million to \$24.7 million with a preferred value of \$16.8 million (refer to Section 7.3 of this Report for additional information).

Given that the valuations set out in this Report attribute a value higher than the value the market appears to be attributing to the assets, the Proposed Demerger provides shareholders with an opportunity to realise an overall increase in value on their investment in Auzex. As mentioned previously, in recent trading periods, the market does not appear to be attributing any material value to the non-Bullabulling Exploration Assets;

- Auzex and AEL will be able to focus their attention and financial resources on their respective objectives and core competencies, and make strategic, operational and investment decisions on the basis of priorities and objectives that are relevant to each business;
- The Proposed Demerger will result in the creation of two companies with separate boards focussed on their respective projects;
- Auzex and AEL will be in a position to adopt a capital structure and financial policies that are appropriate to their own particular operational and strategic objectives;



- The Proposed Demerger will provide current Auzex shareholders and future investors with a clear investment choice and the flexibility to choose the level of exposure that they would like in each company; and
- The capital raised under the recent placement occurred after the announcement of the Proposed Demerger on 29 August 2011. We understand that the share placement was oversubscribed and that several major shareholders of Auzex subscribed to the share placement. In our view, the oversubscription and uptake by major Auzex shareholders post the announcement of the Proposed Demerger on 29 August 2011 indicates support for the Proposed Demerger from major Auzex shareholders.

It is our view that the disadvantages and risks, summarised below and described in more detail in Section 8.2, include the following:

- Additional corporate costs will be incurred as a result of creating two separate entities for the same assets;
- The Proposed Demerger will result in several one-off transaction and implementation costs;
- AEL is likely to have a higher cost of funds (both debt and equity) and may find it relatively difficult to raise additional funds through capital markets once current funding is exhausted;
- AEL will be an unlisted Australian public company. Due to its unlisted status, it is likely that shareholders of AEL will find it difficult, relative to their holding in Auzex, to readily transact in their AEL shares. We note that an initial public offering ('IPO') is proposed for mid 2012 to overcome this lack of liquidity;
- AEL will be a newly created entity, with limited historical financial and operating information, incorporated specifically to hold and operate the non-Bullabulling Exploration Assets. This limited track record represents a potential risk to AEL shareholders; and
- There is no guarantee that future exploration on territories for which AEL has exploration permits and licences will lead to commercial discovery or, if there is such discovery, that AEL will be able to develop it economically.

Having regard to the advantages and the disadvantages of the Proposed Demerger, set out in Sections 8.1 and 8.2 respectively along with other relevant factors including the position of Auzex shareholders if the Proposed Demerger is not approved, we are of the view that the advantages of the Proposed Demerger outweigh the disadvantages and that the Proposed Demerger is in the **Best Interests** of Auzex shareholders.

Specifically in relation to the Capital Reduction, it is our view that, on balance, the Capital Reduction is 'fair and reasonable' to Auzex's shareholders as a whole. In forming this view we considered the following:

- the Capital Reduction is an 'equal reduction' that applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold and the terms of the reduction are the same for each holder of ordinary shares;

- the value of the Capital Reduction is \$10,098,288 and we have valued the consideration to be provided to Auzex shareholders in the range of \$9.9 million to \$11.6 million. Auzex shareholders will receive their proportionate interest in the value of the Capital Reduction via either shares in AEL or, in the case of Ineligible Foreign Shareholders, cash equal to the average proceeds from the sale, after deduction of any applicable brokerage, taxes and charges, multiplied by the number of AEL shares that they would otherwise have been entitled to; and
- the Proposed Demerger, which we have assessed above as being in the best interests of Auzex shareholders, is conditional on the Capital Reduction.

While we are of the view that the Proposed Demerger is in the ‘best interests’ of Auzex shareholders and the Capital Reduction is ‘fair and reasonable’ to Auzex’s shareholders as a whole, we specifically note that as AEL will be an unlisted company, there is a risk that the shares of Ineligible Foreign Shareholders in AEL will not be able to be sold in full, in part or at all or for any given price or within any particular timeframe.

In particular, there is a risk for Ineligible Foreign Shareholders that they may not receive cash value for their shares in AEL which reflects the value of the shares adopted by Auzex or AEL for the purposes of the Proposed Demerger. We also note that as AEL will be an unlisted company, there is a risk that the shares of Ineligible Foreign Shareholders in AEL will not be able to be sold in full, in part or at all or for any given price or within any particular timeframe.

We have not been requested to form a view on either the Proposed Demerger or the Capital Reduction to the Ineligible Foreign Shareholders as a separate group of shareholders.

We strongly recommend that Auzex shareholders have regard to the ‘other considerations’ set out in Section 2.3 below, consult their own professional advisers, carefully read all relevant documentation provided including the Demerger Scheme Booklet and consider their own specific circumstances before voting for or against the Proposed Demerger.

## **2.2 Assessment of whether the Capital Reduction Materially Prejudices Auzex’s Ability to Pay its Creditors**

As a result of the proposed changes to the structure of Auzex resulting from the Capital Reduction and Proposed Demerger, the directors of Auzex have requested us to express our opinion in this Report in relation to whether the Capital Reduction materially prejudices the ability of Auzex to pay its creditors. Our assessment is set out in detail in Section 9.0 of this Report and includes the following:

- Auzex has creditors as at 30 September 2011 of approximately \$2.53 million and no creditors will be transferred to AEL. The directors of Auzex have instructed us that the level of creditors that existed at 30 September 2011 is indicative of the typical level of creditors commensurate with an ordinary level of operations;
- Auzex’s financial position is significantly improved as a result of the placement completed on 28 October 2011. A rights issue is currently being conducted by Auzex and is expected to close on or about 16 November 2011. The proceeds of that rights issue, which is fully underwritten, will further improve the financial position of Auzex;

- We have considered the anticipated current ratios (measured as current assets over current liabilities) of Auzex and AEL immediately following the Proposed Demerger. In our view, current ratios at the levels noted indicate that both Auzex and AEL will be in a position to repay outstanding creditors as, and when, they fall due;
- Auzex will continue to be a listed entity with access to capital markets, subject to market conditions, if required. Auzex has recently demonstrated an ability to raise capital from the markets;
- Auzex will continue to hold its key asset, its 50% interest in the Bullabulling Gold Project; and
- The directors of Auzex believe that the ability to pay creditors will not be materially prejudiced as a result of the transaction.

Having regard to the above, and as at the date of this Report, it is our view that Auzex's ability to pay its creditors will not be materially prejudiced as a result of the Capital Reduction.

In forming this view, we make no statement about whether or not creditors will ultimately be repaid the amounts they are owed by Auzex. Future creditors must make their own investigations into the ongoing financial position of Auzex and AEL following the Proposed Demerger.

### **2.3 Other Considerations**

We have been instructed that AEL will have sufficient cash at the time of the demerger to fund anticipated corporate costs and minimal development costs relating to its key assets until AEL's intended IPO capital raising in the first half of 2012 or 30 June 2012, whichever is the earlier. Assuming that AEL is unable to recoup a material amount of costs through the successful development and commercial exploitation, or sale, of the non-Bullabulling Exploration Assets, it will be required to raise further capital to continue operations. We understand that, as at the current date, the directors of Auzex expect there to be a need to raise additional funds in due course.

If AEL is unable to raise additional funds or alternative finance, significant uncertainty would arise as to whether AEL would be able to continue as a going concern and therefore, whether the company would be able to realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. We note that AEL will hold the GGG Shares post the Proposed Demerger which, if needed, may be sold on the Alternative Investment Market ('AIM') of the London Stock Exchange ('LSE') to provide additional funds for AEL.

Should the exploration of the non-Bullabulling Exploration Assets be unsuccessful, or should AEL not continue as a going concern, shareholders of AEL may not be in a position to realise any material value for their shares.

AEL intends, subject to market conditions, to raise further capital by way of an IPO and then seek admission to the official list of the ASX by mid 2012. AEL shares will be unlisted until this time and there is no guarantee that AEL will become listed in this time frame. While AEL is unlisted it will be difficult to sell or purchase AEL shares. Further, there is no guarantee that shares in AEL will be able to be sold at the values implied by the valuation work set out in this Report.

### 3.0 Outline of the Proposed Demerger

Section 3.0 of this Report is set out as follows:

- Section 3.1 provides a brief description of the Proposed Demerger;
- Section 3.2 summarises the manner in which the Proposed Demerger will be implemented;
- Section 3.3 summarises the conditions precedent for the Proposed Demerger to be implemented; and
- Section 3.4 summarises the strategic rationale of the Proposed Demerger.

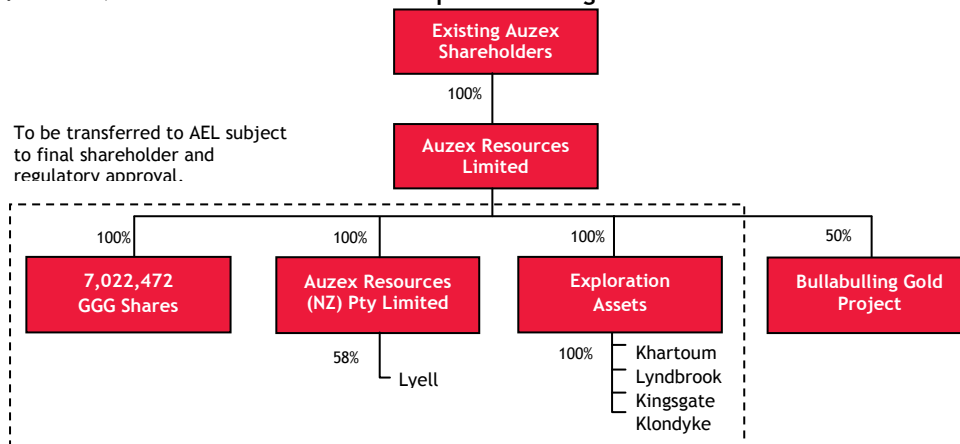
This section of this Report is a summary only and should not be treated as a complete description of the Proposed Demerger.

### 3.1 Description of the Proposed Demerger

On 29 August 2011 Auzex announced its intention to merge with its joint venture partner GGG to create a new entity, Bullabulling Gold Limited (‘Bullabulling Gold’), which is proposed to hold a 100% interest in the Bullabulling Gold Project.

As part of this announcement, and to enable the merger transaction to create Bullabulling Gold, Auzex announced its intention to demerge its non-Bullabulling assets into a separate entity (referred to as ‘AEL’ in this Report). Figure 3.1 below illustrates the material assets held by Auzex prior to the Proposed Demerger, excluding cash, receivables and property, plant and equipment.

Figure 3.1: Auzex Material Assets before the Proposed Demerger

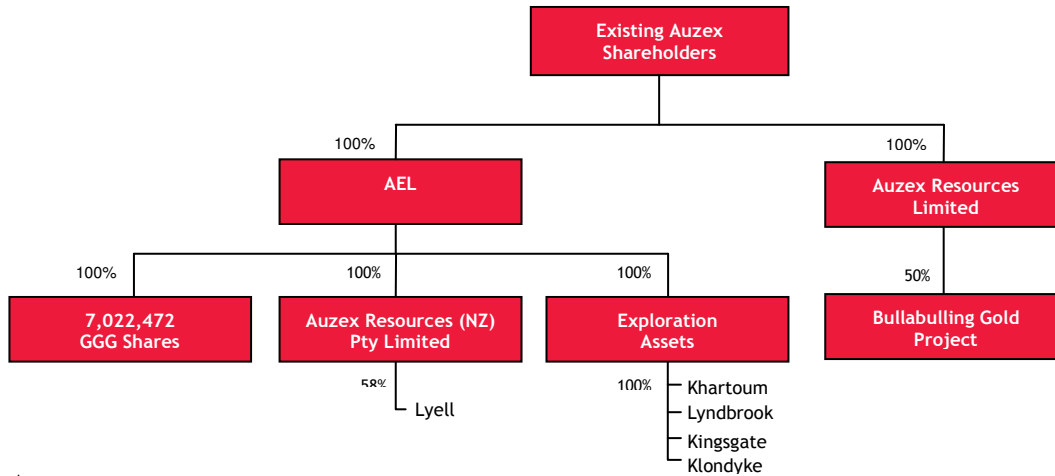


Source: Auzex

In broad terms, Auzex will retain assets and liabilities associated with the Bullabulling Gold Project while AEL will comprise assets and liabilities which do not relate to the Bullabulling Gold Project. We are instructed that the assets and liabilities to be transferred to AEL upon the Proposed Demerger have been agreed as shown in the extracts from the pro forma statements of financial position. Extracts from the pro forma statements of financial position for both Auzex and AEL are set out in Section 6.3 of this Report and provide additional information relating to the assets and liabilities held in each company following the Proposed Demerger.

Figure 3.2 below illustrates the material assets proposed to be held by Auzex and AEL if the Proposed Demerger is approved and implemented, excluding cash, receivables and property, plant and equipment.

Figure 3.2: Auzex and AEL Material Assets after the Proposed Demerger



Source: Auzex

Under the Proposed Demerger, eligible Auzex shareholders will receive one AEL share for each six Auzex shares they own. The proportional ownership interest in AEL held by each eligible shareholder will be equal to their ownership interest in Auzex immediately before the Proposed Demerger.

### 3.2 Manner in which the Proposed Demerger will be Implemented

The demerger of Auzex's non-Bullabulling assets into AEL is to be implemented by way of the Capital Reduction and the Scheme. The Capital Reduction and the Scheme are together referred to as the Proposed Demerger in this Report.

If the conditions precedent to the Proposed Demerger are satisfied then the following events will occur:

- Under the Capital Reduction, Auzex will reduce its share capital by approximately \$10.1 million;
- Auzex will not return the cash amount equal to the Capital Reduction to Auzex shareholders. Instead, Auzex will automatically apply the relevant amount on behalf of Auzex shareholders as consideration for the transfer by Auzex of shares in AEL, pursuant to the Scheme;
- Eligible shareholders will receive one AEL share for each six Auzex shares which they are registered as owning;
- Ineligible Foreign Shareholders will not receive AEL shares. Instead, AEL shares that would otherwise have been attributed to Ineligible Foreign Shareholders will be transferred to a sale agent to be sold as soon as reasonably practicable after the implementation date having regard to the value that will be realised for Ineligible Foreign Shareholders. We are instructed that such a sale may be delayed until AEL shares are listed on the ASX, if that is in the best interests of Ineligible Foreign Shareholders, but must not be delayed beyond 30 June 2012 unless at that time there is a liquidity event pending.<sup>3</sup> Ineligible Foreign Shareholders will receive the average proceeds from the sale, after deduction of any applicable brokerage, taxes and charges, multiplied by the number of AEL shares that they would otherwise have been entitled to;

<sup>3</sup> A liquidity event is defined in the Demerger Scheme Booklet as a listing of AEL shares on the ASX, or any transaction pursuant to which a majority of AEL shares may be acquired including but not limited to a takeover bid or scheme of arrangement.

- Auzex will continue to hold its 50% interest in the Bullabulling Gold Project, and will continue to be listed on the ASX; and
- AEL will cease to be a member of the Auzex Group. AEL will be an unlisted company<sup>4</sup> which will hold interests in the non-Bullabulling assets.

If Auzex option holders exercise their options prior to the record date for the Proposed Demerger (currently proposed for 30 December 2011), Auzex ordinary shares will be issued to the option holders, and, provided they are not Ineligible Foreign Shareholders, they will then participate in the Proposed Demerger.

If the Proposed Demerger is implemented and option holders have not exercised their options, then, in accordance with the terms of each option agreement and Listing Rule 7.22.3, the exercise price of each option will be reduced by the proportional Capital Reduction amount.

### 3.3 Conditions for the Proposed Demerger to be Implemented

The following key conditions must be satisfied for the Proposed Demerger to be implemented:

- Neither the Auzex demerger deed nor the Auzex deed poll are terminated before the Supreme Court of Queensland approves the Scheme at the second court hearing<sup>5</sup>;
- Auzex shareholders must approve, by majority, the Capital Reduction at the Auzex general meeting on 16 December 2011;
- Auzex shareholders must approve, by majority<sup>6</sup>, the Scheme at the Auzex scheme meeting to be held following the Auzex general meeting; and
- The Supreme Court of Queensland must approve the Scheme at the second court hearing, expected to be held on 20 December 2011.

Auzex shareholders should refer to section 7.2.3 of the Demerger Scheme Booklet for further information regarding the conditions precedent to implementing the Proposed Demerger.

### 3.4 Strategic Rationale

The directors of Auzex have proposed for AEL to be separated from Auzex as they are of the view that both AEL and Auzex will perform more effectively as stand-alone entities. It is the view of the directors of Auzex that the GGG offer does not ascribe value to the non-Bullabulling Exploration Assets. It is expected that the Proposed Demerger will create long term value for Auzex shareholders, as it will ensure that Auzex shareholders will benefit from value created from the future development of the non-Bullabulling Exploration Assets.

---

<sup>4</sup> The directors of AEL intend, subject to market conditions, in the first half of the 2012 calendar year, to conduct an initial public offer to raise additional capital and then apply to be listed on the ASX.

<sup>5</sup> The hearing of the application made to the Supreme Court of Queensland for an order under section 411(4)(b) of the Corporations Act 2001, approving the Scheme.

<sup>6</sup> For the Scheme approval (in accordance with the Corporations Act 2001), by majority means at least 75% of the shares voted and more than 50% of the shareholders that vote.



It is expected that AEL will be better positioned to create long term value for Auzex shareholders as a result of the Proposed Demerger. It is anticipated that AEL will be able to focus its attention and financial resources on the exploration and development of the non-Bullabulling Exploration Assets without having to compete with the Bullabulling Gold Project. AEL is also expected to have greater flexibility to pursue joint ventures and alliances to fund internal growth that might not otherwise have been possible if it was part of the Auzex Group.

## 4.0 Scope of Report & Methodology for Assessment

### 4.1 Scope of Report

An independent expert, in certain circumstances, must be appointed to meet requirements set out in the Corporations Act 2001 ('the Act'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC') and the listing requirements of the stock exchanges on which a company is listed. We have summarised the requirements of the Act and the ASX listing requirements in Sections 4.1.1 and 4.1.2 below respectively and we have summarised the guidance provided by the RGs in Section 4.2 below.

Auzex has engaged BDO CFQ to provide an opinion on whether the Proposed Demerger is in the 'best interests' of Auzex shareholders. BDO CFQ has also been engaged to provide an opinion as to whether the Capital Reduction is 'fair and reasonable' to Auzex shareholders as a whole and whether the Capital Reduction materially prejudices Auzex's ability to pay its creditors. This Report cannot be used by any other person for any other reason or for any other purpose. We understand that this Report will be distributed to Auzex shareholders together with the Demerger Scheme Booklet.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual Auzex shareholders. Before deciding whether to vote for or against the Proposed Demerger, individual Auzex shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs (including their own taxation consequences). Auzex shareholders should read in full the Demerger Scheme Booklet in relation to the Proposed Demerger.

Whether to vote for or against the Proposed Demerger is a matter for individual Auzex shareholders based on their expectations as to value and future market conditions and their own particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Auzex shareholders who are in doubt as to the action they should take in relation to the Proposed Demerger should consult their own professional adviser.

#### 4.1.1 Requirements of the Act

In order for the Proposed Demerger to be implemented, Auzex shareholders must approve the Capital Reduction and the Scheme. Sections 256B and 256C of the Act and Section 411 of the Act relate to capital reductions and schemes of arrangement respectively.

We note that the Act does not specifically require that an independent expert's report be provided to Auzex shareholders in relation to the Proposed Demerger. While this Report is not required to be provided for the purpose of complying with any specific provisions of the Act, we have been requested by the directors of Auzex to prepare this Report to accompany the Demerger Scheme Booklet.

#### 4.1.2 ASX Listing Requirements

We have been instructed that Auzex will not be using this Report or our assessment of the Proposed Demerger for the purpose of complying with the listing requirements of the ASX or any other stock exchange.



## 4.2 Assessment Methodology

ASIC have issued Regulatory Guide 111: *Content of Expert Report* ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a demerger. RG 111 states that the independent expert's report should explain the particulars of how the demerger was examined and evaluated as well as the results of the examination and evaluation.

RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. Where a demerger transaction involves a change in the underlying economic interests of security holders, a change of control or selective treatment of different security holders, RG 111 states that the independent expert should have regard to whether a transaction is 'fair' and 'reasonable' to shareholders.

Under RG 111, an offer will be considered 'fair' if the value of the consideration to be received by the shareholders is equal to or greater than the value of the shares that are the subject of the offer. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the offer. This includes comparing the likely advantages and disadvantages of accepting the offer with the position of the shareholders if they do not accept the offer.

Where there is not a change of control arising from the demerger, RG 111 states that the independent expert should provide an opinion as to whether:

- (a) The advantages of the demerger outweigh the disadvantages; or
- (b) The disadvantages of the demerger outweigh the advantages.

RG 111 also states that where the demerger involves a scheme of arrangement and the expert concludes that the advantages of the transaction outweigh the disadvantages, the expert should say that the scheme is in the best interests of the shareholders.

As the underlying economic interests of security holders remains the same following the Proposed Demerger, there is no change in control and no selective treatment of different security holders, it is our view that it is appropriate for this Report to assess whether the advantages of the Proposed Demerger outweigh the disadvantages and conclude on whether the Proposed Demerger, as a whole and on balance, is in the best interests of Auzex shareholders.

There is no explicit legal definition of what constitutes a disadvantage or advantage, nor is there a definitive legal or regulatory definition for the methodology to be adopted to weight each advantage and disadvantage relative to each other. The requirements involve judgement on the part of the expert as to the overall commercial effect of the proposal. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the advantages of the proposal outweigh the disadvantages.

In forming our opinion as to whether the Proposed Demerger is in the 'best interests' of the shareholders of Auzex, we have considered the following:

- The advantages of the Proposed Demerger;
- The disadvantages of the Proposed Demerger; and

- Other factors that may be relevant to Auzex shareholders when forming a view on whether to vote for or against the Proposed Demerger.

Our assessment of the Proposed Demerger is set out in detail in Section 8.0 of this Report. Section 8.0 concludes by providing our opinion as to whether or not the Proposed Demerger is in the ‘best interests’ of the shareholders of Auzex.

In addition to forming a view on the Proposed Demerger, the directors of AZX have also asked us to form a view on the following:

- whether the Capital Reduction is ‘fair and reasonable’ to Auzex’s shareholders as a whole; and
- whether the Capital Reduction materially prejudices Auzex’s ability to pay its creditors.

In forming our opinion on whether the Capital Reduction is ‘fair and reasonable’ to Auzex’s shareholders as a whole we have considered a range of matters, including the following:

- the Capital Reduction is an ‘equal reduction’ that applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold and the terms of the reduction are the same for each holder of ordinary shares;
- the value of the Capital Reduction relative to the value that Auzex shareholders are to receive under the Capital Reduction;
- Auzex shareholders will receive their proportionate interest in the value of the Capital Reduction via either shares in AEL or, in the case of Ineligible Foreign Shareholders, cash equal to the average proceeds from the sale, after deduction of any applicable brokerage, taxes and charges, multiplied by the number of AEL shares that they would otherwise have been entitled to; and
- the Proposed Demerger is conditional on the Capital Reduction.

Section 8.0 concludes by providing our opinion as to whether or not the Capital Reduction is ‘fair and reasonable’ to the shareholders of Auzex as a whole.

In forming our opinion as to whether the Capital Reduction will materially prejudice Auzex’s ability to pay its creditors, we have essentially considered the position of creditors if the Proposed Demerger is implemented relative to their position prior to the implementation of the Proposed Demerger.

Our assessment of whether the Capital Reduction will materially prejudice Auzex’s ability to pay its creditors is set out in detail in Section 9.0 of this Report. Section 9.0 concludes by providing our opinion on whether the Capital Reduction materially prejudices Auzex’s ability to pay its creditors.

We have not provided any advice, taxation, legal or otherwise in relation to the Proposed Demerger. Other advisors have provided advice to Auzex in relation to the Proposed Demerger on these matters.

In the process of making an assessment of the Proposed Demerger, we have made certain assumptions. Where these assumptions are material to our work, we have set them out in this Report.

## 5.0 Background of Auzex before the Proposed Demerger<sup>7</sup>

### 5.1 Overview of Auzex

Auzex is an Australian minerals exploration company which holds exploration tenements in Queensland, New South Wales, Western Australia and New Zealand. Auzex focuses on ore deposits which have mineral association of gold, molybdenum, tin, tungsten and bismuth. The Company was incorporated in Australia in 2003 and first listed on the ASX on 4 October 2005.

Auzex's primary project is the Bullabulling Gold Project located approximately 65 km south-west of Kalgoorlie in Western Australia. Auzex also holds a number of other assets in Queensland, New South Wales and New Zealand. A summary of Auzex's Bullabulling Gold Project and the non-Bullabulling Exploration Assets is provided in Section 5.2 below.

An analysis of the Australian gold mining industry and Australian minerals exploration industry, in which Auzex could be considered to operate, is provided in Appendix A of this Report.

In addition to the exploration assets referred to in Section 5.2 below, Auzex's only other material assets comprise cash (including receivables from GGG) and 7,022,472 shares in GGG.

### 5.2 Overview of Auzex's Exploration Assets

#### 5.2.1 Bullabulling Gold Project

The Bullabulling Gold Project is located in the Eastern Goldfields region of Western Australia, approximately 65 km south-west of Kalgoorlie. The Bullabulling Gold Project consists of a number of tenements which include granted mining leases and exploration permits covering an area of approximately 144 square km. Since acquiring the Bullabulling Gold Project in 2010, Auzex has completed a number of exploration and development programs. These programs have confirmed mineralisation in the region at extended depths. As at October 2011, the JORC inferred resource of the Bullabulling Gold Project was approximately 2.6 million ounces of gold.

Auzex holds a 50% interest in the Bullabulling Gold Project with its joint venture partner, GGG, holding the remaining 50%. GGG acquired its 50% equity stake in the Bullabulling Gold Project in August 2010 for a payment of \$3.0 million, made to Auzex. Auzex is responsible for operating the Bullabulling Gold Project, including preparation and implementation of all programs and budgets, joint venture reporting, compliance, tenement management, accounting and finance, working capital and the direct employment and management of staff, consultants and contractors. Auzex incurs all expenses associated with operating the Bullabulling Gold Project and invoices GGG monthly for 50% of the total expenses.

Auzex shareholders should refer to announcements made by Auzex to the ASX for additional information in relation to the Bullabulling Gold Project.

---

<sup>7</sup> Information in this section is sourced from [www.auzex.com](http://www.auzex.com) and the Technical Expert's Report dated 18 October 2011.

### 5.2.2 Khartoum

The Khartoum tenements (EPM 14797 and EPM 15570) are located approximately 100 km south-west of Cairns in North Queensland. The Khartoum tenements cover a total area of approximately 252 square km. Early exploration has indicated a conceptual tonnage/grade potential at Khartoum of 80 to 120 million tonnes at 0.2% to 0.3% tin. However, at this stage, a mineral resource has not been defined and it is uncertain if further exploration will result in the determination of a mineral resource.

Auzex shareholders should refer to Section 5.1.1 of Mining Associates' technical report, which is included as Appendix C to this Report, for additional information in relation to these tenements.

### 5.2.3 Lyndbrook

The Lyndbrook tenements (EPM 14417 and EPM 14418) are located approximately 150 km south-west of Cairns in North Queensland. The Lyndbrook tenements cover a total area of approximately 91 square km.

The Lyndbrook project targets copper and gold at the Running Brook prospect and molybdenum at the Galala Range prospect. Results from soil sampling at the Running Brook prospect have identified encouraging copper and gold anomalies. Drilling at the Galala Range prospect has identified the potential for a number of metals including gold, tungsten and molybdenum.

Auzex has identified a number of other multi-metal targets within the Lyndbrook region, including the Whistler molybdenum prospect, the Burlington and Castle gold-tungsten prospects, and the tin-tungsten prospects at Frenchy Creek, Stormer, Geaney's, Four Mile Camp and Kangaroo Rat.

Auzex shareholders should refer to Section 5.1.1 of Mining Associates technical report, which is included as Appendix C to this Report, for additional information in relation to these tenements.

### 5.2.4 Kingsgate

The Kingsgate tenement (EL 6333) is located approximately 20 km east of Glen Innes in Northern New South Wales. The Kingsgate tenement covers an area of approximately 138 square km. Between the 1880s and the 1920s the Kingsgate Mine was the second largest producer of molybdenum in Australia.

Since acquiring the Kingsgate Mine, Auzex has completed a number of test studies and a project feasibility study, which was completed in December 2008. The results from the feasibility study demonstrated that the Kingsgate Mine is economically and financially robust. Defined resources at Kingsgate include ammonium molybdite, silica and bismuth.

Auzex shareholders should refer to Section 5.1.2 of Mining Associates technical report, which is included as Appendix C to this Report, for additional information in relation to these tenements.

### 5.2.5 Klondyke / Seven Hills

The Klondyke / Seven Hills tenement (EL 6408) is located approximately 40 km north-east of Glen Innes in Northern New South Wales. The Klondyke / Seven Hills tenement covers a total area of approximately 139 square km. Auzex has completed a drill program to test for gold in the Klondyke / Seven Hills region, with initial results yielding gold anomalies. However, a general lack of continuity across drill results was reported.

Auzex shareholders should refer to Section 5.1.2 of Mining Associates technical report, which is included as Appendix C to this Report, for additional information in relation to these tenements.

### 5.2.6 Lyell

The Lyell tenement (EP 40732) is located approximately 50 km east of Westport on the west coast of New Zealand's South Island. Exploration in New Zealand is subject to a joint venture between Auzex's wholly owned subsidiary Auzex NZ, which has a 58% interest in the joint venture, and New Zealand Minerals, which has an interest of 42% in the joint venture. Auzex NZ manages the joint venture and all exploration activities in New Zealand. We understand that the joint venture has progressed with a diamond drilling program to test the gold in soil anomaly of the Lyell project that was identified in initial soil samples.

Auzex shareholders should refer to Section 5.1.3 of Mining Associates technical report, which is included as Appendix C to this Report, for additional information in relation to this tenement.

### 5.3 Proposed Merger with GGG to form Bullabulling Gold

Auzex announced the signing of a binding Heads of Agreement to the ASX on 29 August 2011 to combine the Bullabulling Gold Project under a single corporate entity to be named Bullabulling Gold Limited through an all-scrip merger of equals which will be Australian domiciled and listed on the ASX and the AIM. The highlights of the proposed merger, as set out by Auzex in their announcement, include:

- Formation of an advanced exploration / pre development gold-focussed company, Bullabulling Gold Limited, which owns 100% of the Bullabulling Gold Project, located 65km south-west of Kalgoorlie, Western Australia;
- Merger of equals with Auzex and GGG shareholders owning 50% each of Bullabulling Gold subject to adjustment for cross share holdings and relative cash holdings;
- Unified management team with sole focus on the development of the Bullabulling Gold Project; and
- Listed on the ASX and AIM providing global access to capital markets.

In announcing the signing of the binding Heads of Agreement, Chris Baker, Chairman of Auzex, commented:

“This merger will provide the opportunity to unlock significant value for both parties and ensure the fast-track development of the Bullabulling Gold Project at a critical time in its development.”

The proposed merger between Auzex and GGG to create Bullabulling Gold is subject to a number of conditions, including the following:

- Receipt of the required regulatory and court approvals;
- No prescribed occurrences (except for a capital raising by Auzex to fund ongoing development expenditure of the Bullabulling Gold Project prior to completion);
- Approvals by Auzex and GGG shareholders. Auzex shareholders will have the opportunity to approve a Scheme of Arrangement to merge Auzex and GGG. For an Australian Scheme of Arrangement to be approved, there must be approval by at least 75% of the shares voted and approval by more than 50% of the shareholders that vote;
- The listing of Bullabulling Gold on the ASX and AIM; and
- Approval and completion of the Proposed Demerger.

For more information regarding the proposed merger between Auzex and GGG, shareholders should refer to Auzex's ASX announcement dated 29 August 2011 and the relevant announcements made after this date.

## 5.4 Equity Structure of Auzex

As at 30 September 2011, Auzex had the following securities on issue:

- 95,193,883 fully paid ordinary shares;
- 11,925,062 listed options expiring on 13 February 2012, exercisable at \$0.20 per option; and
- 1,943,479 unlisted options expiring on 21 October 2013, exercisable at \$0.15 per option.

### 5.4.1 Top 10 Shareholders of Auzex Ordinary Shares

The top 10 shareholders of Auzex ordinary shares as at 30 September 2011 are set out in Table 5.1 below. Table 5.1 does not consider the impacts of any changes in shareholding arising from the Proposed Demerger or the potential merger between Auzex and GGG.

**Table 5.1: Top 10 Auzex Shareholders as at 30 September 2011**

	Shareholder	Number of Shares	Percentage of Total Shares (%)
1	National Nominees Limited	10,496,042	11.03
2	GGG	8,000,000	8.40
3	Peninsula Goldfields Pty Limited	7,146,689	7.51
4	JP Morgan Nominees Australia Limited	6,334,555	6.65
5	HSBC Custody Nominees (Australia) Limited	4,470,959	4.70
6	Forsyth Barr Custodians Limited	3,208,493	3.37
7	HSBC Custody Nominees (Australia) Limited-Gsi Eda	2,694,240	2.83
8	Keiran James Slee	2,665,546	2.80
9	Phillip Securities (Hong Kong) Limited	2,232,234	2.34
10	Misty Grange Pty Limited	2,181,671	2.29
	Other shareholders	45,763,454	48.08
	<b>Total Shares on Issue</b>	<b>95,193,883</b>	<b>100.00</b>

Source: Auzex

The total shares on issue referred to in Table 5.1 above is prior to the issue of shares under the recently announced share placement and rights issue. The impact of the share placement and rights issue in Auzex's issued capital is discussed directly below.

### 5.4.2 Auzex Share Placement and Rights Issue

On 17 October 2011, Auzex announced its intention to raise approximately \$8.0 million in funds via a share placement and 1-for-5 renounceable rights issue. We understand that the funds raised via the share placement and rights issue will be used to support the ongoing development and expenditure of the Bullabulling Gold Project.

Under the share placement, Auzex raised approximately \$3.4 million before costs from the issue of approximately 14.3 million ordinary shares at \$0.24 per share. We have been instructed that the share placement was oversubscribed and that the cash from the share placement was received by Auzex on 28 October 2011.

Under the 1-for-5 renounceable rights issue, Auzex intends to raise approximately \$4.6 million from the issue of approximately 19.0 million shares at \$0.24 per share. The rights issue is fully underwritten.

Combined, the share placement and rights issue will increase the total number of Auzex ordinary shares on issue to approximately 128.5 million.

Auzex shareholders should refer to the company announcement released on 17 October 2011 and other announcements post this date for further information regarding the share placement and rights issue.

## 5.5 Trading of Auzex Shares

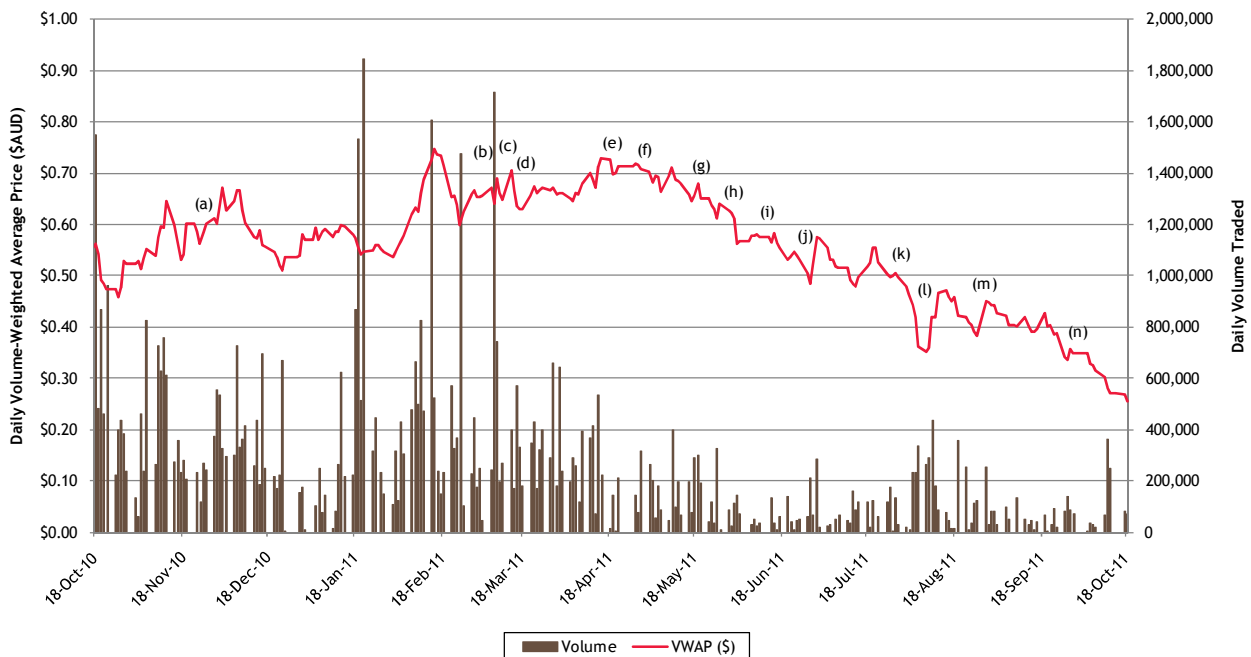
This section sets out our analysis of the share market performance of Auzex shares by considering:

- The recent price of Auzex shares listed on the ASX;
- Significant transactions in Auzex shares; and
- The liquidity of Auzex shares.

### 5.5.1 Auzex Share Price

Auzex shares are listed on the ASX. Figure 5.1 below shows Auzex's daily volume-weighted average share price ('VWAP') and the volume of shares traded each day over the period from 19 October 2010 to 18 October 2011 inclusive.

**Figure 5.1: Daily VWAP and Volume Traded for Auzex from 19 October 2010 to 18 October 2011**



Source: Bloomberg

Over the period graphed in Figure 5.1, the Auzex daily VWAP shows a period low of \$0.2554 on 18 October 2011 and a period high of \$0.7467 on 15 February 2011.

In addition to the share price and trading data, we have also provided additional information in this Report to assist readers to understand possible reasons for movements in Auzex's share price and volume of share trades over the time period analysed. We have provided a summary of Auzex's announcements over the period from 19 October 2010 to 18 October 2011 in Table 5.2 below.

**Table 5.2: Summary of Auzex's Announcements over the period from 19 October 2010 to 18 October 2011**

Date	Announcement
(a) 23 November 2010	Auzex announced that it raised approximately \$6.7 million through a placement of 12,299,201 shares at a price of \$0.55 per share.
(b) 10 March 2011	Auzex announced the commencement of a diamond drilling program at the Lyell project in New Zealand. The announcement stated "the potential for discovery of significant gold mineralisation at Lyell associated with a 3,000 metre long gold-arsenic soil anomaly is very good."
(c) 14 March 2011	Auzex announced that it had received from GGG a proposal that it intends to make a scrip offer of 7 GGG shares for every 5 Auzex shares held.
(d) 16 March 2011	The board of Auzex announced that it intends to reject the GGG offer stating that it is "grossly inadequate."
(e) 18 April 2011	GGG's Bidder's Statement was released. The GGG offer consideration was 7 GGG shares for every 5 Auzex shares, valuing Auzex at approximately A\$94.9 million.
(f) 6 May 2011	Auzex announced its intention to list on the AIM, raising up to \$25 million. The announcement also included Auzex's intention to demerge its non-Bullabulling exploration portfolio.
(g) 19 May 2011	Baker Steel Capital Managers, the largest shareholder of both Auzex (9.3%) and GGG (10.2%), indicates its intention to reject the GGG offer.
(h) 27 May 2011	Auzex announced that GGG extended its offer by two weeks; scheduled close becomes 20 June 2011.
(i) 10 June 2011	Auzex announced that GGG extended its offer by a further two weeks; scheduled close becomes 4 July 2011.
(j) 24 June 2011	Auzex announced that GGG extended its offer by a further 1 month; scheduled close becomes 4 August 2011.
(k) 25 July 2011	Auzex announced that GGG extended its offer by a further 1 month; scheduled close becomes 5 September 2011.
(l) 29 July 2011	Auzex released Appendix 5B: Mining exploration entity quarterly report which summarises expected cash flows for the coming quarter.
(m) 29 August 2011	Auzex announced that it had signed a binding Heads of Agreement to combine the Bullabulling Gold Project under a single corporate entity, Bullabulling Gold Limited, through an all-scrip merger of equals between Auzex and GGG.
(n) 28 September 2011	Auzex announced that, with its joint venture partner GGG, it applied for additional prospecting license areas covering 8.0 square km in the Bullabulling region.

Source: ASX Announcements

In Table 5.3 below we have set out Auzex's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 18 October 2011.



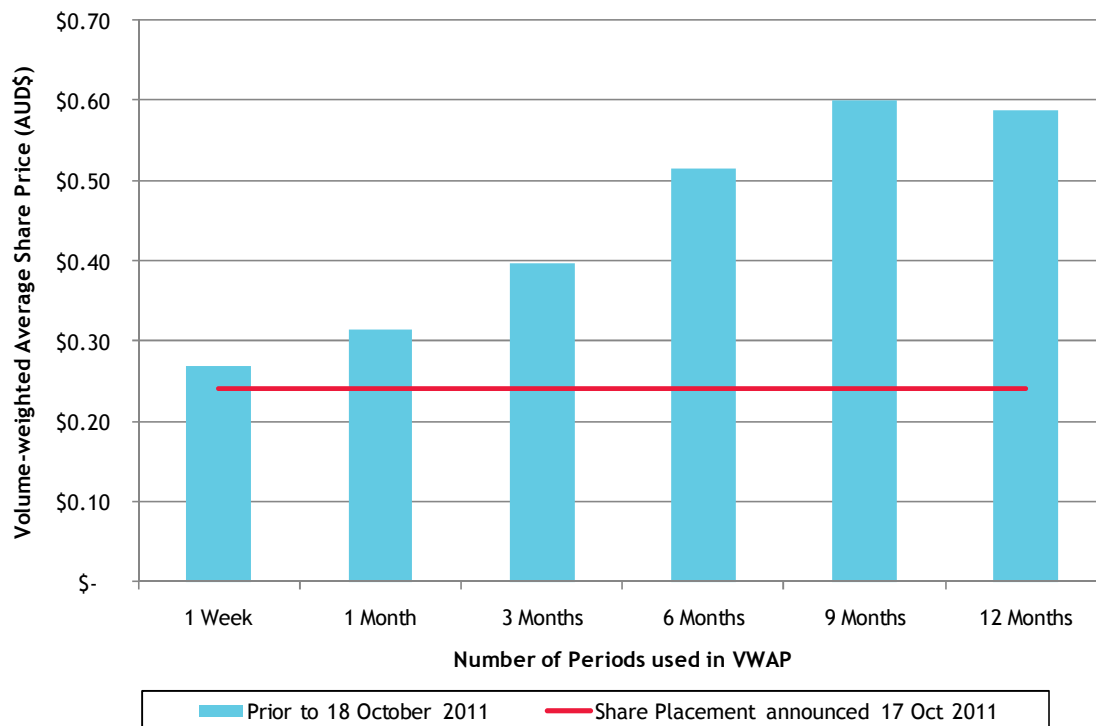
**Table 5.3: Auzex’s VWAP prior to 18 October 2011**

Period before 18 October 2011	Period included in VWAP	VWAP (\$)
1 Week	12 Oct 2011 to 18 Oct 2011	\$0.2686
1 Month	19 Sep 2011 to 18 Oct 2011	\$0.3141
3 Months	19 Jul 2011 to 18 Oct 2011	\$0.3980
6 Months	19 Apr 2011 to 18 Oct 2011	\$0.5153
9 Months	19 Jan 2011 to 18 Oct 2011	\$0.6000
12 Months	19 Oct 2010 to 18 Oct 2011	\$0.5883

Source: Bloomberg

The information set out in Table 5.3 above is also expressed graphically in Figure 5.2 below. The red line shown in Figure 5.2 below represents the \$0.24 issue price of Auzex shares under the share placement and 1-for-5 renounceable rights issue.

**Figure 5.2: Auzex VWAP over Specified Periods**



Source: Bloomberg

### 5.5.2 Significant Transactions in Auzex Shares

Since 1 July 2010 there have been a number of significant transactions in Auzex shares. We have set out a summary of these transactions in Table 5.4 below.

**Table 5.4: Summary of Significant Transactions in Auzex Shares**

Transaction	Date	Description
Share placement and rights issue	17 October 2011	<p>Auzex announced that it had conducted a share placement of approximately 14.3 million fully paid ordinary shares at a price of \$0.24 per share. The share placement raised a total of approximately \$3.4 million before costs (utilising the Company's 15% capacity under the ASX Listing Rules) to be used to accelerate the development of the Bullabulling Gold Project through to completion of its merger with GGG.</p> <p>Auzex also announced a 1-for-5 renounceable rights issue to raise approximately \$4.6 million which will be offered on the same terms as the share placement to Auzex's shareholders. Pursuant to the rights issue the Company will issue up to approximately 19.0 million shares at \$0.24 per share. The rights issue will be offered to shareholders with registered addresses in Australia and New Zealand and is scheduled to close on 16 November 2011 with trading in the newly issued shares to commence on 25 November 2011. The rights issue is fully underwritten.</p>
Share placement	30 November 2010	<p>Auzex announced that it has successfully completed a share placement of 12,299,201 fully paid ordinary shares at a price of \$0.55 per share. The share placement raised approximately \$6.7 million and was heavily oversubscribed.</p> <p>The funds raised were used to progress the development of the Bullabulling Gold Project, and fund future exploration drilling on gold targets outside of the 2.3km Bacchus - Phoenix portion of the Bullabulling Gold Project where the feasibility study is focussed.</p>
Share placement	30 September 2010	<p>Auzex announced the issue of 15,557 fully paid ordinary shares, priced as follows:</p> <ul style="list-style-type: none"> <li>• 15,000 Auzex shares at a price of \$0.12 per share; and</li> <li>• 557 Auzex shares at a price of \$0.20 per share, being the exercise of 557 Auzex options.</li> </ul> <p>The funds raised in the issue were to be used to undertake exploration activities at the Bullabulling Gold Project.</p>
Rights issue	13 August 2010	<p>Auzex announced a renounceable rights issue to raise up to approximately \$2.8 million. The rights issue comprised two components, the shareholder rights issue and the option holder rights issue.</p> <p>Under the shareholder rights issue, Auzex shareholders were able to subscribe for 1 Auzex share for every 3 Auzex shares held at a price of \$0.12 or NZ\$0.145 per share. Auzex shareholders were issued 1 free Auzex option with an exercise price of \$0.20 and expiring on 13 February 2012, for every 3 Auzex shares subscribed for under the rights issue.</p> <p>Under the option holder rights issue, Auzex option holders were able to subscribe for 1 Auzex share for every 3 Auzex options held at a price of \$0.12 or NZ\$0.145 per share. Auzex shareholders were issued 1 free Auzex option with an exercise price of \$0.20 and expiring on 13 February 2012, for every 3 Auzex shares subscribed for under the rights issue.</p> <p>The rights issue closed heavily oversubscribed. GGG (formerly Central China Goldfields Plc) took up its full entitlement of \$0.24 million under the rights issue. The funds raised in the issue were to be used to undertake exploration activities at the Bullabulling Gold Project.</p>

Transaction	Date	Description
Share placement	5 July 2010	Auzex announced a share placement of 7,652,264 fully paid ordinary shares to institutional, professional and sophisticated investors at a price of \$0.12 per share. The share placement raised approximately \$0.92 million before costs which were to be used to undertake exploration activities at the Bullabulling Gold Project.

Source: Auzex ASX announcements

### 5.5.3 Liquidity of Auzex on the ASX

The volume at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments available to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price, as is indicated by a share sale or series of share sales, may or may not represent a shift in value of either the equity instruments or of the company as a whole.

Table 5.5 below summarises the monthly liquidity of Auzex shares from November 2010 to October 2011 (to 18 October 2011). Liquidity has been summarised by considering the following:

- Volume of Auzex trades per month;
- Number of trades in Auzex shares per month;
- Volume of Auzex trades per month as a percentage of total Auzex shares on issue at the end of the month; and
- Average volume of Auzex shares per trade per month.

Table 5.5: Liquidity of Auzex Shares

Month	Volume traded	Number of trades	Shares on issue at end of month	Volume / shares outstanding	Shares / trade
October 2011 (to 18 Oct)	916,817	98	95,193,883	0.96%	9,355
September 2011	1,150,653	153	95,193,883	1.21%	7,521
August 2011	3,497,068	314	95,193,883	3.67%	11,137
July 2011	1,427,252	183	95,193,883	1.50%	7,799
June 2011	1,615,349	189	95,193,883	1.70%	8,547
May 2011	3,285,695	283	95,102,968	3.45%	11,610
April 2011	4,016,824	520	95,012,865	4.23%	7,725
March 2011	9,172,490	876	95,012,865	9.65%	10,471
February 2011	9,940,864	1,160	94,795,380	10.49%	8,570
January 2011	7,992,134	608	94,295,380	8.48%	13,145
December 2010	6,738,450	817	94,295,380	7.15%	8,248
November 2010	7,848,561	1,424	81,994,678	9.57%	5,512
<b>Total</b>	<b>57,602,157</b>	<b>6,625</b>		<b>60.51%<sup>(a)</sup></b>	

Source: Bloomberg

(a) Calculated as total volume traded divided by 95,193,883 Auzex shares on issue.

Based on the total volume of Auzex shares traded from 1 November 2010 to 18 October 2011 and the number of Auzex shares outstanding as at 18 October 2011, approximately 60.5% of Auzex shares were traded. Given the above information, we consider that Auzex exhibited below average liquidity over the period.

We note that Auzex shares showed relatively higher liquidity during the 6 month period between November 2010 and April 2011, displaying an average monthly volume traded per shares outstanding of approximately 8.3%, when compared with the period from May 2011 to September 2011<sup>8</sup>, which displayed an average monthly volume traded per shares outstanding of approximately 2.3%.

In our view, it is difficult to determine the effect of the changes in liquidity on the market price and value of the shares with any degree of certainty. As an example, a lower level of liquidity may have either a:

- positive effect on the market trading price if the lower level of liquidity resulted from a lack of supply (which may place upwards pressure on the share price); or
- negative effect on the market trading price if the lower level of liquidity resulted from a lack of demand (which may place downwards pressure on the share price).

## 5.6 Historical Financial Information

This section of this Report sets out the historical financial information of Auzex. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Auzex's annual reports which include the full statements of comprehensive income, statements of financial position and statements of cash flows.

Auzex's accounts were audited by Ernst and Young. BDO CFQ has not performed any audit or review of any type on the historical financial information of Auzex. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is misleading.

### 5.6.1 Comprehensive Income

The consolidated statement of comprehensive income of Auzex for the 12 month periods ended 30 June 2009, 2010 and 2011 are summarised in Table 5.6 below.

---

<sup>8</sup> October 2011 was not included in this analysis as only 18 days of data is recorded.

**Table 5.6: Summarised Auzex Statements of Comprehensive Income**

	12 Months Ended 30 June 2009 Audited (\$)	12 Months Ended 30 June 2010 Audited (\$)	12 Months Ended 30 June 2011 Audited (\$)
Interest income	22,931	21,762	270,749
Profit on sale of tenement interests	-	1,481,070	-
<b>Total revenue from continuing operations</b>	<b>22,931</b>	<b>1,502,832</b>	<b>270,749</b>
Write-off of exploration expenses	(3,933,494)	-	(142,921)
General administrative expenses	(983,027)	(1,309,856)	(2,685,017)
<b>Total expenses from continuing operations</b>	<b>(4,916,521)</b>	<b>(1,309,856)</b>	<b>(2,827,938)</b>
<b>Profit/(Loss) from continuing operations before tax</b>	<b>(4,893,590)</b>	<b>192,976</b>	<b>(2,557,189)</b>
Income tax benefit attributable to operating loss	-	-	538,412
<b>Profit/(Loss) from continuing operations after tax</b>	<b>(4,893,590)</b>	<b>192,976</b>	<b>(2,018,777)</b>
Net gain/(loss) on foreign currency translation reserve	7,686	3,590	(13,703)
Net gain on available for sale asset revaluation	-	364,302	891,994
<b>Total comprehensive income</b>	<b>(4,885,904)</b>	<b>560,868</b>	<b>(1,140,486)</b>

Source: Auzex 2010 Annual Report and Auzex 2011 Full Year Statutory Accounts

In relation to the financial performance of Auzex set out in Table 5.6 above we note the following:

- Auzex had no operating revenues for any of the periods reported. Auzex's only current source of revenues is interest earned on its cash reserves;
- The \$1,481,070 profit on sale of tenements in 2010 refers to the gain realised from the sale of Auzex's 50% interest in the Bullabulling Gold Project to GGG;
- General and administrative expenses increased in 2010 by 33.2% to approximately \$1.3 million, from approximately \$1.0 million in 2009, due to the additional expenses associated with the Bullabulling Gold Project. General and administrative expenses increased a further 105.0% in 2011 to approximately \$2.7 million; and
- Auzex wrote off approximately \$3.9 million in 2009 and \$0.1 million in 2011 of previously capitalised exploration and evaluation expenditure in relation to exploration tenements that were relinquished during these years.

## 5.6.2 Financial Position

The consolidated statements of financial position of Auzex as at 30 June 2009, 2010 and 2011 are summarised in Table 5.7 below.

**Table 5.7: Summarised Auzex Statements of Financial Position**

	As at 30 June 2009 Audited (\$)	As at 30 June 2010 Audited (\$)	As at 30 June 2011 Audited (\$)
<b>Current Assets</b>			
Cash	741,180	953,752	3,774,502
Receivables and prepayments	39,561	966,263	3,079,170
<b>Total current assets</b>	<b>780,741</b>	<b>1,920,015</b>	<b>6,853,672</b>
<b>Non Current Assets</b>			
Property, plant and equipment	61,383	488,895	543,040
Deferred exploration and evaluation phase costs	9,601,846	10,267,904	15,456,137
Investment in available for sale asset	-	1,044,893	2,475,298
<b>Total non current assets</b>	<b>9,663,229</b>	<b>11,801,692</b>	<b>18,474,475</b>
<b>Total assets</b>	<b>10,443,970</b>	<b>13,721,707</b>	<b>25,328,147</b>
<b>Current Liabilities</b>			
Payables	94,534	342,925	2,804,604
Provisions	42,740	44,581	92,246
<b>Total current liabilities</b>	<b>137,274</b>	<b>387,506</b>	<b>2,896,850</b>
<b>Non Current Liabilities</b>			
Provisions	84,717	299,717	393,417
<b>Total non current liabilities</b>	<b>84,717</b>	<b>299,717</b>	<b>393,417</b>
<b>Total liabilities</b>	<b>221,991</b>	<b>687,223</b>	<b>3,290,267</b>
<b>Net assets</b>	<b>10,221,979</b>	<b>13,034,484</b>	<b>22,037,880</b>
<b>Equity</b>			
Contributed equity	17,871,967	20,097,938	30,038,612
Other reserves	703,654	1,097,212	2,178,711
Accumulated losses	(8,353,642)	(8,160,666)	(10,179,443)
<b>Total equity</b>	<b>10,221,979</b>	<b>13,034,484</b>	<b>22,037,880</b>

Source: Auzex 2010 Annual Report and Auzex 2011 Full Year Statutory Accounts

In relation to the financial position of Auzex set out in Table 5.7 above we note the following:

- Of the \$3.1 million in receivables and prepayments in Auzex's accounts as at 30 June 2011, approximately \$1.99 million relates to receivables from the Bullabulling Gold Project joint venture;
- The available for sale assets held by Auzex relate to its 4.8% equity interest in GGG. The fair value of the GGG shares was re-valued upward during the year;
- Capitalised deferred exploration and evaluation expenditure phase costs increased by 50.5% to approximately \$15.5 million in 2011, primarily as a result of the resource drilling program on the Bullabulling Gold Project; and

- Shareholder's contributed equity increased by approximately \$9.9 million to approximately \$30.0 million in 2011, predominantly as a result of capital raisings associated with funding the Bullabulling Gold Project.

### 5.6.3 Cash Flows

The consolidated statement of cash flows of Auzex for the 12 month periods ended 30 June 2009, 2010 and 2011 are summarised in Table 5.8 below.

**Table 5.8: Summarised Auzex Statements of Cash Flow**

	12 Months Ended 30 Jun 2009 Audited (\$)	12 Months Ended 30 June 2010 Audited (\$)	12 Months Ended 30 June 2011 Audited (\$)
<b>Cash Flows from / (used in) Operating Activities</b>			
Goods and services tax received	190,729	75,332	387,168
Payments to suppliers and employees	(1,175,468)	(651,479)	(2,681,361)
Interest received	23,431	24,204	203,833
<b>Net cash flows from / (used in) operating activities</b>	<b>(961,308)</b>	<b>(551,943)</b>	<b>(2,090,360)</b>
<b>Cash Flows from / (used in) Investing Activities</b>			
Purchase of property, plant and equipment	(17,929)	(460,386)	(142,309)
Payments for exploration/evaluation expenditure	(1,648,758)	(700,050)	(7,938,918)
Investment in term deposit	-	(675,000)	(75,000)
Proceeds from Farm-in	-	1,900,000	-
Receipts from joint venture exploration/evaluation expenditure	-	-	3,126,663
Sale of fixed assets	53,220	480	-
<b>Net cash flows from / (used in) investing activities</b>	<b>(1,613,467)</b>	<b>65,044</b>	<b>(5,029,564)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares	2,513,507	730,002	10,657,044
Costs of share issue	(86,422)	(30,531)	(716,370)
<b>Net cash flows from financing activities</b>	<b>2,427,085</b>	<b>699,471</b>	<b>9,940,674</b>
Net increase / (decrease) in cash held	(147,690)	212,572	2,820,750
Opening cash balance	888,870	741,180	953,752
<b>Closing cash balance</b>	<b>741,180</b>	<b>953,752</b>	<b>3,774,502</b>

Source: Auzex 2010 Annual Report and Auzex 2011 Full Year Statutory Accounts

In relation to the cash flows of Auzex set out in Table 5.8 above we note the following:

- Auzex's net cash used in operating activities decreased in 2010 before significantly increasing in 2011 as a result of the extra resources required to operate the Bullabulling Gold Project;
- Payments to suppliers and employees and payments for exploration/evaluation expenditure increased substantially in the 2011 year. These significant increases are due to the costs associated with operating the Bullabulling Gold Project;



- The receipts from joint venture exploration/evaluation expenditure in the 2011 year relates to cash received from GGG in relation to operating expenses incurred by Auzex for the Bullabulling Gold Project; and
- The \$1.9 million proceeds from farm-in in the 2010 year relates to the sell down of a 50% interest in the Bullabulling Gold Project to GGG.



## 6.0 Overview of Auzex and AEL assuming the Proposed Demerger is Implemented

This section sets out a description of Auzex and AEL under the assumption that Auzex shareholders approve the Proposed Demerger and the Proposed Demerger is implemented, such that two separate entities would hold those assets currently held by Auzex.

### 6.1 Auzex

Immediately post the Proposed Demerger, Auzex's key assets will be approximately \$7.6 million of cash and cash equivalents, including cash raised under the share placement and rights issue (refer to Section 5.4.2 of this Report for additional information in relation to the share placement and rights issue), and its 50% interest in the Bullabulling Gold Project. Auzex will no longer hold an interest in any non-Bullabulling assets, including the GGG Shares.

Once the Proposed Demerger is completed and subject to the relevant conditions being met, Auzex intends to merge with GGG to create Bullabulling Gold (refer to Section 5.3 for additional information in relation to this transaction). Until such time as the merger with GGG is complete and Auzex shareholders receive shares in Bullabulling Gold (or indefinitely if the merger with GGG does not proceed), the Auzex board and senior management personnel will remain unchanged and Auzex will continue to be listed on the ASX.

### 6.2 AEL

If Auzex shareholders approve the Proposed Demerger and the Proposed Demerger is implemented, AEL will demerge from the Auzex Group and become a stand-alone entity.

Auzex will transfer to AEL approximately \$2.09 million of cash and its interests in its non-Bullabulling assets such that the material assets held by AEL immediately following the Proposed Demerger will be 100% interests in the non-Bullabulling Exploration Assets, cash and the GGG Shares (we understand that as part of the merger with GGG Resources, the GGG Shares will be exchanged for shares in Bullabulling Gold and, upon the successful listing of BBG, these shares will be able to be monetised by sale on ASX).

AEL's operational focus will initially be on the exploration, appraisal and development of the non-Bullabulling Exploration Assets. We understand that the Khartoum, Runningbrook and Lyell prospects are of highest priority for exploration and development. AEL will also seek to actively acquire further exploration projects, including in offshore jurisdictions, and will also consider corporate and asset acquisitions if, in the opinion of the AEL board, they would materially increase AEL shareholder value.

The cash balance of approximately \$2.09 million that Auzex transfers to AEL is expected to be sufficient to cover AEL's anticipated corporate costs and minimal development costs relating to its key assets until AEL's intended IPO capital raising in the first half of 2012 or 30 June 2012, whichever is the earlier.

We understand that the current directors of Auzex will become directors of AEL. Table 6.1 below sets out the intended directors of AEL upon implementation of the Proposed Demerger. Refer to section 6.3 of the Demerger Scheme Booklet for more information on each of the personnel listed in Table 6.1.

**Table 6.1: Intended Directors of AEL**

Name	Position
Chris Baker	Non-executive Chairman
John Lawton	Non-executive Director
Eugene Iliescu	Non-executive Director
Greg Partington	Non-executive Director
Paul Frederiks	Non-executive Director and Company Secretary

Source: Auzex Scheme Booklet

AEL will not initially be listed on any stock exchange. We understand that it is the intention of the directors of AEL, subject to market conditions, to raise further capital by way of an IPO and then seek admission to the official list of ASX by mid 2012.

### 6.3 Pro Forma Statements of Financial Position of Auzex and AEL

Table 6.2 below summarises the unaudited consolidated statements of financial position of Auzex as at 30 September 2011 and extracts from the pro forma statements of financial position of Auzex and AEL as at 30 September 2011 assuming that the Proposed Demerger is implemented and the share placement and rights issue discussed in Section 5.4.2 are completed at this date. The pro forma statements of financial position extracts show details relating to the assets and liabilities held by Auzex and AEL immediately following the Proposed Demerger.

The pro forma statements of financial position have been prepared by Auzex management and BDO CFQ has not performed any audit or review of any type on the pro forma historical financial information of Auzex. We make no statement as to the accuracy of the information provided. However, we have no reason to believe that the information is inaccurate or incomplete.

**Table 6.2: Pro Forma Statements of Financial Position**

	Consolidated As at 30 Sep 2011 (\$)	Auzex As at 30 Sep 2011 (\$)	AEL As at 30 Sep 2011 (\$)
<b>Current Assets</b>			
Cash and cash equivalents <sup>(a)</sup>	9,684,938	7,599,938	2,085,000
Receivables and prepayments	1,232,425	1,232,425	-
<b>Total current assets</b>	<b>10,917,363</b>	<b>8,832,363</b>	<b>2,085,000</b>
<b>Non Current Assets</b>			
Property, plant and equipment	557,173	473,664	83,509
Deferred exploration and evaluation phase costs	13,126,186	7,162,186	6,000,000
Investments in available for sale assets	2,106,742	-	2,106,742
<b>Total non current assets</b>	<b>15,826,101</b>	<b>7,635,850</b>	<b>8,190,251</b>
<b>Total assets</b>	<b>26,743,464</b>	<b>16,468,213</b>	<b>10,275,251</b>
<b>Current Liabilities</b>			
Payables	2,534,351	2,534,351	-
Provisions	485,663	308,700	176,963
Transaction costs payable	1,135,036	1,135,036	-
<b>Total current liabilities</b>	<b>4,155,050</b>	<b>3,978,087</b>	<b>176,963</b>
<b>Total liabilities</b>	<b>4,155,050</b>	<b>3,978,087</b>	<b>176,963</b>
<b>Net assets</b>	<b>22,588,414</b>	<b>12,490,126</b>	<b>10,098,288</b>

Source: Auzex

(a) Includes \$7,520,000 being the amount raised from the share placement (net of costs) and the full amount of the rights issue (net of costs).

We note that the pro forma statement of financial position for Auzex set out in Table 6.2 above includes a liability for transaction costs which will be incurred by Auzex relating to current transactions, including the Proposed Demerger. Transaction costs resulting from the Proposed Demerger include advisory, legal and accounting fees as well as certain duties and taxes.

## 7.0 Valuation of AEL

In this section of this Report we have included a valuation of the equity interest that Auzex shareholders will hold in AEL following the Proposed Demerger. The valuation is provided to assist shareholders to understand the value of the equity interest they will hold in AEL if the Proposed Demerger is approved and proceeds as anticipated.

This section of this Report sets out our valuation of AEL following the Proposed Demerger as follows:

- Section 7.1 provides a summary of the valuation methodologies considered;
- Section 7.2 sets out our view of the most appropriate valuation methodologies to adopt;
- Section 7.3 sets out the value we have adopted for the non-Bullabulling Exploration Assets to be held by AEL post the Proposed Demerger;
- Section 7.4 sets out the value we have adopted for the other assets and liabilities to be held by AEL post the Proposed Demerger; and
- Section 7.5 sets out our asset based valuation of AEL.

### 7.1 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report, we have considered, amongst other metrics, the valuation methodologies recommended by ASIC in RG 111 regarding content of expert reports. The methodologies include those mentioned directly below.

#### 7.1.1 Discounted Future Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

### 7.1.2 Capitalisation of Future Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the rate is an alternative way of stating the expected return on an asset, allowing for a risk premium over the risk free rate.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered when relevant comparable information is available.

### 7.1.3 Asset Based Valuations ('ABV')

Asset based valuations are used to estimate the market value of an entity based on the realised value of its identifiable net assets. The ABV approach ignores the possibility that an entity's value could exceed the realisable value of its net assets, however when used in conjunction with other methods which determine the value of an entity to be greater than the realisable value of its net assets, it is also possible to arrive at a reliable estimate of the value of goodwill.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

### 7.1.4 Market Based Valuations ('MBV')

Market based valuations relate to the valuation of an entity, where its shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

### 7.1.5 Industry Specific Metrics

It is often appropriate to have regard to industry specific valuation metrics in addition to the traditional valuation approaches outlined above. These metrics are particularly relevant in circumstances where it is reasonably common for market participants to have regard to the alternative measures of value.

For resource companies, it is common for market analysts to have regard to multiples related to resources and tenement size. We are unable to have regard to any resource multiples in this Report as the non-Bullabulling Exploration Assets do not have any JORC resources.

## 7.2 Valuation Approach

Our view of the most appropriate valuation methodologies to apply when calculating the value of AEL shares is summarised in Table 7.1 below. A summary of each of the valuation methodologies listed in Table 7.1 below is set out in Section 7.1 above.

**Table 7.1: Summary of Possible AEL Valuation Methodologies**

Valuation Methodology	Appropriate	Explanation
DCF Valuation	×	<p>The DCF methodology relies on the ability to forecast future cash flows with a reasonable degree of certainty over a sufficiently long period of time.</p> <p>The future cash flows of AEL are unable to be forecast with the appropriate degree of accuracy as at the date of this Report. In particular, we note that the non-Bullabulling Exploration Assets are in very early stages of development and are unlikely to generate any positive cash flows in the near term.</p> <p>In our view, a DCF methodology is not appropriate for the purposes of valuing AEL shares in this Report.</p>
CME Valuation	×	<p>The assets to be transferred to AEL under the Proposed Demerger do not currently generate an earnings stream that is suitable for use in a CME valuation methodology.</p> <p>In our view, a CME valuation methodology is not appropriate for the purposes of valuing AEL shares in this Report.</p>
Asset Based Valuation	✓	<p>In our view, it is appropriate to have regard to an asset based valuation methodology for the purposes of valuing AEL shares in this Report. The assets and liabilities to be transferred to AEL in accordance with the Proposed Demerger can be identified and their values determined.</p> <p>We have been provided with the following information which enables an asset based valuation of AEL to be completed:</p> <ul style="list-style-type: none"> <li>• A valuation of the non-Bullabulling Exploration Assets prepared by Mining Associates, a specialist valuation expert. We have had regard to a valuation report prepared by a specialist technical valuer, Mining Associates, together with the observed market value of Auzex's shares (refer to Section 7.3 of this Report) when determining an appropriate value to adopt for the non-Bullabulling Exploration Assets; and</li> <li>• A pro forma statement of financial position for AEL as at 30 September 2011 prepared by the directors of Auzex. We have had regard to the pro forma statement of financial position when determining appropriate values to adopt for the other assets and liabilities to be transferred to AEL under the Proposed Demerger (refer to Section 7.4 of this Report).</li> </ul>
Market Based Valuation	×	<p>The shares of AEL are not listed on any exchange and no relevant historical information on the price at which AEL shares have been traded is able to be observed. As a result, we are unable to directly apply a market based valuation methodology for the purposes of determining the value of AEL shares in this Report.</p> <p>Notwithstanding the above, we have had regard to the observed market value of Auzex's shares (in conjunction with the valuation set out in the Mining Associates report) when determining an appropriate value to adopt for the non-Bullabulling Exploration Assets to be transferred to AEL in accordance with the Proposed Demerger (refer to Section 7.3 of this Report).</p>

Having regard to the information set out in Table 7.1 above, it is our view that the most appropriate valuation methodology to apply to a valuation of AEL shares is an asset based valuation methodology.

Our asset based valuation of AEL shares is set out as follows:

- Section 7.3 considers the fair market value of the non-Bullabulling Exploration Assets;
- Section 7.4 considers the fair market value of the other assets and liabilities to be transferred to AEL under the Proposed Demerger; and
- Section 7.5 sets out our view of the fair market value of AEL shares having regard to an asset based valuation methodology.

### **7.3 Valuation of non-Bullabulling Exploration Assets**

This section of this Report is set out as follows:

- Section 7.3.1 sets out a summary of Mining Associate's valuation of the non-Bullabulling Exploration Assets;
- Section 7.3.2 considers the value of the non-Bullabulling Exploration Assets implied by the current market value of Auzex's shares; and
- Section 7.3.3 sets out our view of an appropriate value to adopt for the non-Bullabulling Exploration Assets for the purposes of this Report.

#### **7.3.1 Mining Associate's Valuation of the non-Bullabulling Exploration Assets**

We have engaged the services of Mining Associates to assist with a technical valuation of the non-Bullabulling Exploration Assets for consideration in this Report. Mining Associates are specialist technical valuers of mineral assets and, in our opinion, are suitably qualified to complete a valuation of the non-Bullabulling Exploration Assets.

Mining Associates have set out their view of the fair value of the non-Bullabulling Exploration Assets in a report addressed to BDO CFQ and dated 18 October 2011. We are of the view that it is appropriate for us to refer to this report when determining an appropriate value for the non-Bullabulling Exploration Assets. The Mining Associates report is set out in Appendix C of this Report.

Table 7.2 summarises the range of values that Mining Associates has determined for the non-Bullabulling Exploration Assets.

**Table 7.2: Summary Valuations for the non-Bullabulling Exploration Assets**

Project	Market Approach <sup>(a)</sup>		Cost Approach <sup>(b)</sup>	Preferred		
	Low (\$m)	High (\$m)	(\$m)	Low (\$m)	Preferred <sup>(c)</sup> (\$m)	High (\$m)
North Queensland	4.1	6.1	5.0	5.0	5.0	6.1
New England, New South Wales	3.2	15.6	10.0	10.0	10.0	15.6
Lyell, New Zealand	0.7	2.0	0.8	0.7	1.8	3.0
<b>Total</b>	<b>7.0</b>	<b>23.7</b>	<b>15.8</b>	<b>15.7</b>	<b>16.8</b>	<b>24.7</b>

Source: Table 1 of the Mining Associates Report

- (a) The market approach (also referred to as the sales comparison approach) considers transaction values observed for exploration assets considered broadly comparable to the non-Bullabulling Exploration Assets.
- (b) The cost approach considers the contribution of exploration expenditures to the exploration potential of the non-Bullabulling Exploration Assets.
- (c) The preferred values for the exploration projects in Queensland and New South Wales are based on the cost approach. The preferred value for the Lyell exploration project in New Zealand is based on the market approach.

Table 7.2 shows that Mining Associates considers the value of the non-Bullabulling Exploration Assets to be within the range of \$15.7 million to \$24.7 million, with a preferred value of \$16.8 million. We note that Mining Associates' valuation provides their "estimate of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms-length transaction, wherein each party had acted knowledgeably, prudently and without compulsion" as at 18 October 2011, being the date of Mining Associates' report.

### 7.3.2 Value of the Non-Bullabulling Exploration Assets Implied by the Current Market Value of Auzex's Shares

In our view, it is also appropriate to have regard to the value of the non-Bullabulling Exploration Assets implied by the current market value of Auzex's shares. As mentioned in Section 5.5 of this Report, Auzex's shares are traded on the ASX and in our view display a level of liquidity which is below average levels.

Notwithstanding the below average level of liquidity, as a consequence of the announcements made in relation to the proposed merger with GGG, there is a significant amount of detailed information currently available to the market relating to Auzex and its assets. It is our view that this information allows investors to make fully informed decisions in relation to the value of shares in Auzex.

In our view, the value of the non-Bullabulling Exploration Assets implied by the current market value of Auzex's shares can be calculated as follows:

- Determine the total market value of Auzex having regard to the market based valuation methodology (refer to Section 7.1.4 of this Report for a description of this valuation methodology);
- Calculate an implied value for the exploration assets of Auzex (i.e. both the non-Bullabulling Exploration Assets and the Bullabulling Gold Project) by adjusting the market based valuation of Auzex for the following:
  - The value of cash and cash equivalents; and



- The value of the GGG shares held by Auzex calculated having regard to a market based valuation methodology; and
- Determine the proportion of the total implied market value of the exploration assets of Auzex that relates to the non-Bullabulling Exploration Assets.

We have set out information relating to the market value and liquidity of Auzex shares in Section 5.5 of this Report. Based on the information set out in Section 5.5 of this Report, it is our view that the value of each Auzex share under a market based valuation is \$0.24 to \$0.30, representing the issue price of Auzex’s recent share placement and rights issue and the one month VWAP of Auzex shares. Applying this range to the 95,193,883 Auzex shares on issue, we have calculated the total market capitalisation for Auzex within the range of \$22,846,531 to \$28,558,165.

Auzex have instructed us that cash and cash equivalents are currently equal to \$2,164,938.

We have set out a market based valuation of GGG shares in Appendix B of this Report. Our market based valuation of the shares in GGG implies a value within the range of \$0.27 to \$0.33 per share, with a midpoint of \$0.30 per share. Adopting the midpoint of \$0.30 per share, and applying this to the 7,022,472 GGG shares held by Auzex, results in a total value for the GGG shares held by Auzex of approximately \$2,106,742.

Table 7.3 below sets out the total value of Auzex’s exploration assets (i.e. the total value of the Bullabulling Gold Project and the non-Bullabulling Exploration Assets) implied by the current market value of Auzex’s shares after having made the adjustments referred to above.

**Table 7.3: Total Value of Auzex’s Exploration Assets Implied by the Current Market Value of Auzex’s Shares**

Item	Low (\$)	High (\$)
Current market value of Auzex	22,846,531	28,558,165
Less:		
Cash and cash equivalents	2,164,938	2,164,938
Current market value of GGG shares	2,106,742	2,106,742
<b>Implied market value of Auzex’s Exploration Assets</b>	<b>18,574,851</b>	<b>24,286,485</b>

Source: BDO CFQ Analysis and Auzex

Table 7.3 above shows that the value of Auzex’s exploration assets implied by the current market value of Auzex’s shares is within the range of \$18.6 million to \$24.3 million.

In order to determine an appropriate basis on which to apportion the implied market value of Auzex’s exploration assets, we have had regard to a previous valuation report prepared by Mining Associates in relation to Auzex’s exploration assets dated 18 May 2011. In this report, Mining Associates attributed a value of \$37.9 million to Auzex’s interest in the Bullabulling Gold Project and a value of \$17.3 million to Auzex’s interest in the non-Bullabulling Exploration Assets. Mining Associates therefore attributed approximately 31% of the total value of the exploration assets to the non-Bullabulling Exploration Assets, with the remaining 69% being attributed to the Bullabulling Gold Project.

In the absence of any other information available as at the date of this Report, we consider it appropriate to apportion the total implied market value for the exploration assets set out in Table 7.3 above having regard to the proportion of value attributed to each of the assets in the Mining Associates report dated 18 May 2011. Accordingly, we have attributed 31% of the total implied value for Auzex’s exploration assets to the non-Bullabulling Exploration Assets and 69% of the total implied value for Auzex’s exploration assets to the Bullabulling Gold Project.

Table 7.4 below sets out our calculation of the value attributable to the non-Bullabulling Exploration Assets having regard to the implied market value of Auzex’s exploration assets and the methodology summarised above.

**Table 7.4: Implied Value Attributable to the Non-Bullabulling Exploration Assets**

Item	Low (\$)	High (\$)
Implied market value of Auzex Exploration Assets	18,574,851	24,286,485
Proportion of total implied market value attributable to the non-Bullabulling Exploration Assets	31%	31%
<b>Implied market value attributable to the non-Bullabulling Exploration Assets</b>	<b>5,758,204</b>	<b>7,528,810</b>

Source: BDO CFQ Analysis

Table 7.4 shows that we have calculated the implied market value attributable to the non-Bullabulling Exploration Assets to be within the range of \$5.8 million to \$7.5 million. The midpoint of the range is \$6.6 million.

We consider our methodology for apportioning the market value of Auzex’s exploration assets to be appropriate for several reasons, including the following:

- Our implied market value of the non-Bullabulling Exploration Assets is consistent with our observations and conclusions set out in Section 8.1 of this Report. In Section 8.1 of this Report, we note that the premium observed for Auzex shares relative to GGG shares, which in our view can be viewed as a proxy for the market value attributed to the non-Bullabulling Exploration Assets, is consistently within the range of \$nil to \$10 million. The implied market value attributable to the non-Bullabulling Exploration Assets set out in Table 7.4 above falls within this range; and
- Mining Associates’ current preferred value for the non-Bullabulling Exploration Assets of \$16.8 million is materially consistent with the preferred value for the non-Bullabulling Exploration Assets set out in their report dated 18 May 2011.

Although we have not been provided with an updated valuation of the Bullabulling Gold Project, we are of the view that the current value of the Bullabulling Gold Project is unlikely to be lower than the value calculated by Mining Associates in their valuation report dated 18 May 2011 for reasons which include the following:

- The Bullabulling Gold Project had a total of 2.0 million ounces of JORC resources as at the date of the previous Mining Associates report (i.e. as at 18 May 2011). As at the date of this Report, the Bullabulling Gold Project now has a total of 2.6 million ounces of JORC resources; and
- The gold price was equal to \$1,410 per troy ounce as at the date of the previous Mining Associates report (i.e. as at 18 May 2011). As at the date of this Report, the gold price is equal to \$1,632 per troy ounce.

Having regard to the above, it is our view that the value of the Bullabulling Gold Project accounts for at least 69% of the total implied market value of Auzex's exploration assets. It is our view that the value attributable to the non-Bullabulling Exploration Assets is likely to be no more than 31%. It is our view that the value attributable to the non-Bullabulling Exploration Assets is not likely to be greater than the range of \$5.8 million to \$7.5 million as set out above.

### 7.3.3 Conclusion on Value of the non-Bullabulling Exploration Assets

We note that the value calculated by Mining Associates (set out in Section 7.3.1 of this Report) is materially greater than the value we have calculated for the non-Bullabulling Exploration Assets having regard to the current market price of Auzex shares (set out in Section 7.3.2 of this Report). It is our view that a reason for the difference relates to Mining Associates having valued a direct controlling interest in the non-Bullabulling Exploration Assets, whereas an Auzex and an AEL shareholder will only ever hold an indirect minority interest in the subject non-Bullabulling Exploration Assets.

A controlling interest in a company or asset is usually regarded as being more valuable than a minority interest as it provides the owner with:

- control over operating and financial decisions;
- the right to set the strategic direction;
- control over the buying, selling and use of any assets; and
- control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company or asset.

Another reason for the difference in value between that which Mining Associates have determined and that implied by the current market price of Auzex shares may relate to the markets incorporating macro-economic factors and other current market movements into the pricing of the non-Bullabulling Exploration Assets that may not be specifically incorporated into the valuations completed by Mining Associates.

In the context of this Report, and specifically to provide shareholders with a guide to the current fair market value of the equity interests in AEL that they will hold following the Proposed Demerger, it is our view that it is appropriate to consider the value of the Auzex exploration assets (i.e. both the Bullabulling Gold Project and the non-Bullabulling Exploration Assets) as implied by the current market trading data.

The equity interests in AEL held by shareholders following the Proposed Demerger will represent minority interest parcels of shares and will not be exchange traded immediately following the Proposed Demerger. The shareholders will not hold a direct interest in the non-Bullabulling Exploration Assets, rather a minority equity interest in AEL which will in turn hold the non-Bullabulling Exploration Assets.

After considering the implied market value of the non-Bullabulling Exploration Assets and other information available to us, it is our view that it is appropriate to adopt a valuation range of \$5.7 million to \$7.5 million, with a midpoint of \$6.6 million, as the value of the non-Bullabulling Exploration Assets in this Report.

## 7.4 Other Assets and Liabilities Transferred to AEL

We have been provided with an unaudited pro forma statement of financial position for AEL post the Proposed Demerger as at 30 September 2011. This pro forma statement of financial position sets out the other assets and liabilities to be transferred to AEL under the Proposed Demerger together with Auzex directors' view of their value.

We have referred to the pro forma statement of financial position prepared for AEL when determining an appropriate value to adopt for each of the other assets and liabilities transferred to AEL under the Proposed Demerger. With the exception of the GGG shares, we have assumed that the fair value of the other assets and liabilities are equal to the values set out in this pro forma statement of financial position. We have discussed this assumption with the management of Auzex and believe this assumption to be reasonable in the circumstances.

The values we have adopted for each of the other assets and liabilities held by AEL post the Proposed Demerger are as follows:

- Cash and cash equivalents: We are instructed that AEL will hold approximately \$2.09 million in cash and cash equivalents post the completion of the Proposed Demerger;
- GGG shares: We understand that AEL will continue to hold 7,022,472 shares in GGG post the Proposed Demerger. Adopting the midpoint of our market based valuation of GGG shares of \$0.30 per GGG share (refer to Appendix B of this Report), and applying this to the GGG shares held by AEL post the Proposed Demerger, we have determined a value for the GGG shares equal to \$2,106,742;
- Property plant and equipment: We are instructed that a total of \$83,509 in property, plant and equipment will be transferred to AEL as a result of the Proposed Demerger;
- Provision for employee benefits: A total of \$70,346 in employee benefits relating to the non-Bullabulling Exploration Assets has been provided for by Auzex. We understand that this provision for employee benefits will be transferred to AEL under the Proposed Demerger; and
- Provision for rehabilitation: A total of \$106,617 in rehabilitation costs relating to the non-Bullabulling Exploration Assets has been provided for by Auzex. We understand that this provision for rehabilitation costs will be transferred to AEL under the Proposed Demerger.

We are instructed that Auzex will meet all other transaction and one-off costs associated with the Proposed Demerger, including duties, taxes, legal and financial expenses.

Table 7.5 below summarises the values we have adopted for each of the other assets and liabilities held by AEL post the Proposed Demerger. Table 7.5 below also sets out the net value of the other assets and liabilities held by AEL post the Proposed Demerger.

**Table 7.5: Values Adopted for the Other Assets and Liabilities Held by AEL Post the Proposed Demerger**

Item	Value (\$)
<b>Assets:</b>	
Cash and cash equivalents	2,085,000
GGG shares	2,106,742
Property, plant and equipment	83,509
<b>Total assets</b>	<b>4,275,251</b>
<b>Liabilities:</b>	
Provision for employee benefits	70,346
Provision for rehabilitation	106,617
<b>Total liabilities</b>	<b>176,963</b>
<b>Net value</b>	<b>4,098,288</b>

Source: AEL pro forma statement of financial position as at 30 September 2011

Table 7.5 above shows that the net value of the other assets and liabilities held by AEL post the Proposed Demerger is approximately equal to \$4.1 million.

## 7.5 Asset Based Value of AEL

Table 7.6 below sets out our asset based valuation of AEL having regard to the information set out in Section 7.3 and 7.4 above.

**Table 7.6: Summary of Asset Based Valuation of AEL**

Item	Low (\$)	High (\$)
Non-Bullabulling Exploration Assets	5,758,270	7,528,893
Net value of other assets and liabilities	4,098,288	4,098,288
<b>Asset based value of AEL</b>	<b>9,856,558</b>	<b>11,627,181</b>

Source: BDO CFQ analysis

Our asset based valuation methodology results in a value for AEL within the range of \$9.9 million to \$11.6 million.

## 8.0 Assessment of the Proposed Demerger

This section of this Report sets out our opinion on whether the Proposed Demerger is in the best interests of the shareholders of Auzex. This section is set out as follows:

- Section 8.1 considers the advantages of the Proposed Demerger;
- Section 8.2 considers the disadvantages, including risks, of the Proposed Demerger;
- Section 8.3 discusses Ineligible Foreign Shareholders;
- Section 8.4 considers tax implications arising from the Proposed Demerger;
- Section 8.5 considers alternatives to the Proposed Demerger;
- Section 8.6 considers the position of Auzex shareholders if the Proposed Demerger is not approved; and
- Section 8.7 sets out our assessment of whether the Proposed Demerger is, on balance, in the best interests of the shareholders of Auzex based on an assessment of the above.

Section 8.7 also sets out whether, in our view, the Capital Reduction is ‘fair and reasonable’ to Auzex shareholders as a whole.

### 8.1 Advantages of the Proposed Demerger

#### 8.1.1 Shareholders will have the Option to Consider the Merger with GGG

Auzex announced the signing of a binding Heads of Agreement with GGG to the ASX on 29 August 2011 to bring the Bullabulling Gold Project under a single corporate entity to be named Bullabulling Gold. It is proposed that the transaction will be completed by way of an all-scrip merger of equals which will be Australian domiciled and listed on the ASX and AIM. The highlights of the proposed merger, as set out by Auzex in their announcement, include:

- Creation of an advanced exploration / pre development gold-focussed company, Bullabulling Gold, which owns 100% of the Bullabulling Gold Project, located 65km south-west of Kalgoorlie, Western Australia;
- Merger of equals with Auzex and GGG shareholders owning 50% each of Bullabulling Gold subject to adjustment for cross share holdings and relative cash holdings;
- Unified management team with sole focus on the development of the Bullabulling Gold Project; and
- Listed on the ASX and AIM providing global access to capital markets.

In announcing the signing of the binding Heads of Agreement, Chris Baker, Chairman of Auzex, commented:

“This merger will provide the opportunity to unlock significant value for both parties and ensure the fast-track development of the Bullabulling Gold Project at a critical time in its development.”

A condition of the binding Heads of Agreement is that the Proposed Demerger proceeds. If the Proposed Demerger is not approved and this condition is not waived (we have been provided with no indication that either party would consider waiving this condition), shareholders of Auzex will not have an opportunity to vote on the creation of Bullabulling Gold through the merger with GGG.

Further information in relation to the proposed merger with GGG is set out in Section 5.3 of this Report.

### 8.1.2 Market Value of Auzex Shares Post Demerger May Not Change Materially

As stated previously in this Report and as shown in Table 8.1 below, Auzex and GGG both hold very similar assets.

**Table 8.1: Summary of Material Assets of Auzex and GGG**

Material Assets of Auzex	Material Assets of GGG
Cash	Cash
50% interest in Bullabulling Gold Project	50% interest in Bullabulling Gold Project
Shares in GGG	Shares in Auzex
Non-Bullabulling Exploration Assets	

Given that Auzex and GGG hold very similar assets, it is our view that by comparing the market capitalisations of the two companies, adjusted appropriately for cash and the cross-holdings in each other, it is possible to estimate the implied value that the market is adopting for the non-Bullabulling Exploration Assets as this is the only material asset that differs between the two entities. We have referred to this adjusted market capitalisation figure as ‘the Adjusted Enterprise Value’.

Given that the main asset of both companies is their 50% interest in the Bullabulling Gold Project, by comparing the Adjusted Enterprise Value of the two companies, we can infer the quantum of value (if any) the market is attributing to Auzex’s non-Bullabulling Exploration Assets.

By way of example, if Auzex’s Adjusted Enterprise Value is at a premium to GGG, we can infer that the market may be placing some value on the non-Bullabulling Exploration Assets. Conversely, if Auzex’s Adjusted Enterprise Value is at a discount to GGG, we can infer that the market is placing minimal value on the non-Bullabulling Exploration Assets of Auzex.

We note that in circumstances where the market is placing minimal value on the non-Bullabulling Exploration Assets, a demerger of these assets from Auzex may not result in the value of Auzex changing materially post the Proposed Demerger.

The methodology that we have considered to complete our analysis and the results of our analysis are set out below.

## Methodology Used to Complete Analysis

The methodology that we have adopted to compare the Adjusted Enterprise Values of Auzex and GGG is summarised below:

- The period of time that we have considered is August 2010 to October 2011 which represents the period of time in which both companies, Auzex and GGG, have held an interest in the Bullabulling Gold Project;
- The market capitalisation for Auzex and GGG has been estimated by sourcing the daily VWAP for both companies and multiplying this figure by our estimate of the total shares on issue in each company on each individual day;
- The trading values of GGG have been converted into Australian dollars having regard to the foreign exchange rate applicable for each individual day;
- The value each company's cross-holding in each other has been calculated having regard to the daily VWAP and subtracted from the market capitalisation calculated; and
- Our estimate of the cash held by each company has been subtracted from the market capitalisation calculated. In relation to this point, we note that companies only disclose their cash balance at the end of each reporting period. The lack of daily disclosure requires a valuer to adopt an estimate of cash for each interim date which may not reflect the actual cash on hand as at that date. We have estimated the cash on hand balance of each company as at each date having regard to the cash balance from the immediately preceding financial report, adjusted for capital raisings and average historical rates of cash depletion.

We regard the above methodology as an indicative high level analysis which is appropriate as a guide to value only. There may be factors other than the non-Bullabulling Exploration Assets which impact the Adjusted Enterprise Value of each company.

Other factors that may contribute to a difference between the Adjusted Enterprise Values of Auzex and GGG include:

- The companies operate in different legal jurisdictions with different disclosure requirements, taxation laws and corporate governance requirements;
- The companies are listed on different stock exchanges. Auzex is listed on the ASX and GGG is primarily listed on the AIM. Different stock exchanges may have different supply and demand factors which impact a stock's price;
- Auzex operates the Bullabulling Gold Project on a day to day basis while GGG is essentially a financial investor;
- As GGG is listed on the AIM, GGG may be exposed to additional levels of foreign exchange risk;
- Due to being domiciled in a different legal jurisdiction and listed on a different stock exchange, GGG may incur an additional level of corporate governance expenses not incurred by Auzex; and
- Each company has different levels of cash available to fund operations, different management teams and different levels of shareholdings in each other.

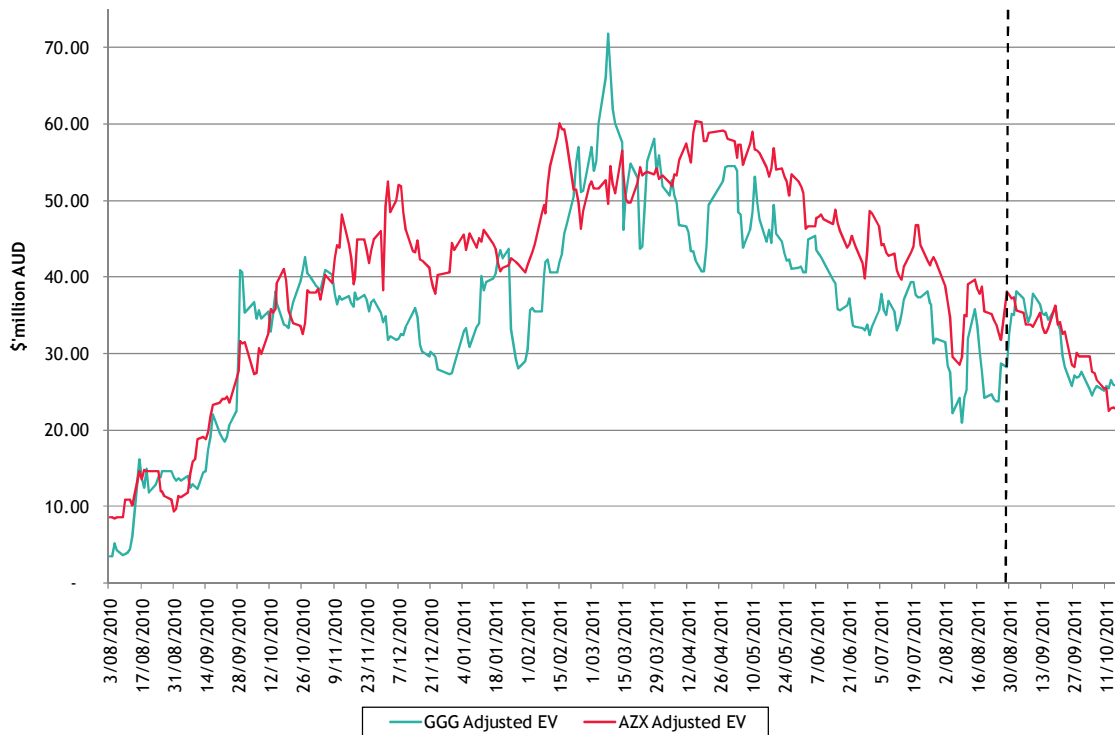


Notwithstanding the above limitations, it is our view that our analysis provides a broad guide to the relative difference between the trading values of Auzex and GGG.

### Comparison of Auzex and GGG's Adjusted Enterprise Value

Figure 8.1 below sets out Auzex's and GGG's daily Adjusted Enterprise Value from 3 August 2010 to 11 October 2011. The vertical line at 29 August 2011 represents the date at which Auzex announced the signing of the binding Heads of Agreement in relation to the merger between Auzex and GGG.

Figure 8.1: Adjusted Enterprise Value - Auzex and GGG August 2010 to October 2011



Source: Bloomberg

Figure 8.1 above shows that the daily Adjusted Enterprise Values of Auzex and GGG are correlated. We also note that this correlation appears to have increased post the signing of the binding Heads of Agreement on 29 August 2011 in relation to the merger between Auzex and GGG, as represented by the period of time to the right of the vertical line.

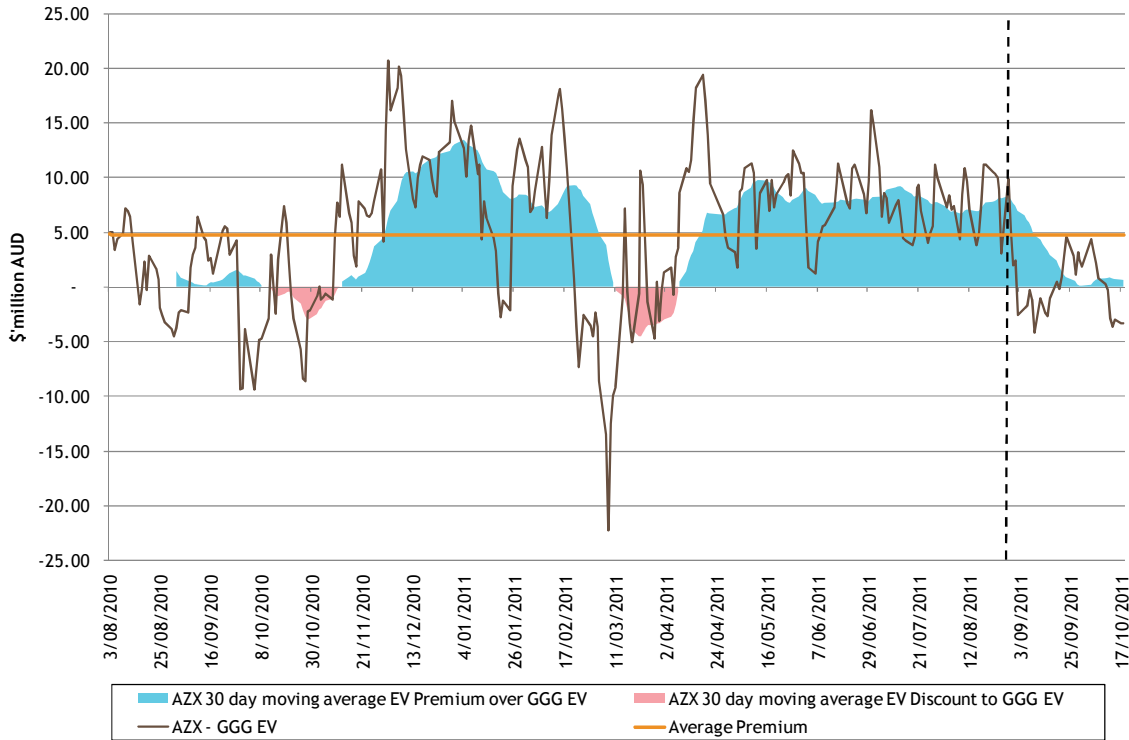
To assist in highlighting the relative difference in Adjusted Enterprise Value on each individual day, we have also graphed the difference between Auzex's Adjusted Enterprise Value and GGG's Adjusted Enterprise Value. This analysis is set out in Figure 8.2 below.

In relation to Figure 8.2 below we note that:

- The brown line represents Auzex's daily Adjusted Enterprise Value minus GGG's daily Adjusted Enterprise Value;
- The areas shaded in blue represent periods in which Auzex trades at a premium to GGG having regard to a moving average based on the previous 22 trading days. Areas shaded in pink represent periods where Auzex trades at a discount having regard to a moving average based on the previous 22 trading days; and

- The horizontal gold line represents the average premium that Auzex trades at over GGG, calculated as the average of Auzex's daily Adjusted Enterprise Value minus GGG's daily Adjusted Enterprise Value.

Figure 8.2: Difference between Auzex and GGG Adjusted Enterprise Value



Source: Bloomberg

In relation to Figure 8.2 above we note the following:

- As at 18 October 2011, the difference between the Adjusted Enterprise Value of Auzex and GGG is, in our view, immaterial;
- Auzex's Adjusted Enterprise Value was generally higher than GGG's as indicated by the amount of blue shading shown in Figure 8.2 relative to the pink shading;
- The relative difference between Auzex and GGG's Adjusted Enterprise Values exhibited high levels of volatility during the period. By way of example, Auzex's daily Adjusted Enterprise Value was \$20.73 million higher than GGG's on 2 December 2010 and \$22.22 million lower than GGG's on 8 March 2011;
- Auzex traded at an average daily premium of approximately \$4.7 million over the period implying the market may attribute some value to Auzex's non-Bullabulling Exploration Assets;
- Post the announcement of the signing of the binding Heads of Agreement on 29 August 2011 (as indicated by the vertical line), the moving average decreased to a value close to zero which potentially indicates that the market does not see material differences between the asset value of Auzex and GGG. In this case, it can be implied that the value of the non-Bullabulling Exploration Assets is currently viewed by the market as immaterial; and

- Prior to the announcement of the signing of the binding Heads of Agreement on 29 August 2011, other reasons that could explain the premium of Auzex relative to GGG, in addition to the non-Bullabulling Exploration Assets, include:
  - Auzex manages the Bullabulling Gold Project on a day to day basis and may have more influence over the operations of the asset; and
  - Auzex is listed on the ASX which shares the same jurisdiction as Auzex's assets whereas GGG is listed on a stock exchange which is domiciled in a different jurisdiction to GGG's assets.

We would expect these reasons to be less relevant post the signing of the binding Heads of Agreements and this appears to be a view also reflected by the market.

Based on our high level analysis, it is our view that the value of Auzex post the Proposed Demerger may not change materially as the market does not appear to be placing a material value on Auzex's non-Bullabulling Exploration Assets as at 18 October 2011.

### 8.1.3 Shareholders have an Opportunity to Realise an Overall Increase in Value

In our view, the Proposed Demerger will result in an opportunity for Auzex shareholders to realise an overall increase in value. The factors that we considered in forming this view include:

- Our analysis from Section 8.1.2 indicates that the value being placed on the non-Bullabulling Exploration Assets by the market, as at 18 October 2011, is minimal;
- The analysis from Section 8.1.2 indicates that, on average, the value being placed on the non-Bullabulling Exploration Assets has been approximately \$4.7 million over the previous 12 month period. This assumes that the difference in the Adjusted Enterprise Value of Auzex and GGG over the period of time considered is solely attributed to the non-Bullabulling Exploration Assets which may not necessarily be the case (refer to Section 8.1.2 for additional information);
- We have adopted a value for the non-Bullabulling Exploration Assets in the range of \$5.8 million to \$7.5 million (refer to Section 7.5 of this Report for additional information);
- The Mining Associates Technical Report adopts a value for the non-Bullabulling Explorations Assets in the range of \$15.7 million to \$24.7 million with a preferred value of \$16.8 million;
- As stated in the Target's Statement released by Auzex to the ASX on 19 May 2011, the directors of Auzex believe that the non-Bullabulling Exploration Assets have the potential to create significant additional value for Auzex shareholders;
- Investor awareness will be increased following the Proposed Demerger as it will be easier for AEL shareholders and other investors to evaluate the projects, strategies and other characteristics of AEL. The reduced complexity and improved transparency should also improve investor understanding of AEL's projects and strategy; and
- AEL will have its own board of directors devoted to developing the non-Bullabulling Exploration Assets (refer to Section 8.1.5 below for additional discussion on this point).

In our view and having regard to the above points, by implementing the Proposed Demerger, the shareholders of Auzex have an opportunity to realise an overall increase in value. The reason for this is that the market appears to attribute minimal value to the non-Bullabulling Exploration Assets whereas there are reasons to suggest that these assets are of value and that AEL has intentions to progress development of the non-Bullabulling Exploration Assets.

For completeness we note that there are additional factors that will impact the ability of Ineligible Foreign Shareholders to realise value. These factors are discussed further in Section 8.3 of this Report.

#### 8.1.4 Strategic Flexibility to Focus on Core Competencies and Strategies

As a result of the Proposed Demerger, it is anticipated that Auzex and AEL will be able to focus their attention and financial resources on their respective objectives and core competencies, and make strategic, operational and investment decisions on the basis of priorities and objectives that are relevant to each business.

In particular, we note that as a stand-alone company, AEL may be better placed to pursue targeted growth opportunities as:

- AEL will no longer need to compete directly with Auzex's Bullabulling Gold Project for capital; and
- AEL is expected to have greater flexibility to pursue joint ventures and alliances to fund internal growth.

#### 8.1.5 Board and Management Focus

The Proposed Demerger will result in the creation of two companies with separate boards focussed on their respective projects.

The directors of Auzex will remain focussed on the Bullabulling Gold Project while the directors of AEL will be focused on the performance of the non-Bullabulling Exploration Assets, which we understand currently receives less attention from the directors of Auzex. As a stand alone company, the directors of AEL will be better positioned to focus on its core business competencies and respond to the challenges and opportunities presented in its business.

#### 8.1.6 Ability to Adopt Appropriate Capital Structure and Financial Policies

Under the current ownership structure, the non-Bullabulling Exploration Assets must compete with the Bullabulling Gold Project for funding and resources. This limits to some extent the ability to pursue strategic growth opportunities in respect of the non-Bullabulling Exploration Assets. We understand that the non-Bullabulling Exploration Assets have not been a priority for the Company.

Following the Proposed Demerger, both Auzex and AEL will be better able to adopt a capital structure and financial policies that are appropriate to their own particular operational and strategic objectives. Auzex will be able to continue adopting a capital structure and financial policies suited to a mining development business. AEL on the other hand, will be able to operate with a capital structure and financial policies appropriate for a mining exploration business.

Both Auzex and AEL will be required to fund future development from their own resources, providing additional discipline on capital and operating expenditure.

Notwithstanding the above, we note that the ongoing capital structure and financial policies of Auzex and AEL will be at the discretion of the directors and may change from time to time.

### 8.1.7 Shareholder Flexibility

If the Proposed Demerger is approved, Auzex shareholders' interest in the Bullabulling Gold Project and the non-Bullabulling Exploration Assets will be split into two separate companies and Auzex shareholders will retain their existing economic exposure to both the Bullabulling Gold Project and the non-Bullabulling Exploration Assets. For completeness we note that Ineligible Foreign Shareholders will only retain their economic interest at the discretion of the sale agent and, in any event, not beyond 30 June 2012 unless at that time a liquidity event is pending.<sup>9</sup>

As a result of Auzex shareholders' interest in the Bullabulling Gold Project and the non-Bullabulling Exploration Assets being split into two separate companies, the Proposed Demerger will provide current Auzex shareholders and future investors with a clear investment choice and the flexibility to choose the level of exposure that they would like in each company. Specifically, the operating characteristics and financial profiles of Auzex and AEL will differ and the Proposed Demerger will provide investors with an opportunity to: retain exposure to both companies; retain only their exposure to a mining development business by solely keeping Auzex shares; or retain only their exposure to an exploration company by retaining their AEL shares.

The combination of Auzex and AEL within a single group does not provide choice for those investors who prefer an exposure to an investment in one of these companies but not the other.

Notwithstanding our view that this is an advantage, it should be noted that in the short term, AEL will not be listed on any exchange and it will be more difficult to readily transact in shares in AEL compared with the current shareholding in Auzex. The lack of short term liquidity in AEL shares is discussed further in Section 8.2.4 below.

### 8.1.8 Support of Major Investors

On 17 October 2011, post the announcement of the Proposed Demerger on 29 August 2011, Auzex conducted a share placement of approximately 14.3 million ordinary Auzex shares, raising \$3.4 million before costs. Auzex received the funds from the placement on 28 October 2011.

We understand that the share placement was oversubscribed and that several major shareholders of Auzex subscribed to the share placement. In our view, the oversubscription and uptake by major Auzex shareholders post the announcement of the Proposed Demerger on 29 August 2011 indicates support for the Proposed Demerger from major Auzex shareholders.

---

<sup>9</sup> A liquidity event is defined in the Demerger Scheme Booklet as a listing of AEL shares on the ASX, or any transaction pursuant to which a majority of AEL shares may be acquired including but not limited to a takeover bid or scheme of arrangement.

## 8.2 Disadvantages and Risks of the Proposed Demerger

### 8.2.1 Additional Corporate Costs

Following the Proposed Demerger, Auzex and AEL will each be responsible for their own corporate costs. In particular, AEL will incur additional costs associated with certain services and internal management systems such as accounting, treasury, legal and taxation services. We understand that the majority of these services will be provided (or procured) by Auzex on a transitional basis and for a period of time no longer than six months.

AEL will pay Auzex for the services to be provided at cost. In the event that Auzex is no longer able to provide a service, it must use its reasonable endeavours to assist AEL to effect the transfer of the supply of the service to a third party.

It is expected that the corporate costs to be incurred by AEL (inclusive of the services to be provided by Auzex and additional directors and management fees) will initially be approximately \$0.13 million per month during the six month transitional period. Post this transitional period, the additional corporate costs are expected to be approximately \$0.16 million per month.

Further details on the Demerger Deed are set out in section 7.5 of the Demerger Scheme Booklet.

### 8.2.2 One-Off Transaction and Implementation Costs

If the Proposed Demerger is approved, Auzex and AEL will incur a number of one-off transaction and implementation costs associated with splitting the two companies including further advisory, legal and accounting fees.

The one-off transaction and implementation costs will also include certain duties and taxes that will be incurred on the transfer of the non-Bullabulling Exploration Assets and the GGG shares from Auzex to AEL. We understand that transfer duties payable by Auzex upon transfer of the NSW exploration tenements will be calculated at the rate of \$40,490 for the first \$1.0 million of value plus 5.5% of the excess value. Stamp duty of 0.5% of the transfer price (based on market value) of the GGG shares will also be payable by Auzex.

The total one-off transaction and implementation costs are estimated by the directors of Auzex to be approximately \$0.39 million. We note that this figure may change if the values of the NSW exploration tenements and GGG Shares change between the date of our report and the date that the transfer duty payable is calculated.

### 8.2.3 Ability of AEL to Raise Additional Capital

Following the Proposed Demerger, AEL will no longer have the financial support, asset backing or credit profile associated with being part of the larger Auzex Group. As a result, it is likely to have a higher cost of funds (both debt and equity) and may find it relatively difficult to raise additional funds through capital markets.

This issue is particularly relevant to AEL as the cash that the entity will have at the time of the Proposed Demerger is anticipated to fund corporate costs and minimal development costs relating to its key assets until AEL's intended IPO capital raising in the first half of 2012 or 30 June 2012, whichever is the earlier. There is no guarantee that AEL will be able to raise further funds before it exhausts its existing cash on hand which has the potential to lead to financial distress.

## 8.2.4 Liquidity

If the Proposed Demerger is approved, AEL will be an unlisted Australian public company. Due to its unlisted status, it is likely that shareholders of AEL will find it difficult, relative to their holding in Auzex, to readily transact in their AEL shares.

To overcome the lack of liquidity in AEL after the Proposed Demerger, AEL intends to apply for listing on the ASX pursuant to an IPO before July 2012, markets permitting.

In our view, the listing of AEL on the ASX by way of an IPO is a strategy, which if implemented, will assist to increase liquidity in the shares of companies comparable to AEL. There have been a range of companies list on the ASX recently, holding cash and exploration tenements without any proven resources.

Table 8.2 below summarises a number of these companies along with the cash held at the time of listing, enterprise value ('EV') and the number and total size of the tenements.

**Table 8.2: Recent Exploration Company IPOs**

Date	Company	Industry	Amount Raised (\$m)	Market Cap. (\$m)	Cash Held (\$m)	EV (\$)	No. Of Tenements	Area (km <sup>2</sup> )
11/10/11	Stratum Metals Ltd	Metal - Diversified	4.0	8.2	3.9	4.3	6	550
23/09/11	Parker Resources NL	Gold Mining	3.0	3.6	3.0	0.6	1	702
22/09/11	Baru Resources Ltd	Coal Mining	5.9	10.0	4.7	5.3	7	7140
16/09/11	Cradle Resources Ltd	Metal - Diversified	2.4	5.5	2.4	3.1	2	350
5/09/11	Strickland Resources Ltd	Gold Mining	3.0	4.8	3.9	0.9	8	47
2/09/11	Commissioners Gold Ltd	Gold Mining	4.5	6.9	3.5	3.4	6	500
1/09/11	Red Mountain Mining Ltd	Gold Mining	8.0	15.8	5.7	10.1	2	51
1/09/11	Terranova Minerals NL	Diversified Minerals	4.0	4.6	3.6	1.0	2	22

Source: Bloomberg and various company Annual Reports

In addition to the above, we note that in the past 12 months there have been 101 IPOs of mining and exploration companies with an average capital raising of \$8.5 million and average market capitalisation of \$30.4 million.

There is no guarantee that AEL will become listed by July 2012 or even that it will become listed at all.

For completeness we note that there are additional factors that will impact the liquidity of AEL shares held by Ineligible Foreign Shareholders. These factors are discussed further in Section 8.3 of this Report.

For completeness, we note that the current liquidity of Auzex is discussed in Section 5.5.2 of this Report.

### 8.2.5 Limited Track Record of AEL

If the Proposed Demerger is implemented, AEL will be a newly created entity, with limited historical financial and operating information, incorporated specifically to hold and operate the non-Bullabulling Exploration Assets.

While we understand that each of AEL's proposed directors has significant experience in business, management and the mining exploration industry, AEL's ability to achieve its objectives depends on the ability of the directors and the management team to implement proposed exploration programs and to respond in a timely and appropriate manner to any unforeseen circumstances which may require changes to those programs. The limited track record represents a potential risk to AEL shareholders.

### 8.2.6 Exploration and Development Risk of AEL

Although AEL will inherit an established exploration business in the form of the non-Bullabulling Exploration Assets, its future value will be materially dependent on the success or otherwise of AEL's activities which are directed towards the search, evaluation and development of gold, copper, tin, tungsten, molybdenum and other resources.

Exploration for these resources is speculative and involves a significant degree of risk. Although the rewards can be substantial, there is no guarantee that future exploration in territories for which AEL has exploration permits and licences will lead to commercial discovery or, if there is such discovery, that AEL will be able to develop it economically. If at any stage AEL is precluded from pursuing its exploration programs or decides not to continue with any of these, this is likely to have an adverse effect on the value of AEL shares. We regard an investment in AEL to be high risk and speculative.

## 8.3 Ineligible Foreign Shareholders

In broad terms, an Ineligible Foreign Shareholder is a scheme shareholder whose registered address on the record date is in any jurisdiction other than Australia and its external territories, New Zealand or the United Kingdom. Ineligible Foreign Shareholders are estimated to hold less than 1% of the total number of Auzex shares on issue and comprise approximately 10 shareholders by number.

Ineligible Foreign Shareholders will participate in the Capital Reduction on the same basis as all other Auzex shareholders. However, instead of being attributed AEL shares, the AEL shares to which the Ineligible Foreign Shareholders would otherwise have been entitled will be transferred to a sale agent to be sold as soon as reasonably practicable after the implementation date having regard to the value that will be realised for Ineligible Foreign Shareholders. We have been instructed that such a sale may be delayed until AEL shares are listed on the ASX if that is in the best interests of Ineligible Foreign Shareholders, but must not be delayed beyond 30 June 2012 unless at that time there is a liquidity event pending. Ineligible Foreign Shareholders will receive a cash payment equal to the average proceeds of sale, after deduction of any applicable brokerage, taxes and charges.

As the value that is ultimately realised by Ineligible Foreign Shareholders is dependent upon the value that the sale agent is able to obtain (after deduction of any applicable brokerage, taxes and charges), there is a risk for Ineligible Foreign Shareholders that they may not receive cash value for their shares in AEL which reflects the value of the shares adopted by Auzex or AEL for the purposes of the Demerger. We also note that as AEL will be an unlisted company, there is a risk that the shares of Ineligible Foreign Shareholders in AEL will not be able to be sold in full, in part or at all or for any given price or within any particular timeframe.



For further information regarding the treatment of Ineligible Foreign Shareholders under the Proposed Demerger, refer to section 7.3 of the Demerger Scheme Booklet.

## 8.4 Taxation Considerations

The Proposed Demerger has taxation implications for Auzex shareholders. The taxation implications of the Proposed Demerger are complex and depend on the laws of the country in which an Auzex shareholder is a tax resident and the availability of demerger tax relief. It is outside the scope of this Report to address taxation considerations in detail. Auzex shareholders should consider these implications when deciding how to vote in relation to the Proposed Demerger.

A more detailed discussion of the taxation consequences of the Proposed Demerger for Australian resident Auzex shareholders who hold their shares on capital account is contained in section 8 of the Demerger Scheme Booklet. It is recommended that all Auzex shareholders should, in considering their tax implications from the Proposed Demerger, obtain independent professional tax advice regarding the income tax and capital gains tax implications specific to their circumstances.

## 8.5 Alternatives to the Proposed Demerger

The directors of Auzex are of the view that there are limited alternatives to the Proposed Demerger. The reason for this is that the directors of Auzex believe that GGG, in its approaches to Auzex, has not attributed a reasonable value to the non-Bullabulling Exploration Assets.

While the directors of Auzex believe that the merger with GGG is worth pursuing, they also believe that Auzex shareholders are entitled to receive a fair value for the non-Bullabulling Exploration Assets.

Given that GGG was not prepared to pay a value for the non-Bullabulling Assets that the directors of Auzex believe to be a reasonable price, the directors of Auzex had two alternatives. They could either sell these assets in their entirety to a third party or complete a transaction consistent with the Proposed Demerger and distribute the assets to current Auzex shareholders.

The directors of Auzex believe that the Proposed Demerger of the non-Bullabulling assets is the most appropriate course of action, as this approach enables Auzex shareholders to retain their equity interest in the non-Bullabulling Exploration Assets and share in any upside. After having regard to the current market environment and existing economic conditions, we understand that the directors of Auzex formed the view that a sale of the non-Bullabulling Exploration Assets in their entirety to a third party would not maximise value to Auzex shareholders.

## 8.6 Position of Shareholders if the Proposed Demerger is Not Approved

Table 8.3 below outlines a number of possible impacts on individual Auzex shareholders if the Proposed Demerger does not proceed.

**Table 8.3: Summary of Potential Impact on Auzex Shareholders if the Proposed Demerger Does Not Proceed**

Impact	Explanation
Auzex shareholders will continue to hold shares in Auzex	If the Proposed Demerger is not approved, Auzex shareholders will continue to hold their shares in Auzex 'as is' (i.e. they will continue to own and manage the non-Bullabulling Exploration Assets in addition to Auzex's other assets including the cash, 50% interest in the Bullabulling Gold Project and GGG shares).
The Capital Reduction will not proceed	If the Proposed Demerger is not approved then the capital reduction that was to form part of the Proposed Demerger transaction will not proceed.

Impact	Explanation
AEL shares will not be issued	<p>If the Proposed Demerger is not approved then Auzex shareholders will not receive AEL shares (or, in the case of Ineligible Foreign Shareholders, they will not receive the average proceeds, after deduction of any applicable brokerage, taxes and charges, from the sale of AEL shares).</p> <p>Furthermore, the advantages set out in Section 8.1 of this Report, which includes a potential uplift in overall value for Auzex shareholders, will not be realised. Likewise, the disadvantages of the Proposed Demerger that are set out in Section 8.2 of this Report may not otherwise arise.</p>
Proposed merger of Auzex and GGG will not proceed	The Proposed Demerger is a condition precedent in relation to the proposed merger of Auzex and GGG. If the Proposed Demerger is not approved then this condition will not be met and the proposed merger of Auzex and GGG will not proceed. The only exception to this circumstance would be if this condition is waived. We have not been provided with any indication to suggest that this condition would be waived.
Costs incurred as a result of the Proposed Demerger	If the Proposed Demerger is not approved, Auzex will not be able to recover the costs incurred in considering the Proposed Demerger. These transaction costs are estimated to be approximately \$0.74 million.

Source: BDO CFQ analysis

## 8.7 Conclusion

After considering the information set out in Sections 8.1 to 8.6 above, it is our view that, on balance, the advantages of the Proposed Demerger outweigh the disadvantages of the Proposed Demerger and that the Proposed Demerger is in the **Best Interests** of Auzex shareholders.

In forming our opinion, we specifically note that:

- The Capital Reduction is an equal capital reduction and all Auzex shareholders are treated equally;
- There will not be a change in the underlying economic interests of Auzex shareholders (excluding any changes that relate to Ineligible Foreign Shareholders) as the Proposed Demerger is essentially splitting an Auzex share into both an Auzex share and an AEL share. There is no change of control in the shareholding in Auzex and, but for the Ineligible Foreign Shareholders ultimately having their shares sold by a sale agent, the shareholding in AEL at the time of the Proposed Demerger will mirror Auzex's; and
- The benefits of being able to consider the merger with GGG, having a separate value attributed to the assets in AEL and a greater focus being afforded to the non-Bullabulling Exploration Assets outweighs the increased corporate costs, less diversified assets and temporary lack of liquidity.

We have not been requested to, and therefore have not, formed a view on the Proposed Demerger in relation to option holders in Auzex.

The decision to vote for or against the Proposed Demerger is a separate decision to the investment decision to hold or divest Auzex and AEL shares. We recommend shareholders consult their own professional advisers in relation to the decision on whether to hold or divest Auzex and AEL shares.

Specifically in relation to the Capital Reduction, it is our view that, on balance, the Capital Reduction is 'fair and reasonable' to Auzex's shareholders as a whole. In forming this view we considered the following:

- the Capital Reduction is an ‘equal reduction’ that applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold and the terms of the reduction are the same for each holder of ordinary shares;
- the value of the Capital Reduction is approximately \$10.1 million and we have valued the consideration to be provided to Auzex shareholders in the range of \$9.9 million to \$11.6 million. Auzex shareholders will receive their proportionate interest in the value of the Capital Reduction via either shares in AEL or, in the case of Ineligible Foreign Shareholders, cash equal to the average proceeds from the sale, after deduction of any applicable brokerage, taxes and charges, multiplied by the number of AEL shares that they would otherwise have been entitled to; and
- the Proposed Demerger, which we have assessed above as being in the best interests of Auzex shareholders, is conditional on the Capital Reduction.

While we are of the view that the Capital Reduction is ‘fair and reasonable’ to Auzex’s shareholders as a whole, we specifically note that as AEL will be an unlisted company, there is a risk that the shares of Ineligible Foreign Shareholders in AEL will not be able to be sold in full, in part or at all or for any given price or within any particular timeframe.

In particular, there is a risk for Ineligible Foreign Shareholders that they may not receive cash value for their shares in AEL which reflects the value of the shares adopted by Auzex or AEL for the purposes of the Demerger. We have not been requested to determine whether or not the Capital Reduction is ‘fair and reasonable’ to the Ineligible Foreign Shareholders as a separate group of shareholders.

## 9.0 Assessment of whether the Capital Reduction Materially Prejudices Auzex’s Ability to Pay its Creditors

As part of the Proposed Demerger, Auzex will undertake a capital reduction of approximately \$10.1 million which will be implemented by demerging AEL from Auzex and allocating shares in AEL to Auzex shareholders. The Capital Reduction will cause share capital and net assets in Auzex to reduce by approximately \$10.1 million.

As a result of the proposed changes to the structure of Auzex as a result of the Capital Reduction and Proposed Demerger, we have been requested by the directors of Auzex to express our opinion in this Report in relation to whether the Capital Reduction materially prejudices Auzex’s ability to pay its creditors.

Prima facie, a reduction in the share capital and net assets of Auzex would be expected to disadvantage trade creditors as there is a corresponding reduction in Auzex’s capacity to pay the creditors. To determine the level of any corresponding reduction in capacity to repay creditors, it is appropriate to consider the position of the creditors prior to the Capital Reduction relative to their position post the Capital Reduction.

In completing our analysis, we have assumed that creditors satisfied with Auzex’s financial position when providing credit to Auzex pre Capital Reduction will remain satisfied post Capital Reduction in circumstances where Auzex’s capacity to repay has not changed materially.

Table 9.1 below sets out a summary of the factors that we have considered to determine whether, in our view, Auzex’s ability to pay its creditors will be materially prejudiced as a result of the Capital Reduction.

**Table 9.1: Effect of the Capital Reduction on Auzex’s and AEL’s Creditors**

Consideration	Description
Allocation of creditors between Auzex and AEL	<p>As at 30 September 2011, Auzex had creditors of approximately \$2.53 million on a consolidated basis. We have been instructed that if the Proposed Demerger is implemented, Auzex will retain the entire creditors balance and AEL, at the time of implementation, will have a creditor balance of \$nil.</p> <p>We have been instructed by the directors of Auzex that the creditors as at 30 September 2011 represent a reasonable estimate of creditors on an ongoing basis.</p>
Age of creditors	<p>We have been instructed by the directors of Auzex that they typically pay the majority of creditors within 30 days. Given that Auzex has sufficient cash and cash equivalents to pay the current creditors (which is reinforced by the placement and rights issue recently announced), it is our view that any new creditors of Auzex and AEL will have the opportunity to form their own view on the financial position of these two companies prior to deciding to extend further credit.</p>
Movements in asset base	<p>The Capital Reduction and Proposed Demerger will result in assets being demerged from Auzex including the non-Bullabulling Exploration Assets, GGG shares and cash.</p> <p>The movement in asset value as a consequence of the transfer of these assets to AEL is partially offset by the cash raised through the share placement on 28 October 2011 and cash to be raised under the fully underwritten rights issue (refer to Section 5.4.2 of this Report for additional information in relation to the share placement and rights issue).</p> <p>We are instructed that Auzex’s consolidated cash and cash equivalents as at 30 September 2011 (i.e. prior to the announcement of the placement and rights issue) on a consolidated basis are estimated at approximately \$2.16 million and that this would increase to approximately \$7.6 million post the share placement, rights issue and after providing approximately \$2.1 million to AEL.</p>

Consideration	Description
Current ratio	<p>The current ratio (measured as current assets over current liabilities) of Auzex as at 30 September 2011 was approximately 0.90 times after allowing for the sunk costs associated with the Proposed Demerger of approximately \$0.74 million.</p> <p>After adjusting for the \$7.52 million (net of costs) from the placement and fully underwritten rights issue, the current ratio increases to approximately 2.90 times as at 30 September 2011.</p> <p>Post the implementation of the Proposed Merger, we estimate that the current ratio of Auzex will be approximately 2.22 times while the current ratio of AEL will be approximately 11.78 times after allowing for transaction costs associated with the Proposed Demerger of approximately \$1.14 million. In our view, current ratios at these levels indicate that both Auzex and AEL will be in a position to repay the outstanding creditors as, and when, they fall due.</p>
Less drain on Auzex cash flows	<p>The non-Bullabulling Exploration Assets do not yet have any proven resources and cash is required to be expended to further develop these assets. With these assets removed from Auzex, there may be less drain on the cash flows of Auzex as this is expenditure that it will no longer be required to be paid.</p>
Auzex will continue to be a listed entity with access to capital markets if required	<p>Auzex will continue to be a listed entity which holds the 50% interest in the Bullabulling Gold Project. Auzex will, subject to market conditions, continue to have access to capital markets if further cash is required.</p> <p>By way of example, Auzex announced in the week beginning 17 October 2011 that it had successfully raised approximately \$3.4 million (before costs) by way of placement in addition to a fully underwritten rights issue to raise a further \$4.6 million (before costs) which it expects to complete by 25 November 2011.</p> <p>For completeness we note that the directors of Auzex believe that the recent capital raisings are sufficient to fund operations in the immediate future.</p>
Directors believe that the ability to pay creditors will not be materially prejudiced as a result of the transaction	<p>We have been instructed that the directors of Auzex are of the view that the ability to pay creditors will not be materially prejudiced as a result of the transaction.</p>

Having regard to the above, it is our view that Auzex's ability to pay its creditors will not be materially prejudiced as a result of the Capital Reduction. This view assumes that the level of creditors does not increase materially from the level that existed at 30 September 2011. The directors of Auzex have instructed us that this assumption is appropriate.

In forming this view, we make no statement about whether or not creditors will ultimately be repaid the amounts they are owed by Auzex. Future creditors must make their own investigations into the financial position of Auzex and AEL following the Proposed Demerger.

## 10.0 Sources of Information

This Report is based on information from sources including the following:

- Auzex Annual Report for the year ended 30 June 2010;
- Auzex Statutory Accounts for the year ended 30 June 2011;
- Auzex Website;
- Auzex's Demerger Scheme Booklet;
- GGG website;
- GGG Annual Report for the year ended 31 December 2010;
- GGG Interim Financial Report for the 6 months ended 30 June 2011;
- Technical Expert's Report prepared by Mining Associates, dated 18 May 2011;
- Technical Expert's Report prepared by Mining Associates, dated 18 October 2011;
- Publicly available information from sources including Auzex's ASX announcements, Bloomberg, Aspect Huntley, broker reports, industry websites, IBISWorld, the Australian Bureau of Statistics and the Australian Department of Foreign Affairs and Trade; and
- Meetings and correspondence with Auzex's advisors on the Proposed Demerger (including various other documents provided by the management and directors of Auzex).

## **11.0 Representations, Indemnities & Warranties**

Auzex has agreed to our terms of engagement and the following indemnities and representations.

### **11.1 Representations**

Auzex recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons have used and relied on publicly available information and on data, material and other information furnished to BDO Persons by Auzex, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and has not assumed any responsibility for independent verification of, such publicly available information and the other information so furnished.

Auzex has acknowledged that the engagement of BDO CFQ is as an independent contractor and not in any other capacity including a fiduciary capacity.

### **11.2 Indemnities & Warranties**

In connection with BDO CFQ's engagement to prepare this Report, Auzex has agreed to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. Auzex will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

Auzex has agreed to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by Auzex (including but not limited to the directors and advisers of Auzex) as part of this engagement.

## 12.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Act.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Steven Sorbello has prepared this Report with the assistance of staff members. Mr Sorbello is a director of BDO CFQ and has extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

This Report has been prepared at the request of the directors of Auzex to provide Auzex shareholders with information to assist them to decide whether to vote for or against the Proposed Demerger. BDO CFQ hereby consents to this Report being used for that purpose. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to taxation implications of the Proposed Demerger, it is strongly recommended that Auzex shareholders obtain their own taxation advice, specific to their own particular circumstances.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at 10 November 2011.

**BDO Corporate Finance (QLD) Ltd**



**Steven Sorbello**  
Director



## Appendix A - Industry Information

This section sets out a summary of the gold mining industry in Australia (refer Section A.1 below) and a summary of the Australian mineral exploration industry (refer Section A.2 below).

### A.1 Gold Mining in Australia<sup>10</sup>

Through its interest in the Bullabulling Gold Project, Auzex could be considered to operate in the Australian gold mining industry which comprises companies that explore, mine, extract, process and refine gold ore resources into a concentrate or bullion.

We have set out a summary of the Australian gold mining industry below. The information presented in this section has been compiled from a range of publicly available sources. This summary is not intended to be a comprehensive analysis of the Australian gold mining industry.

We recommend that Auzex shareholders refer to the original source of the information referred to in this section, and any other information they believe appropriate, for a more comprehensive analysis. This section should be referred to as a broad guide only.

#### A.1.1 Gold Production

In 2010, Australia mined approximately 240 tonnes of gold, which represents approximately 9.0% of the 2010 global gold production of 2,600 tonnes. Australia ranked third in the world, behind China and the United States, in terms of total gold produced in 2010. Western Australia is the largest state producer and exporter of gold in Australia, accounting for approximately 69% of total Australian production in 2010.

#### A.1.2 Global Demand

World demand for gold encompasses two uses, consumption and investment. Gold consumption relates to the use of gold in the manufacturing of jewellery, electronics, dentistry, coins and other industrial applications. Gold investment relates to gold purchases for financial purposes (usually in the form of gold bullion). Consumption demand for gold accounts for approximately three-quarters of total global demand.

Factors which influence the demand for gold consumption and investment differ. Gold consumption demand is influenced by changes at the household level, including household income, changes in consumer appetite / taste for jewellery and gold dentistry, and demand for electronics. Gold investment demand is influenced by broader economic factors, including developments in the outlook for global economies, shifts in the value of major currencies and changes in the riskiness of other assets.

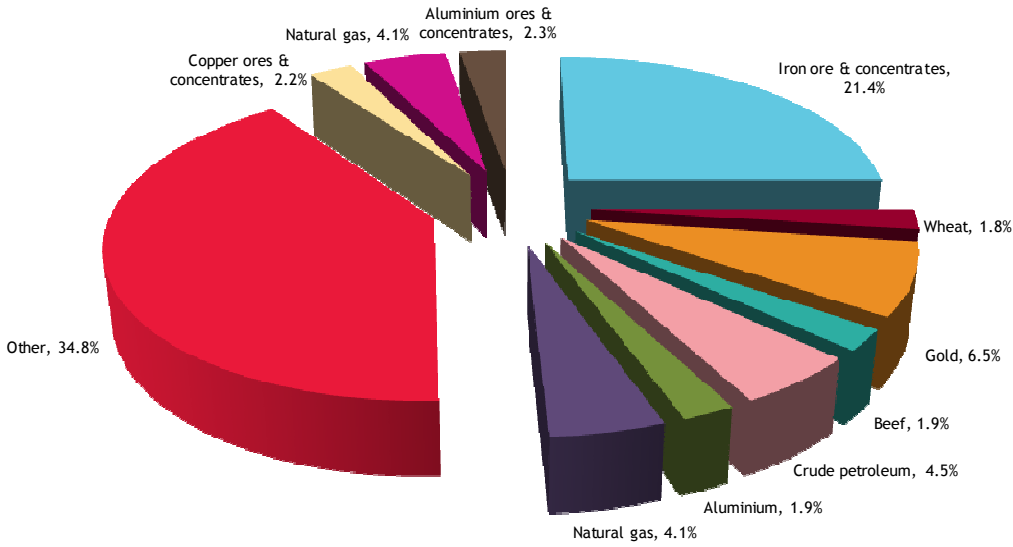
#### A.1.3 Australian Gold Exports

In 2010, Australia's gold exports totalled approximately 335 tonnes, representing approximately 6.5% of Australia's total commodity exports. Figure A.1 below illustrates Australia's commodities exports by value for 2010.

---

<sup>10</sup> Information in this section is sourced from the Australian Bureau of Statistics, Australian Bureau of Agricultural and Resource Economics and Sciences: Australian Mineral Statistics 2011, IBISWorld Industry Report B: Mining in Australia, August 2010, [www.dfat.gov.au/publications](http://www.dfat.gov.au/publications) and other publicly available information.

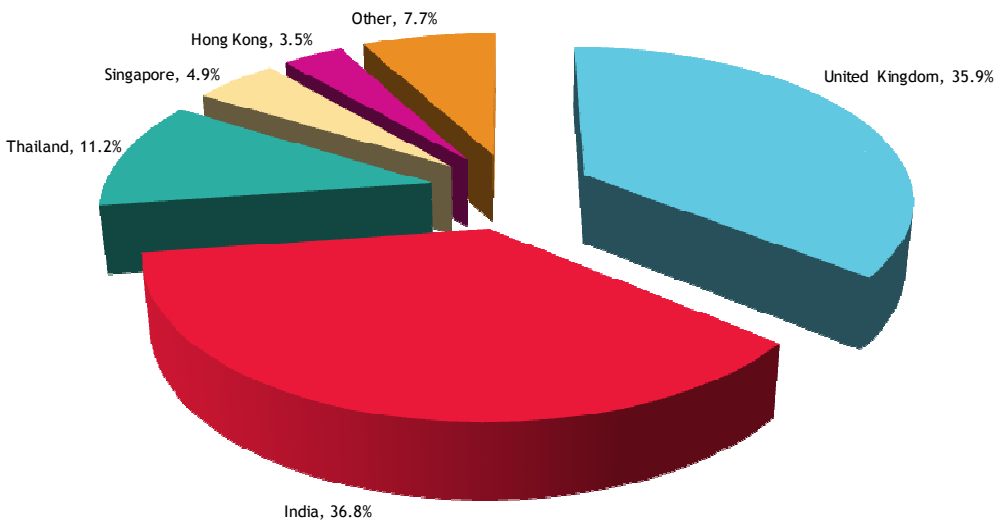
**Figure A.1: Australian Commodity Exports - 2010**



Source: Department of Foreign Affairs and Trade, Australia’s gold industry: trade, production and outlook

Demand for Australian gold in 2010 was largely dominated by India, the United Kingdom and Thailand. However, March quarter 2011 figures published by the Australian Bureau of Statistics indicate that China is increasing its demand for Australian gold, with exports to China in the March 2011 quarter being approximately 88% greater than total gold exports to China in the 2010 year. As disposable incomes in China continue to rise, it is expected that China’s gold demand will continue to increase and that it will surpass India as the world’s largest gold consumer. Figure A.2 below sets out Australian gold exports by destination in 2010.

**Figure A.2: Australian Gold Exports by Destination - 2010**



Source: Department of Foreign Affairs and Trade, Australia’s gold industry: trade, production and outlook

Over the 10 years to 2010, the value of gold exports grew at approximately 11.0% per annum. The strong growth in the value of gold exports over the period reflects the increasing strength of the world price of gold. Figure A.3 below sets out the spot gold price for the period from 2001 to 2011.

Figure A.3: Gold Spot Price from 2001 to 2011



Source: Bloomberg

Note: 1.0 Troy Ounce = 1.09714 Ounces

## A.2 Minerals Exploration in Australia<sup>11</sup>

In addition to the gold mining industry, Auzex could also be considered to operate in the minerals exploration industry with its exploration tenements targeting several base metals including gold, tin, silica, molybdenum, copper, bismuth and tungsten.

We have set out a summary of the Australian minerals exploration industry below. The information presented in this section has been compiled from a range of publicly available sources. This summary is not intended to be a comprehensive analysis of the Australian minerals exploration industry.

We recommend that Auzex shareholders refer to the original source of the information referred to in this section, and any other information they believe appropriate, for a more comprehensive analysis. This section should be referred to as a broad guide only.

<sup>11</sup> Information in this section is sourced from the Australian Bureau of Statistics, Australian Bureau of Agricultural and Resource Economics and Sciences: Australian Mineral Statistics 2011, IBISWorld Industry Report: Mineral Exploration in Australia, December 2010 and other publicly available information.

### A.2.1 Industry Overview

Mining exploration firms in Australia are involved in the discovery and development of ore bodies for future production and export.

Exploration companies in Australia compete to obtain retention and exploration leases over areas of land considered to be prospective. Once an exploration lease is obtained by a company, the holder may carry out exploration and other activities that may be necessary for defining and producing the resource.

Approximately 60% of total exploration activity in Australia relates to the exploration of existing ore deposits and is focused on proving a known deposit already classified as an inferred mineral resource. Exploration of existing deposits is considered less risky as mineral ore bodies have already been identified. The remaining exploration activity relates to identifying new deposits. New deposits are defined as previously unknown mineralisation or known mineralisation that has not yet had sufficient exploration to be classified as an inferred mineral resource.

### A.2.2 Exploration Expenditure

The level of exploration of different minerals and ore bodies in Australia is primarily driven by the level of demand for minerals. Expenditure of mineral exploration companies is influenced by the level of metal and minerals prices demanded by the market and spending on mineral exploration generally follows trends in mineral prices.

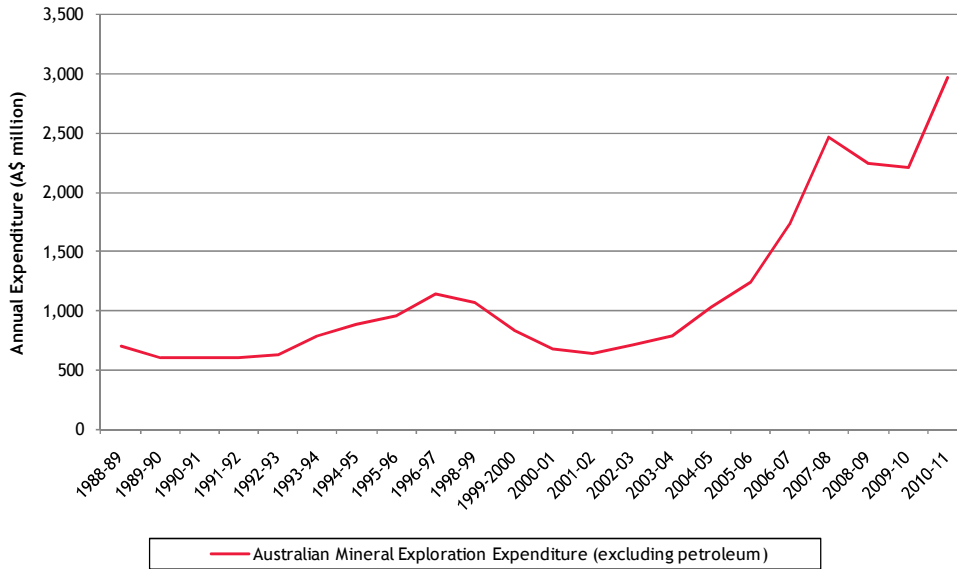
Advances in mineral extraction technologies also influence the level of spending on mineral exploration by Australian companies. The availability of newer extraction and processing technologies allow ore bodies that were previously considered to be economically unviable to be brought into production. Advances in technology allow a greater number of ore bodies to be explored for potentially viable mining operations.

Government policy changes may also affect the level of exploration for specific mineral types.

Australian mineral exploration expenditure, excluding petroleum, in the 2010/2011 year was approximately \$3.0 billion, 35% more than the total exploration expenditure of approximately \$2.2 in the 2009/2010 year. The increase in minerals exploration expenditure is supported by recent high commodity prices, expected future costs of exploration and development and Australian government policy setting. Minerals exploration expenditure is expected to remain high, at least in the medium term, as the outlook for commodities prices continues to be positive.

Figure A.4 below sets out the annual expenditure of Australian companies on mineral exploration (excluding petroleum) from 1988 to 2011.

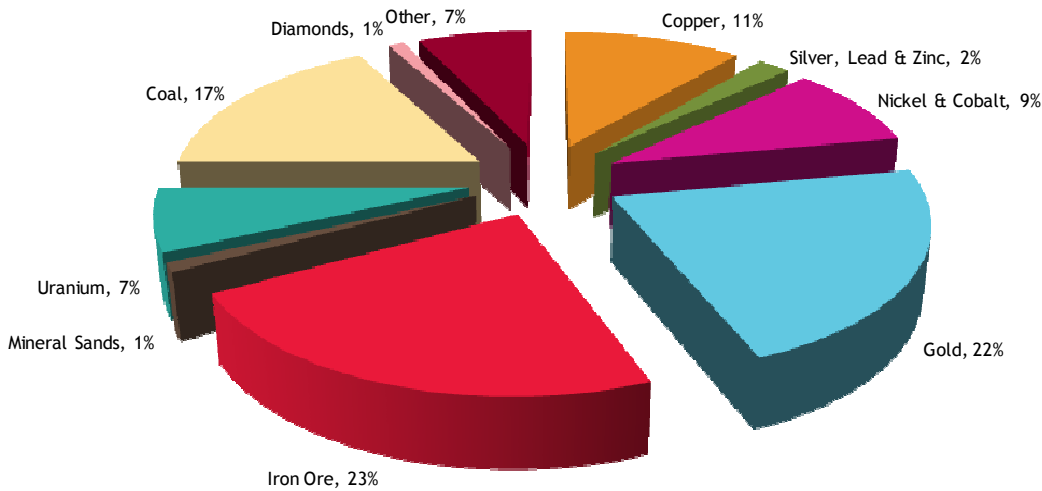
**Figure A.4: Annual Australian Mineral Exploration Expenditure (excluding petroleum)**



Source: Australian Bureau of Statistics

Figure A.5 below sets out the percentage of total exploration expenditure in Australia for different resource types in the 2010/2011 year.

**Figure A.5: Exploration Expenditure in Australia by Resource Type**



Source: Australian Bureau of Statistics

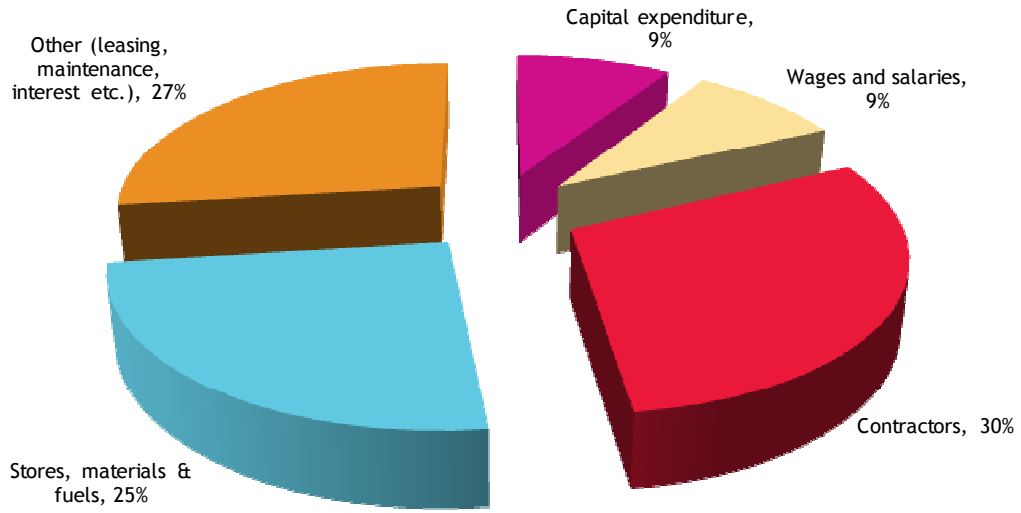
### A.2.3 Financing and Costs Structure

Mineral exploration is generally regarded as a risky undertaking and as a speculative investment by prospective lenders and shareholders. This is due to approximately 0.1% of mineral ore bodies discovered being developed into mining operations.

The activity of mineral exploration requires large sums of capital to support the level of expenditure. Typically exploration companies in Australia rely on equity markets to fund the capital intensive development of a mineral project or to provide funding for the location of new ore deposits.

Figure A.6 below sets out the cost structure of mineral exploration companies in Australia.

**Figure A.6: Cost Structure of Mineral Exploration Companies in Australia**



Source: IBISWorld Industry Report: Mineral Exploration in Australia, December 2010

## Appendix B - GGG Market Based Valuation

This Appendix sets out the market based valuation of GGG by assessing:

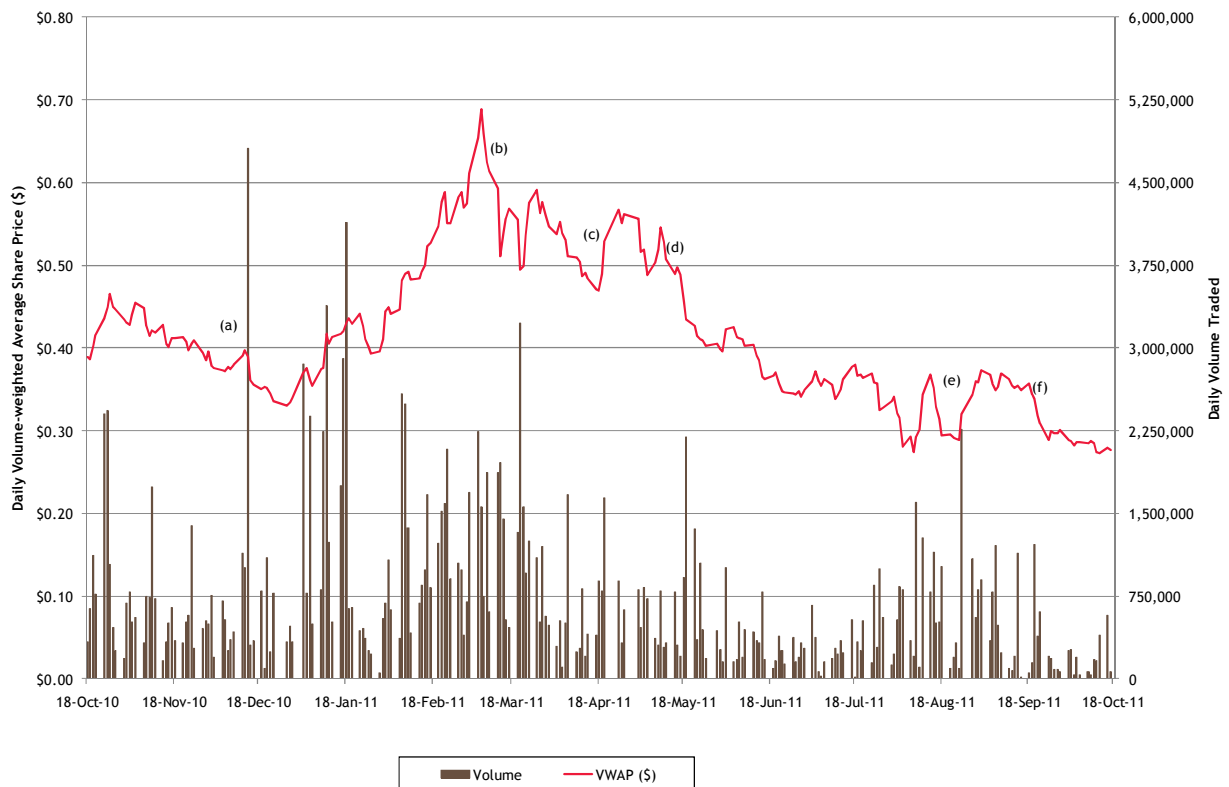
- The share market performance of GGG; and
- The liquidity of GGG shares.

### B.1 Analysis of Share Market Performance

GGG's shares are listed on the AIM and ASX. We have assessed the GGG share price from 19 October 2010 to 18 October 2011 representing the most recent 12 months of GGG share trading data. We have calculated the daily VWAP of GGG shares in Australian dollars based on the Australian dollar to Great British Pound exchange rate observed on each trading day.

Figure B.1 below sets out GGG's daily VWAP and volume traded over the period from 19 October 2010 to 18 October 2011.

Figure B.1: GGG's Daily VWAP from 19 October 2010 to 18 October 2011



Source: Bloomberg

Over the period graphed in Figure B.1, the GGG daily VWAP shows a period low of \$0.2725 on 14 October 2011 and a period high of \$0.6892 on 8 March 2011.

In addition to the share price and trading data, we have also provided additional information in this Report to assist readers to understand possible reasons for movements in GGG's share price and volume of share trades over the time period analysed. We have provided a summary of GGG's announcements over the period from 19 October 2010 to 18 October 2011 in Table B.1 below.

**Table B.1: Summary of GGG's Announcements over the period from 19 October 2010 to 18 October 2011**

Date	Announcement
(a) 13 December 2010	GGG announced that it had lodged a prospectus with ASIC in relation to its listing on the ASX. The prospectus announced that Australian residents would be able to subscribe to up to 15 million GGG shares at an issue price of \$0.40 per share.
(b) 11 March 2011	GGG announced that approval to list on the ASX was still pending, meaning that GGG would not be admitted to quotation within the 3 month time limit from the original prospectus, imposed by the Act.
(c) 18 April 2011	GGG announced off-market offer for Auzex. The GGG offer consideration was 7 GGG shares for every 5 Auzex shares.
(d) 19 May 2011	GGG shares commenced trading on the ASX.
(e) 30 August 2011	GGG announced that Auzex had signed a binding Heads of Agreement to combine the Bullabulling Gold Project under a single corporate entity, Bullabulling Gold Limited, through an all-scrip merger of equals between Auzex and GGG.
(f) 19 September 2011	GGG released a merger process update announcing the Bullabulling Gold had been incorporated and that the company is searching for a new non-executive chairman.

Source: AIM Announcements

In Table B.2 below we have set out GGG's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 18 October 2011.

**Table B.2: GGG's VWAP prior to 18 October 2011**

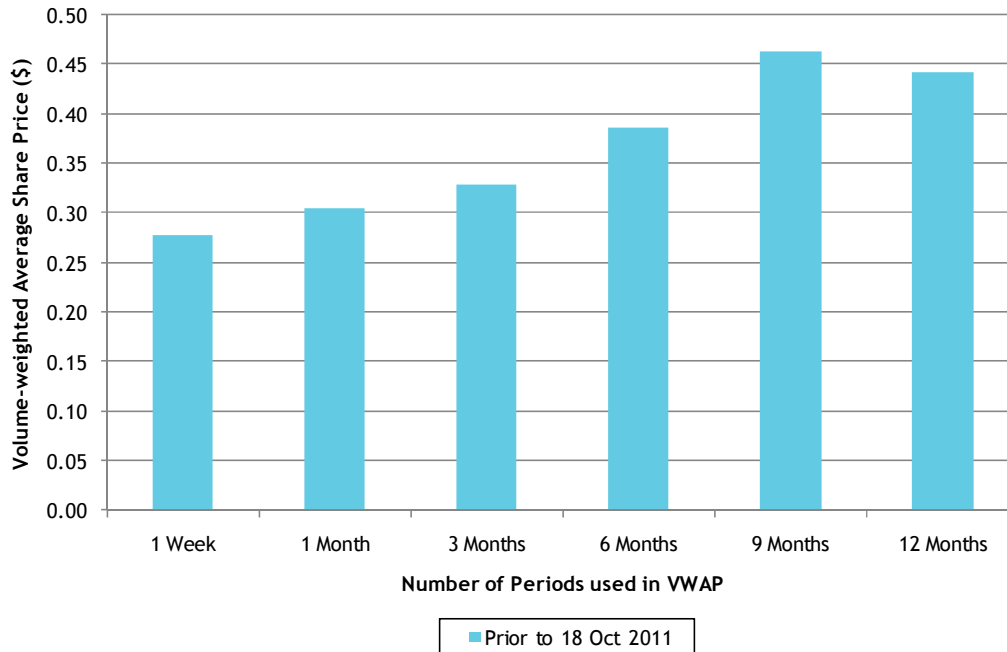
Period before 18 October 2011	Period included in VWAP	VWAP (\$)
1 Week	12 Oct 2011 to 18 Oct 2011	\$0.2775
1 Month	19 Sep 2011 to 18 Oct 2011	\$0.3044
3 Months	19 Jul 2011 to 18 Oct 2011	\$0.3292
6 Months	19 Apr 2011 to 18 Oct 2011	\$0.3858
9 Months	19 Jan 2011 to 18 Oct 2011	\$0.4621
12 Months	19 Oct 2010 to 18 Oct 2011	\$0.4424

Source: Bloomberg

The information set out in Table B.2 above is also expressed graphically in Figure B.2 below.



Figure B.2: GGG VWAP over Specified Periods



Source: Bloomberg

## B.2 Liquidity of GGG Shares

The volume at which equity instruments are traded is generally referred to as the ‘liquidity’ of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments available to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price, as is indicated by a share sale or series of share sales, may or may not represent a shift in value of either the equity instruments or of the company as a whole.

Table B.3 below summarises the monthly liquidity of GGG shares from November 2010 to October 2011 (to 18 October 2011). Liquidity has been summarised by considering the following:

- Volume of GGG trades per month;
- Number of trades in GGG shares per month;
- Volume of GGG trades per month as a percentage of total GGG shares on issue at the end of the month; and
- Average volume of GGG shares per trade per month.

Table B.3: Liquidity of GGG Shares

Month	Volume traded	Number of trades	Shares on issue at end of month	Volume / shares outstanding	Shares / trade
October 2011 (to 18 Oct)	2,266,531	109	165,746,094	1.37%	20,794
September 2011	9,306,645	355	165,746,094	5.62%	26,216
August 2011	14,657,486	615	165,746,094	8.84%	23,833

Month	Volume traded	Number of trades	Shares on issue at end of month	Volume / shares outstanding	Shares / trade
July 2011	7,325,945	281	165,746,094	4.42%	26,071
June 2011	7,049,601	386	165,746,094	4.25%	18,263
May 2011	13,122,577	634	165,746,094	7.92%	20,698
April 2011	11,113,045	600	145,423,599	7.64%	18,522
March 2011	28,765,793	1,665	145,423,599	19.78%	17,277
February 2011	23,514,918	1,154	145,423,599	16.17%	20,377
January 2011	26,552,507	710	145,423,599	18.26%	37,398
December 2010	15,464,292	574	145,423,599	10.63%	26,941
November 2010	13,046,941	719	145,423,904	8.97%	18,146
<b>Total</b>	<b>172,186,281</b>	<b>7,802</b>		<b>103.89%</b>	

Source: Bloomberg

(a) Calculated as total volume traded divided by 165,746,094 GGG shares on issue.

Based on the volume of shares traded per total shares outstanding at the end of each month, over the period from 1 November 2010 to 18 October 2011 approximately 103.9% of GGG shares were traded. Given the above information, we would consider that GGG exhibited average liquidity over the period.

We note that GGG shares showed relatively higher liquidity during the 6 month period between November 2010 and April 2011, displaying an average monthly volume traded per shares outstanding of approximately 13.6%, when compared with the period from May 2011 to September 2011<sup>12</sup>, which displayed an average monthly volume traded per shares outstanding of approximately 6.2%.

In our view, it is difficult to determine the effect of the changes in liquidity on the market price and value of the shares with any degree of certainty. As an example, a lower level of liquidity may have either a:

- positive effect on the market trading price if the lower level of liquidity resulted from a lack of supply (which may place upwards pressure on the share price); or
- negative effect on the market trading price if the lower level of liquidity resulted from a lack of demand (which may place downwards pressure on the share price).

### B.3 Market Based Valuation

Based on the information set out in Sections B.1 and B.2 above, it is our view that the value of each GGG share under a market based valuation is \$0.27 to \$0.33 approximately representing the values of the one week VWAP to the three month VWAP (refer to Table B.2 above).

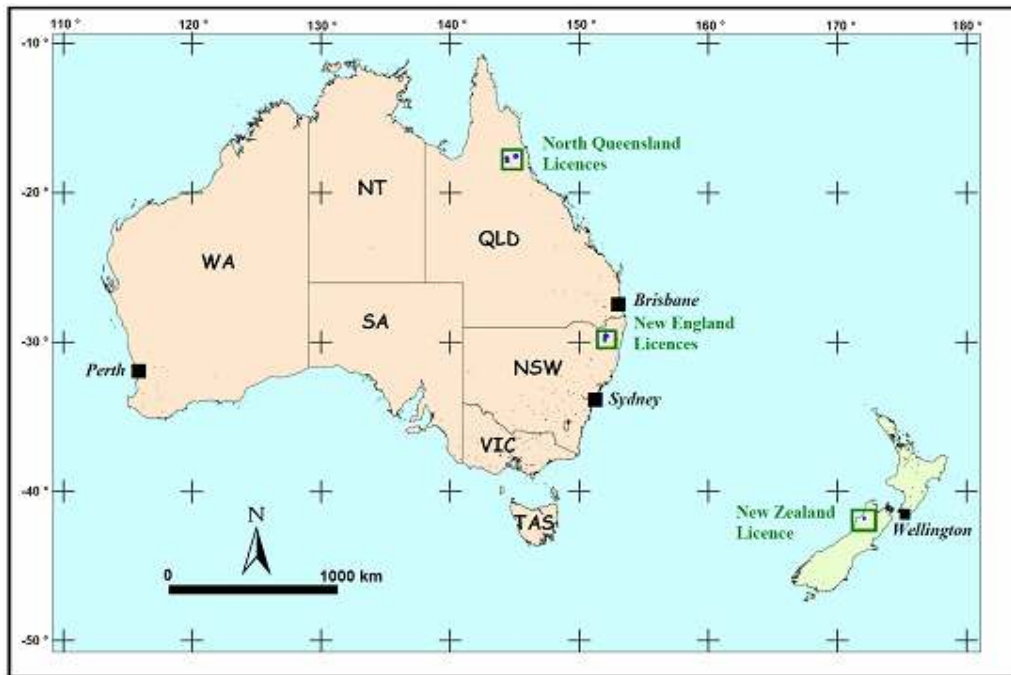
We note that this valuation methodology provides the value of each share on a minority interest basis and reflects the market's perception of the uncertainties associated with GGG.

<sup>12</sup> October 2011 was not included in this analysis as only 18 days of data is recorded.



## Appendix C - Technical Expert's Report

## VALUATION OF NON-BULLABULLING EXPLORATION PROPERTIES OF AUZEX RESOURCES LIMITED IN AUSTRALIA AND NEW ZEALAND



Location of the Auzex tenements

David G Jones, *BSc., MSc., FAusIMM, FIMMM, MAIME, MGSA*  
Effective Date: 18 October 2011

## TABLE OF ACRONYMS

ASL	Above sea level
AUD\$	Australian Dollar
B.App.Sc.	Bachelor of Applied Science degree
B.Sc.	Bachelor of Science degree
BBGP	Bullabulling Gold Project
CAD\$	Canadian Dollar
CEO	Chief Executive Officer
CIMVal	Standards and Guidelines for Valuation of Mineral Properties set down by the Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties
COMEX	New York Commodity Exchange
DDH	Diamond drill hole
DEM	Digital Elevation Model
EL	Exploration Licence
ELA	Exploration Licence Application
ERA	Environmental Risk Assessment
F.Aus.I.M.M.	Fellow of the Australasian Institute of Mining and Metallurgy
F.I.M.M.M.	Fellow of the Institute of Materials, Mining and Metallurgy
ICSG	International Copper Study Group
IP	Induced Polarization
JV	Joint Venture
LME	London Metal Exchange
M	Million
MA	Mineral Agreement
M.A.I.G.	Member of the Australian Institute of Geoscientists
M.G.S.A.	Member of the Geological Society of Australia
M.Sc.	Master of Science degree
M.S.M.E.	Member of the Society for Mining, Metallurgy and Exploration Inc.
NI43-101	National Instrument 43-101
NNE	North northeast
NNW	North northwest
QA/QC	Quality Assurance/Quality Control
RC	Reverse Circulation
RTP	Reduction to Pole
SAG	semi-autogenous grinding
SEC-GIS	Securities and Exchange Commission General Information Sheet
SEDAR	System for Electronic Document Analysis and Retrieval
SG	Specific Gravity
SRTM	Shuttle Radar Topographic Mission
tpd	Tonnes per day
USD\$	United States Dollar
UTM	Universal Transverse Mercator
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Vidoro	Vidoro Pty Ltd
WGS84	World Geodetic System 1984

## TABLE OF CONTENTS

<b>TABLE OF ACRONYMS .....</b>	<b>II</b>
<b>TABLE OF CONTENTS .....</b>	<b>III</b>
<b>1 SUMMARY .....</b>	<b>6</b>
1.1 PURPOSE .....	6
1.2 SCOPE .....	6
1.3 PRÉCIS .....	6
1.4 CONCLUSIONS .....	7
<b>2. INTRODUCTION &amp; TERMS OF REFERENCE .....</b>	<b>8</b>
2.1 COMMISSIONING ENTITY .....	8
2.2 VALUATION MANDATE & TERMS OF REFERENCE .....	8
2.3 PURPOSE OF THE VALUATION & ITS INTENDED USE .....	9
2.4 VALUATION DATE .....	9
2.5 QUALIFIED VALUATOR & QUALIFIED PERSON .....	9
2.6 DEFINITION OF VALUATION TYPE .....	9
2.7 OTHER DEFINITIONS USED IN THE REPORT .....	11
<b>3. SCOPE OF THE VALUATION .....</b>	<b>13</b>
3.1 SCOPE .....	13
3.2 INFORMATION USED .....	14
3.3 RELIABILITY OF INFORMATION .....	14
3.4 DATA VERIFICATION .....	14
3.5 FIELD VISIT BY QUALIFIED PERSON .....	14
3.6 CONFIDENTIALITY .....	15
3.7 DISCLAIMERS .....	15
<b>4. COMPLIANCE WITH THE VALMIN CODE .....</b>	<b>15</b>
<b>5. PROPERTY LOCATION, ACCESS &amp; INFRASTRUCTURE .....</b>	<b>16</b>
5.1 LOCATION, ACCESS AND PHYSIOGRAPHY .....	16
<b>6. HISTORY OF EXPLORATION &amp; PRODUCTION .....</b>	<b>19</b>
6.1 DISCOVERY & PREVIOUS EXPLORATION .....	19
6.2 HISTORICAL MINERAL RESOURCE & RESERVE ESTIMATES .....	28
<b>7. GEOLOGY &amp; MINERALISATION .....</b>	<b>28</b>
7.1 NORTH QLD PROJECTS .....	28
7.2 NEW ENGLAND PROJECTS .....	32
7.3 NEW ZEALAND PROJECT .....	33
<b>8. EXPLORATION RESULTS &amp; POTENTIAL .....</b>	<b>36</b>
8.1 NORTH QUEENSLAND PROJECTS .....	36
8.2 NEW ENGLAND PROJECTS .....	39
8.3 NEW ZEALAND PROJECT .....	41
<b>9. MINERAL RESOURCES &amp; MINERAL RESERVES .....</b>	<b>42</b>
<b>10. METALLURGY .....</b>	<b>42</b>
<b>11. ENVIRONMENTAL CONSIDERATIONS .....</b>	<b>42</b>
<b>12. MINING &amp; PROCESSING OPERATIONS .....</b>	<b>42</b>

<b>13. KEY ASSUMPTIONS, RISKS &amp; LIMITATIONS .....</b>	<b>43</b>
13.1 ASSUMPTIONS .....	43
13.2 MATERIAL RISKS .....	43
13.3 OPERATING RISKS .....	43
13.4 FINANCIAL RISKS .....	43
13.5 ENVIRONMENTAL RISKS.....	44
13.6 PERMITTING RISKS.....	44
<b>14. VALUATION .....</b>	<b>45</b>
14.1 CURRENCY & EXCHANGE RATES .....	45
14.2 DATABASE .....	45
14.3 MARKET APPROACH – COMPARABLE TRANSACTIONS.....	45
14.4 COMPARABLE TRANSACTIONS – EXPLORATION PROJECTS.....	46
14.5 COST APPROACH.....	61
<b>15. VALUATION CONCLUSIONS .....</b>	<b>62</b>
15.1 SUMMARY OF ESTIMATES .....	62
15.2 VALUATION .....	63
<b>16. REFERENCES.....</b>	<b>64</b>
<b>17. CERTIFICATE OF QUALIFICATIONS.....</b>	<b>66</b>
<b>APPENDIX 1.....</b>	<b>68</b>
PREVIOUS EXPLORATION EXPENDITURE .....	68
<b>Figures</b>	
FIGURE 1. LOCAL ACCESS, INFRASTRUCTURE AND PHYSIOGRAPHY, NORTH QUEENSLAND PROJECTS. ....	16
FIGURE 2. LOCAL ACCESS, INFRASTRUCTURE AND PHYSIOGRAPHY, NEW ENGLAND PROJECTS.....	17
FIGURE 3. LOCAL ACCESS, INFRASTRUCTURE AND PHYSIOGRAPHY, LYELL PROJECT NZ.....	18
FIGURE 4. REGIONAL GEOLOGY, NORTH QUEENSLAND PROJECTS. ....	28
FIGURE 5. LOCAL GEOLOGY, EPMs 14797 & 15570, KHARTOUM.....	30
FIGURE 6. LOCAL GEOLOGY, EPMs 14417 & 14418, LYNDBROOK AREA.....	31
FIGURE 7. LOCAL GEOLOGY, ELs 6333, 6408 & ELA 2537.....	32
FIGURE 8. REGIONAL GEOLOGY, NW SOUTH ISLAND, NZ. ....	34
FIGURE 9. LOCAL GEOLOGY, LYELL GOLDFIELD. ....	35
FIGURE 10. MAIN PROSPECTS, EPM 14797 AND 15570. ....	36
FIGURE 11. GALALA RANGE PROSPECT, EPM 14417.....	38
FIGURE 12. DRILL CROSS-SECTION THROUGH MO-BEARING GREISEN AT THE GALALA RANGE PROSPECT.....	38
FIGURE 13. CROSS-SECTION ON LINE 5936634 AT LYELL.....	42
FIGURE 14. SAMPLING RESULTS, LOGAN PROPERTY BC. ....	48
FIGURE 15. LOCATION OF WILD CATTLE CREEK DEPOSIT. ....	49
FIGURE 16. SCHEMATIC LONG SECTION, WILD CATTLE CREEK.....	50
FIGURE 17. LOCATION PLAN, HAWKWOOD. ....	51
FIGURE 18. YANCO GLEN DRILLING AND ROCK CHIP RESULTS .....	52

FIGURE 19. LOCATION OF EXPLORATION PERMITS ACQUIRED BY CSD. AUZEX EPOMs IN BLUE.....	53
FIGURE 20. LOCATION AND LOCAL GEOLOGY, JURUENA PROJECT .....	54
FIGURE 21. LOCATION OF TEPAL PROJECT.....	55
FIGURE 22. LOCATION OF THE HEEMSKIRK TIN PROJECT.....	56
FIGURE 23. LOCATION OF THE YTC TENEMENTS SOLD TO TARONGA MINES .....	57
FIGURE 24. LOCATION OF LA GLORIA PROJECT .....	58
FIGURE 25. LOCATION OF HEMERDON PROJECT.....	59
FIGURE 26. LOCATION AND GEOLOGY OF THE JELAI GOLD PROJECT, EAST KALIMANTAN.....	60

**Tables**

TABLE 1. SUMMARY VALUATIONS.....	7
TABLE 2 QLD, NSW & NEW ZEALAND TENEMENTS.....	8
TABLE 3: SELECTED METAL PRICE MOVEMENTS IN THE LAST 6 MONTHS .....	46
TABLE 4. SELECTED DRILL INTERSECTIONS, JELAI PROJECT.....	60
TABLE 5. EXPENDITURE SUMMARY .....	61
TABLE 6. SUMMARY COST APPROACH VALUES .....	61
TABLE 7. SUMMARY OF COMPARABLE TRANSACTION VALUES IN 2010 DOLLARS.....	62
TABLE 8. SUMMARY COST APPROACH VALUES .....	63
TABLE 9. SUMMARY VALUATIONS.....	63



# 1 SUMMARY

## 1.1 Purpose

To provide a Valuation of the non-Bullabulling mineral tenements held by Auzex Resources Limited ("Auzex") located in Western Australia ("WA"), Queensland ("QLD"), New South Wales ("NSW") and New Zealand ("NZ"), together called the "Auzex non-Bullabulling tenements".

## 1.2 Scope

At the request of John Lawton, Managing Director of Auzex and under the direction of BDO Corporate Finance (QLD) Ltd ("BDO"), Mining Associates Pty Ltd ("MA") was commissioned in October 2011 to prepare a Valuation of the Auzex tenements (the "non-Bullabulling assets") in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code"). Auzex is an Australian public company duly organized and existing under the laws of Queensland, Australia.

The scope of the inquiries and of the Valuation included the following:

- An analysis of all drilling, sampling, assaying, geological, geophysical and other exploration work conducted on the Auzex tenements to date.
- A review of recent exploration costs in Australia and NZ, including current prices charged for drilling, sampling, assaying and other exploration work.
- A review of transactions involving comparable properties in Australia and NZ and similar countries over the past 5 years.

MA has not been requested to comment on the Fairness or Reasonableness of any vendor or promoter considerations, and therefore no opinion on these matters has been offered.

## 1.3 Précis

The Auzex non-Bullabulling assets are composed of interests in mineral project areas in North QLD, NSW, and NZ. These include 3 granted exploration permits for minerals ("EPMs") in North QLD, two granted exploration licences ("ELs") and two EL applications ("ELAs") in the New England district of NSW, and one granted exploration permit ("EP") in NZ. The locations are shown in Figure 1.

The North Queensland Projects comprise EPM 14797 "Khartoum", EPM 15570 "Khartoum North", EPM 14417 "Eight Mile" and EPM 14418 "Fossilbrook" centred between 100 km and 180 km SW of Cairns. Past exploration has focussed on granite-hosted cassiterite tin deposits.

The New England projects comprise the EL 6333 "Kingsgate" and EL 6408 "Glen Elgin" located 25 km east and 40 km NE respectively from Glen Innes. Previous explorers have tested for granite-associated bismuth, molybdenum, tin and sapphire deposits.

The Lyell EP 40732 is located in the Buller District of the West Coast of the South Island of New Zealand approximately 40 km east of the town of Westport. Previous mining recovered gold from quartz veins in turbidites of the Ordovician Greenland Group.

## 1.4 Conclusions

The three generally accepted Valuation approaches are:

- Income Approach.
- Market Approach.
- Cost Approach.

The **Income Approach** is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property, most commonly Discounted Cash Flow or DCF. This approach is not applicable to the BBGP or the other Projects as none contain measured resources or reserves that comply with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”) established by the Joint Ore Reserves Committee, and so a different approach is required for those Projects.

The primary methods used in this Valuation are the Market Approach and the Cost Approach.

The **Market Approach** is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market. Methods include comparable transactions and option or farm-in agreement terms analysis.

The **Cost Approach** is based on the principle of contribution to value. The method is one commonly used where exploration expenditures are analysed for their contribution to the exploration potential of the Mineral Property.

On the basis of an analysis of 15 comparable transactions for the Exploration Projects, and a review and analysis of 306 open-file reports of previous exploration within the Projects, the following tabulation has been compiled. The “Preferred” column lists the most preferable value placed on each Project by MA:

Project	Market Approach		Cost Approach AUD\$M	Preferred		
	Low AUD\$M	High AUD\$M		Low AUD\$M	Preferred AUD\$M	High AUD\$M
North Queensland	\$4.1	\$6.1	\$5.0	\$5.0	\$5.0	\$6.1
New England NSW	\$3.2	\$15.6	\$10.0	\$10.0	\$10.0	\$15.6
Lyell NZ (for 58%)	\$0.7	\$2.0	\$0.8	\$0.7	\$1.8	\$3.0
<b>Total Value AUD</b>	<b>\$7.0</b>	<b>\$23.7</b>	<b>\$15.8</b>	<b>\$15.7</b>	<b>\$16.8</b>	<b>\$24.7</b>

The Preferred values for the Exploration Projects in Queensland and NSW are based on the Cost Approach, which is in close agreement with the median value of the Market Approach.

The Preferred value for the Exploration Project in NZ is based on the Market Approach, which is higher than the Cost Approach due to the recent gold price increases.

Respectful Submitted

David G Jones, BSc., MSc., FAusIMM, FIMMM, MAIME, MGSA

Qualified Person under Valmin  
 Dated at Brisbane, QLD Australia  
 18 October 2011

## 2. INTRODUCTION & TERMS OF REFERENCE

### 2.1 Commissioning Entity

At the request of John Lawton, Managing Director of Auzex and under the direction of BDO Corporate Finance (QLD) Ltd ("BDO"), Mining Associates Pty Ltd ("MA") was commissioned in October 2011 to prepare a Valuation of the Auzex non-Bullabulling asset tenements in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code"). Auzex is an Australian public company duly organized and existing under the laws of Queensland, Australia.

The scope of the inquiries and of the Valuation included the following:

- An analysis of all drilling, sampling, assaying, geological, geophysical and other exploration work conducted on the Auzex tenements to date.
- A review of recent exploration costs in Australia and NZ, including current prices charged for drilling, sampling, assaying and other exploration work.
- A review of transactions involving comparable properties in Australia and NZ and similar countries over the past 5 years.

MA has not been requested to comment on the Fairness or Reasonableness of any vendor or promoter considerations, and therefore no opinion on these matters has been offered.

### 2.2 Valuation Mandate & Terms of Reference

Auzex requested MA, an Australian Private Company duly organized and existing under the laws of Australia, to provide an Independent Valuation of the Auzex non-Bullabulling tenements ("the Valuation") comprising the following exploration and mining tenements (**Table 2**):

Project	Licence Number	Holder/ Applicant	Grant/ Application Date	Expiry Date	Area sq km
Khartoum QLD	EPM 14797	Auzex 100%	13/01/06	12/01/12	245.60
	EPM 15570		23/08/07	22/08/12	6.55
Lynbrook QLD	EPM 14417	Auzex 100%	06/01/05	Renewals lodged	49.10
	EPM 14418		06/01/05		42.51
Kingsgate NSW	EL 6333	Auzex 100%	27/10/04		
Glen Elgin NSW	EL 6408	Auzex 100%	03/05/05	02/05/11	138.90
Lyell NZ (58%)	EP 40732	Auzex (NZ)	18/02/05	17/02/15	18.16

Auzex notified MA that complete, accurate and true disclosure has been made of all material data and information relevant to the Valuation and that MA has reasonable access to all relevant Auzex records and personnel to enable a proper Valuation to be made.

Auzex indemnified MA and the Qualified Valuator, David Jones, against any liability arising from their reliance on information provided by Auzex that is materially inaccurate or incomplete; and relating to any consequential extension of workload through queries, questions or public hearings arising from the Independent Valuation.

### **2.3 Purpose of the Valuation & Its Intended Use**

This technical expert's report is being prepared for the purpose of assisting Auzex shareholders in consideration of the de-merger of the Auzex non-Bullabulling exploration assets from the Bullabulling assets.

### **2.4 Valuation Date**

All time-sensitive data used in this Valuation, including metal prices, exchange rates, cost-of-living indices etc. were taken as at 5pm Sydney time on Monday 17<sup>th</sup> October 2011. Accordingly, this valuation is valid as of 17<sup>th</sup> October 2011 and refers to the writer's opinion of the value of the Projects at this date.

This valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs. The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

### **2.5 Qualified Valuator & Qualified Person**

This Valuation was prepared by Mr David Jones. Mr Jones has no direct or indirect interest in the properties which are the subject of this Valuation, nor does he hold, directly or indirectly, any shares in Auzex or any associated company, or any direct interest in any mineral tenements in Australia or NZ

The technical review and valuation of the Exploration Projects was conducted by Mr David Jones. Mr Jones has sufficient experience which is relevant to the style of mineralisation and deposits under consideration and to their valuation 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' (Australia) and is a Qualified Valuator as defined in NI43-101. Mr Jones was elected a Fellow of The Australasian Institute of Mining and Metallurgy in 1973 having joined initially as a Student Member in 1963. Mr Jones is an independent consultant employed by Vidoro Pty Ltd based in Sydney, Australia.

### **2.6 Definition of Valuation Type**

The three generally accepted Valuation approaches under VALMIN are:

- Income Approach.
- Market Approach.
- Cost Approach.

The *Income Approach* is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property. This method provides an indication of the value of a property with identified reserves. It utilises an economic model

based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. Alternatively a value can be assigned on a royalty basis commensurate with the in situ contained metal value. The Exploration Projects do not contain mineral reserves that meets the standards of the JORC Code so the Income Approach is not appropriate for this project.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market. Methods include comparable transactions and option or farm-in agreement terms analysis. The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the property. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots properties are involved.

The *Cost Approach* is based on the principle of contribution to value. The appraised value method is one commonly used method where exploration expenditures are analysed for their contribution to the exploration potential of the Mineral Property. The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. MEE factors can typically range from 0 to 3.0 and occasionally up to 5.0 applied to previous exploration expenditure to derive a dollar value.

**MA has adopted the Market Approach and the Cost Approach as the principal bases for the exploration properties included in this Valuation.**

The valuation methodology of mineral properties is exceptionally subjective. If an economic reserve or resource is subsequently identified then this valuation will be dramatically low relative to any later valuations, or alternatively if further exploration is unsuccessful it is likely to decrease the value of the tenements.

The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms-length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of VALMIN.

There are a number of generally accepted procedures for establishing the value of mineral properties with the method employed depending upon the circumstances of the property. When relevant, MA uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified.

The readers should therefore form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved.

Other methods that are acceptable in some jurisdictions include:

*Ratings System of Prospectivity*

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the tenement that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the property. The factors are then applied serially to the BAC of each tenement in order to derive a value for the property. The factors

used are: off-property attributes, on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

#### *Empirical Methods*

The market value determinations may be made according to the independent expert's knowledge of the particular property. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration property based on current market prices for equivalent properties, existing or previous joint venture and sale agreements, the geological potential of the properties, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a "Yardstick" or a "Real Estate" approach.

Both of the methods described above are inherently subjective according to technical considerations and the informed opinion of the valuer. Because they are subjective, MA prefers not to use them.

## **2.7 Other Definitions Used in the Report**

**Commissioning Entity** means the organization, company or person commissioning a Valuation.

**Competence** or **Competent** means having relevant qualifications and relevant experience.

**Current** means current with respect to, and relative to, the Valuation Date.

**Data Verification** means the process of confirming that data has been generated with appropriate procedures, has been accurately transcribed from the original source and is suitable to be used.

**Development Property** means a Mineral Property that is being prepared for mineral production and for which economic viability has been demonstrated by a Feasibility Study or Prefeasibility Study and includes a Mineral Property which has a Current positive Feasibility Study or Prefeasibility Study but which is not yet financed or under construction.

**Exploration Property** means a Mineral Property that has been acquired, or is being explored, for mineral deposits but for which economic viability has not been demonstrated.

**Fair Market Value** means the highest price, expressed in terms of money or money's worth, obtainable in an open and unrestricted market between knowledgeable, informed and prudent parties, acting at arm's length, neither party being under any compulsion to transact.

**Feasibility Study** means a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

**Guideline** means a best practices recommendation, which, while not mandatory in the Valuation of Mineral Properties, is highly recommended.

**Independence** or **Independent** means that, other than professional fees and disbursements received or to be received in connection with the Valuation concerned, the Qualified Valuator or Qualified Person (as the case requires) has no pecuniary or beneficial (present or contingent) interest in any of the Mineral Properties being valued, nor has any association with the Commissioning Entity or any holder(s) of any rights in Mineral Properties which are the subject of the Valuation, which is likely to create an apprehension of bias. The concepts of "Independence" and "Independent" are questions of fact. For example, where a Qualified Valuator's fees depend in whole or in part on an understanding or arrangement that an incentive will be paid based on a certain value being obtained, such Qualified Valuator is not Independent.

**Materiality** and **Material** refer to data or information which contribute to the determination of the Mineral Property value, such that the inclusion or omission of such data or information might result in the reader of a Valuation Report coming to a substantially different conclusion as to the value of the Mineral Property. Material data and information are those which would reasonably be required to make an informed assessment of the value of the subject Mineral Property.

**Mineral Property** means any right, title or interest to property held or acquired in connection with the exploration, development, extraction or processing of minerals which may be located on or under the surface of such property, together with all fixed plant, equipment, and infrastructure owned or acquired for the exploration, development, extraction and processing of minerals in connection with such properties. Such properties shall include, but not be limited to, real property, unpatented mining claims, prospecting permits, prospecting licenses, reconnaissance permits, reconnaissance licenses, exploration permits, exploration licenses, development permits, development licenses, mining licenses, mining leases, leasehold patents, crown grants, licenses of occupation, patented mining claims, and royalty interests

**Mineral Reserves and Mineral Resources.** The terms Mineral Reserve, Proven Mineral Reserve, Probable Mineral Reserve, Mineral Resource, Measured Mineral Resource, Indicated Mineral Resource, and Inferred Mineral Resource and their usage have the meaning ascribed by the JORC Code (2004).

**Mineral Resource Property** means a Mineral Property which contains a Mineral Resource that has not been demonstrated to be economically viable by a Feasibility Study or Prefeasibility Study. Mineral Resource Properties may include past producing mines, mines temporarily closed or on care-and-maintenance status, advanced exploration properties, projects with Prefeasibility or Feasibility Studies in progress, and properties with Mineral Resources which need improved circumstances to be economically viable.

**Prefeasibility Study and Preliminary Feasibility Study** mean a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating, economic factors and the assessment of other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve. A Prefeasibility Study is at a lower confidence level than a Feasibility Study.

**Preliminary Assessment** means a preliminary economic study by a Qualified Person that includes Inferred Mineral Resources. The Preliminary Assessment must include a statement that the Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, outlines the basis for the Preliminary Assessment and any qualifications and assumptions made, and specifies that there is no certainty that the Preliminary Assessment will be realized.

**Production Property** is a Mineral Property with an operating mine, with or without processing plant, which has been fully commissioned and is in production.

**Professional Association** is a self-regulatory organization of engineers, geoscientists or both engineers and geoscientists that (a) has been given authority or recognition by law; (b) admits members primarily on the basis of their academic qualifications and experience; (c) requires compliance with the professional standards of competence and the code of ethics established by the organization; and (d) has disciplinary powers, including the power to suspend or expel a member.

**Qualified Person** is an individual who (a) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operations or mineral project assessment, or

any combination of these; (b) has experience relevant to the subject matter of the mineral project and the Technical Report; and (c) is a member in good standing of a Professional Association

**Qualified Valuator** is an individual who (a) is a professional with demonstrated extensive experience in the Valuation of Mineral Properties, (b) has experience relevant to the subject Mineral Property or has relied on a Current Technical Report on the subject Mineral Property by a Qualified Person, and (c) is regulated by or is a member in good standing of a Professional Association or a Self-Regulatory Professional Organization.

**Reasonableness**, in reference to the Valuation of a Mineral Property, means that other appropriately qualified and experienced valuers with access to the same information would value the property at approximately the same range. A Reasonableness test serves to identify Valuations which may be out of step with industry standards and industry norms. It is not sufficient for a Qualified Valuator to determine that he or she personally believes the value determined is appropriate without satisfying an objective standard of proof.

**Report Date** means the date upon which the Valuation Report is signed and dated.

**Self-Regulatory Professional Organization** means a self-regulatory organization of professionals that (a) admits members or registers employees of members primarily on the basis of their educational qualifications, knowledge and experience; (b) requires compliance with the professional standards of competence and code of ethics established by the organization; and (c) has disciplinary powers, including the power to suspend or expel a member or an employee of the member.

**Standard** means a general rule which is mandatory in the Valuation of Mineral Properties.

**Technical Report** means a report prepared, filed and certified in accordance with NI 43-101 and Form 43-101F1 Technical Report.

**Transparency** and **Transparent** means that the Material data and information used in (or excluded from) the Valuation of a Mineral Property, the assumptions, the Valuation approaches and methods, and the Valuation itself must be set out clearly in the Valuation Report, along with the rationale for the choices and conclusions of the Qualified Valuator.

**Valuation** is the process of estimating or determining the value of a Mineral Property.

**Valuation Date** means the effective date of the Valuation, which may be different from the Report Date or from the cut-off date for the data used in the Valuation.

**Valuation Report** means a report prepared in accordance with the CIMVal Standards and Guidelines.

## 3. SCOPE OF THE VALUATION

### 3.1 Scope

The scope of work has been controlled by the Independent Expert, BDO. The scope of the inquiries and of the Valuation included the following:

- An analysis of all drilling, sampling, assaying, geological, geophysical and other exploration work conducted on the projects to date.
- A review of recent exploration costs, including current prices charged for drilling, sampling, assaying and other exploration work.
- A review of transactions involving comparable properties and similar countries over the past 5 years.

MA has not been requested to comment on the Fairness or Reasonableness of any vendor or promoter considerations, and therefore no opinion on these matters has been offered.



### **3.2 Information Used**

The following descriptions of the mineral tenements are compiled principally from open file and historic company internal reports, as well as data reviewed and personal observations made during the site visits by Mr David Jones. Many of the illustrations are reproduced or modified from various previous reports.

This report is based on historical technical data provided by Auzex to MA. Auzex provided open access to all available records, in the opinion of MA, to enable a proper assessment of the tenements. Readers of this report must appreciate that there is an inherent risk of error in the acquisition, processing and interpretation of geological and geophysical data, and MA takes no responsibility for such errors.

Mr Jones made a site visit to the Auzex New England projects in 2005 as part of the compilation of the original Auzex prospectus. He also made a number of visits to the Lynbrook area, in which the Auzex North QLD projects are situated, for other clients in 2006 and 2007. Mr Jones made a field inspection of the Lyell project in NZ during the current drilling of that property on 28 April 2011. The data as supplied during and after the site visits is listed in the references. These data have been supplemented by public domain data searches and copies of reports obtained from various sources.

### **3.3 Reliability of Information**

It should be noted that most of the projects have a long history and there have been many ownership transfers. While all reasonable efforts have been made to source historical reports, not all historical data could be found, particularly for work undertaken prior to the 1970's. A significant effort to locate historical documents has been undertaken by MA and although comprehensive data has been assembled it is not complete. Nevertheless it is considered that the information identified and reviewed provides a fair and reasonable representation of the material issues relevant to assessing this project as an advanced exploration and potential resource project. Auzex has warranted in writing to MA that full disclosure has been made of all material information and that, to the best of Auzex's knowledge and understanding, such information is complete, accurate and true.

### **3.4 Data Verification**

The references at the end of this report lists the sources consulted. This material was used to expand on the information provided by Auzex and, where appropriate, confirm or provide alternative assumptions to those made by Auzex.

One week was spent on data collection and analysis and preparation of this Valuation.

### **3.5 Field Visit by Qualified Person**

The field inspection of the Lyell Project was conducted by Mr David Jones on 28 April 2011 and this included examination of drill core, including mineralised intervals of the deposit, site inspection of the outcropping mineralisation, and a meeting with the key personnel.

### **3.6 Confidentiality**

The sources of data pertaining to current exploration costs, including current quotations for drilling, airborne geophysical, and staff (including geologist) salaries, have been kept confidential by MA at the request of the contractors who supplied the quotations, as the information is commercial-in-confidence.

### **3.7 Disclaimers**

Geological information usually consists of a series of small points of data on a large blank canvas. The true nature of any body of mineralization is never known until the last tonne of ore has been mined out, by which time exploration has long since ceased. Exploration information relies on interpretation of a relatively small statistical sample of the deposit being studied; thus a variety of interpretations may be possible from the fragmentary data available. Investors should note that the statements and diagrams in this report are based on the best information available at the time, but may not necessarily be absolutely correct. Such statements and diagrams are subject to change or refinement as new exploration makes new data available, or new research alters prevailing geological concepts. Appraisal of all the information mentioned above forms the basis for this report. The views and conclusions expressed are solely those of MA. When conclusions and interpretations credited specifically to other parties are discussed within the report, then these are not necessarily the views of MA.

The opinions expressed in this report have been based on information supplied to MA by Auzex, its associates and their staff, as well as various State government agencies. MA has exercised all due care in reviewing the supplied information, including a site visit by Mr David Jones and an extensive review of the Auzex data. Although MA has compared key supplied data with expected values with other similar deposits, the accuracy of the results and conclusions from this review are reliant on the accuracy of the supplied data. MA has relied on this information and has no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional material information. MA does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

The authors have not relied on reports, opinions or statements of legal or other experts who are not Qualified Persons for information concerning legal, environmental, political or other issues and factors relevant to this report.

## **4. COMPLIANCE WITH THE VALMIN CODE**

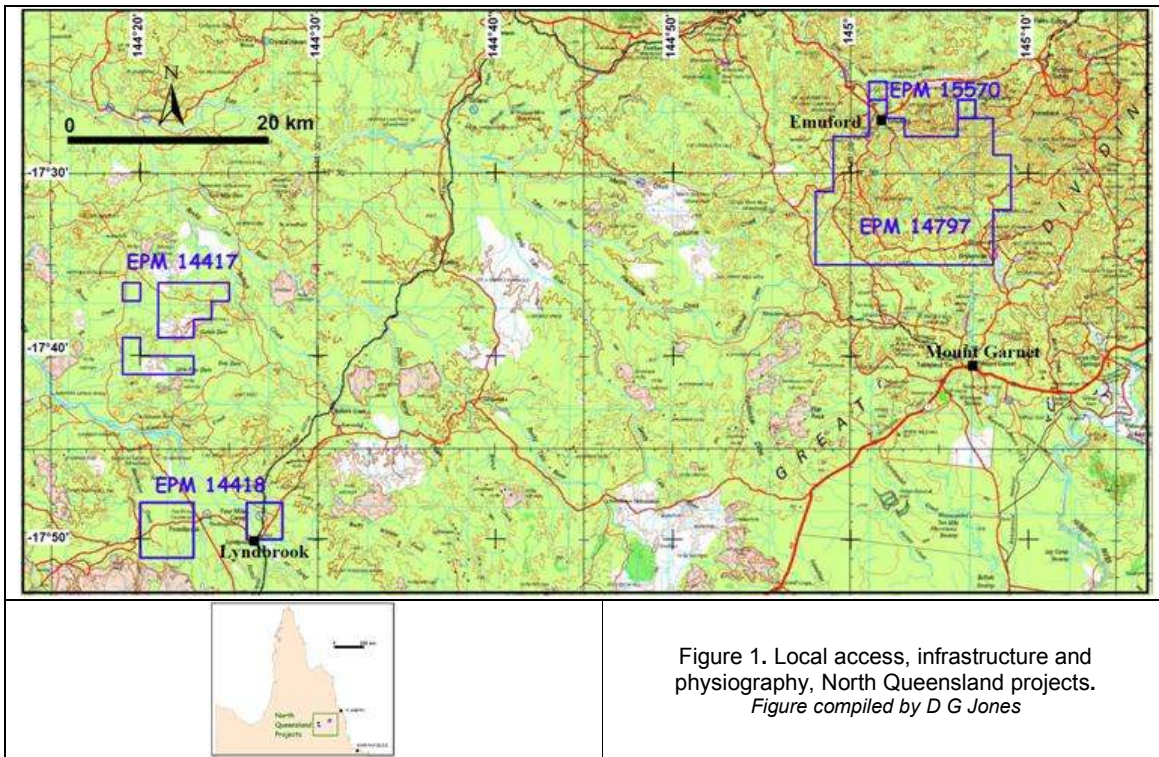
This Valuation complies with the VALMIN Code (2005 Edition) in its entirety. The author has taken due note of Regulatory Guide ("RG") 111 "Content of Expert Reports" (Oct 2007 & March 2011) and RG 112 "Independence of Experts" (Mar 2011 update) promulgated by the Australian Securities and Investments Commission ("ASIC") and this report meets the guidelines set out in RG 111 and RG 112.

## 5. PROPERTY LOCATION, ACCESS & INFRASTRUCTURE

### 5.1 Location, Access and Physiography

#### 5.1.1 North Queensland Projects

The North Queensland Projects comprise EPM 14797 “Khartoum”, EPM 15570 “Khartoum North”, EPM 14417 “Eight Mile” and EPM 14418 “Fossilbrook” centred between 100 km and 180 km SW of Cairns (Figure 1).

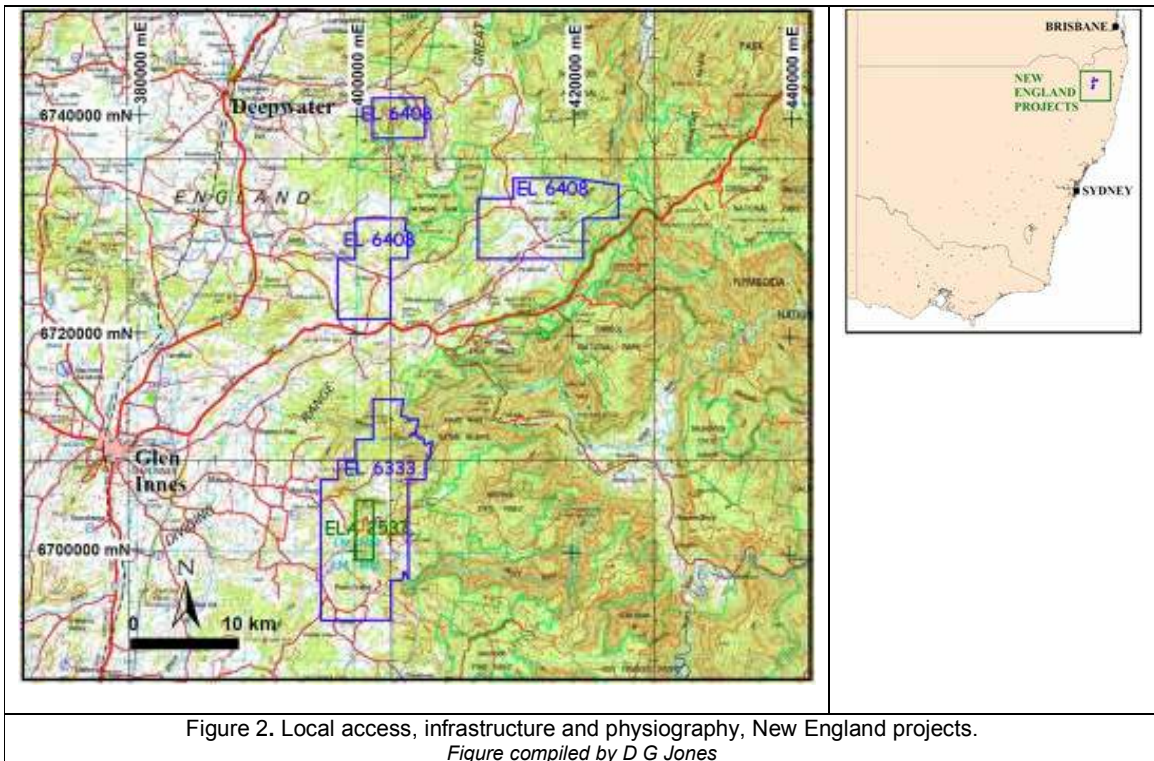


The North Queensland projects are well located near major sealed highways and numerous secondary roads. These connect the tenements to the city of Cairns (population 164,000 in July 2009) and the city of Townsville (population 182,000 in July 2009). Both cities are serviced by international airports, the main road and rail system in Queensland, and thriving ports.

### 5.1.2 New England Projects

The New England projects comprise the EL 6333 “Kingsgate” and EL 6408 “Glen Elgin” located 25 km east and 40 km NE respectively from Glen Innes (population 6,000 in the 2006 census). The tenements lie on the dissected eastern edge of the New England Plateau, which all lies about 1,000m above sea level (Figure 2).

The topography varies from minor areas of undulating agricultural land to extensive areas of heavily timbered mountainous terrain, frequently dissected by spectacular gorges. Access is provided by numerous fire trails and farm tracks.

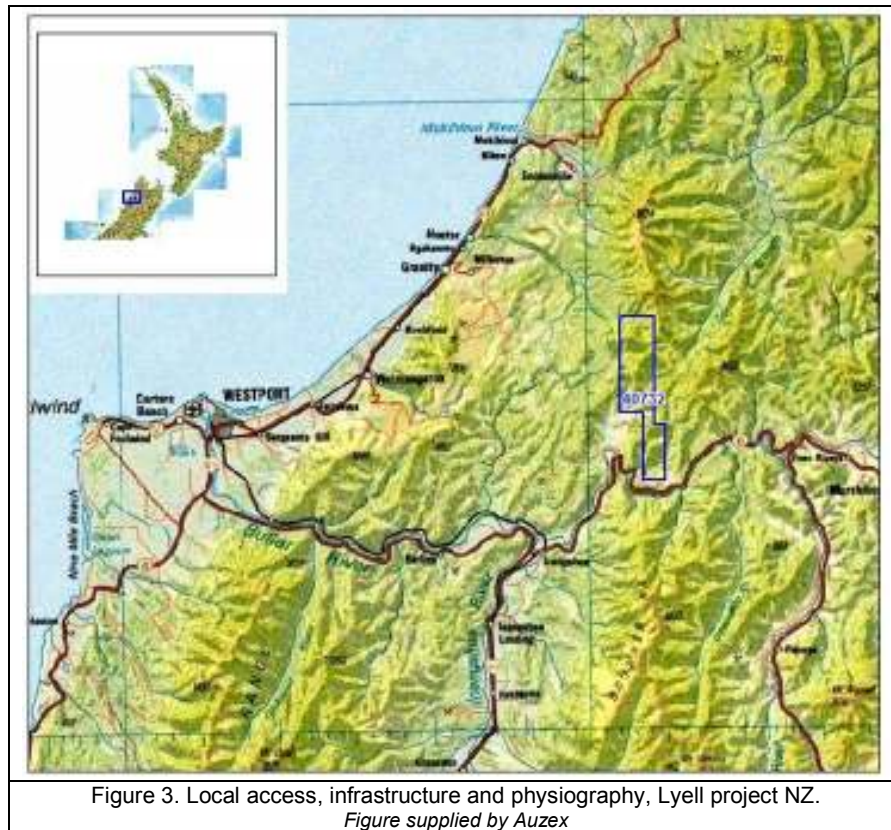


### 5.1.3 New Zealand Project

Exploration in New Zealand is subject to a Joint Venture with local company New Zealand Minerals Ltd which currently holds approximately 42% interest in all Auzex NZ properties.

The Lyell EP 40732 is located in the Buller District of the West Coast of the South Island of NZ approximately 40 km east of the town of Westport (Figure 3). The permit incorporates parts of the Lyell and Glasgow Ranges to the north of the Buller River. The southern part of the tenement can be accessed by foot via a 3 km walkway from State Highway 6 that links the city of Nelson to the West Coast beginning at the site of the old Lyell township site. In general fieldwork has been helicopter supported with temporary fly camps at various locations.

The Lyell Goldfield area is located on the flanks of the southern end of the Lyell Range generally at moderate altitudes between 400 and 800m above sea level. The landscape is generally steep and in places is incised by deep creeks or broken by washouts and slips. Older slips are likely to have been caused by the Murchison (1929) and Inangahua (1968) earthquakes.



## **6. HISTORY OF EXPLORATION & PRODUCTION**

### **6.1 *Discovery & Previous Exploration***

#### **6.1.1 North QLD**

Alluvial cassiterite was first discovered in the Herbert River in 1879 and the tenement area was subject to historical mining for gold, tin and other metals until prices reduced after World War 1 when only intermittent mining continued in the Herberton tin field. Total recorded production of cassiterite concentrate from 1879-1957 was 96,411 tonnes at 70% Sn.

##### **1937-1938**

The Aerial Geological and Geophysical Survey of North Australia ("AGGSNA"): reconnaissance geological mapping of the Herberton and Watsonville districts.

##### **1957-1959 EPM 107**

New Consolidated Goldfields (A'asia) Pty Ltd ("Goldfields"): reconnaissance geological mapping of 36,000 sq km of north Qld. Focus shifted to Herberton tin field and compilation of mine data, and then the Cooktown tin field. Ten large-diameter bores (total 60m) tested the alluvial potential of some river flats.

##### **1959-1960 EPM 150 (2,331 sq km)**

Rio Tinto Australia Exploration Pty Ltd ("Rio"): spent \$9,037 reconnaissance geological mapping of 2331 sq km of Chillagoe tin field. About 8% of the work was done within the boundaries of current EPMs 14417, 14418, 14797 and 15570.

##### **1960-1966 EPM 164 (579.7 sq km)**

Alluvial Gold Limited ("Alluvial"): spent \$178,440 drilling 334 holes (3316m) in Nettle Creek. About one third of the project area falls within the boundaries of current EPM 14797.

##### **1961-1969 EPM 182 (700.3 sq km)**

Tableland Tin Dredging NL: spent \$550,000 on boring 2,000 holes (15,240m) in Return Creek, and bulk sampling for metallurgical testing. Less than 10% of the area worked falls within EPM 14797

##### **1962-1964 EPM 185 (386.3 sq km)**

BHP Limited ("BHP"): spent \$60,406 sinking pits to test for tin in Black's, Return and Smith's Creeks. One third of the work area was within the present boundaries of EPM 14797.

##### **1963**

United Exploration Pty Ltd ("United"): bulk sampling to test for tin in Emu and Glen Creeks.

##### **1963-1964 EPM 189 (111.4 sq km)**

Carpentaria Exploration Pty Ltd ("CEC"): spent \$27,590 compiling data and drilling the Montalban prospect.

**1964-1965 EPM 253 (32.7 sq km)**

Mineral Search Syndicate: spent \$13,239 on scout boring (35 holes for 250m) and costeaning for alluvial tin. About 50% of the work was carried out within the boundary of current EPM 14797.

**1966-1969 EPM 319 (225.9 sq km)**

Alluvial: spent \$258,737 drilling 600 holes (11591m) and sinking 186m of pits in Nettle Creek and its tributaries. About 20% of the project area falls within the boundaries of current EPM 14797.

**1969-1970 EPM 692 (2,763 sq km)**

ICIANZ Limited ("ICI"): spent \$246,409 testing for tin in the Chillagoe tin field and molybdenite at Khartum. About 10% of the work was done within the boundaries of current EPMs 14417, 14418, 14797 and 15570.

**1970 EPM 944 (72.0 sq km)**

Dampier Mining Company Limited ("BHP"): spent \$30,000 on geological mapping and prospecting for fluorspar. About 35% of the work was done within the boundaries of current EPM 14417.

**1972-73 EPM 1038 (29.5 sq km)**

Carpentaria Exploration Company Pty Ltd ("CEC"): spent \$20,000 on geological mapping, stream sediment and soil sampling, IP geophysics and costeaning. Three diamond core holes (352m) were drilled at Khartum. About 35% of the work was done within the boundaries of current EPM 14417.

**1972-1973 EPM 1020 (261.9 sq km)**

Samedan of Australia ("Samedan"): explored the Claret Creek Ring Complex for base metals. About 10% of the project area falls within the boundaries of current EPM 14797.

**1976-1977 EPM 1609 (261.9 sq km)**

Renison Limited ("Renison"): reconnaissance testing for skarn and pipe tin mineralisation at the Gilmore and Smith's Creek mines. The Gilmore East area falls within the boundaries of current EPM 14797.

**1978-1981 EPM 1888 (327.4 sq km)**

Houston Oil and Minerals Australia Inc ("Houston"): spent \$406,380 on gridding, geochemical sampling, ground geophysics and diamond core drilling (18 holes for 2587m cost \$191,628) while exploring the Claret Creek Ring Complex for base metals. About 10% of the work was carried out within the boundary of current EPM 14797.

**1979-1981 EPM 2105 (163.6 sq km)**

Lamorna Mines Pty Ltd: spent \$25,790 on reconnaissance and back-hoe test pitting for tin. About 10% of the work was done within the boundaries of current EPM 14417.

**1979-1983 EPM 2155 (261.9 sq km)**

CEC/AOG JV: spent \$292,457 on stream sediment sampling (800 samples), soil sampling (180 samples) rock chip sampling (70 samples), petrology (47 samples) IP and ground magnetics geophysics and trenching for tin. Drilling included RAB (78 holes for 1048m), RC (39 holes for 3117m) and diamond core drilling (7 holes for 1099m). About 20% of the work was done within the boundaries of current EPM 14417.

**1979-1983 EPM 3624 (193.0 sq km)**

Anmekla Pty Ltd: prospecting, costeaning and pit sampling for tin. About 10% of the work was done within the boundaries of current EPMs 14417 and 14418.

**1984-1985 EPM 3727 (327.4 sq km)**

AOG Minerals Limited ("AOG"): spent \$74,943 exploring the Claret Creek Ring Complex for base metals. About 10% of the work was carried out within the boundary of current EPM 14797.

**1984-1985 EPM 3686 (255.3 sq km)**

Esso Australia Ltd ("Esso"): spent \$216,657 on geological mapping, regional stream sediment sampling, IP geophysics and RC drilling (13 holes for 1,269m). About 5% of the work was done within the boundaries of current EPMs 14417 and 14418.

**1984-1987 EPM 3973 (4,971 sq km)**

CRA Exploration Pty Ltd ("CRA"): bulk sampling for diamonds (228 samples). Then explored for base metals and gold using stream sediment (38 samples) and soil geochemistry, rock chip sampling (81 samples), gridding (525 km), ground magnetics (52.5 km) and RC drilling (5 holes for 532m). About 0.5% of the work was done within the boundaries of current EPMs 14417 and 14418.

**1986 EPM 4336 (327.3 sq km)**

Homestake Gold Ltd ("Homestake"): spent \$24,035 on BLEG (89 samples). About 15% of the work was done within the boundaries of current EPMs 14417 and 14418.

**1986-1987 EPM 4289 (131.0 sq km)**

Ravenshoe Tin Dredging Ltd ("Ravenshoe"): explored the Claret Creek Ring Complex for base metals. About 20% of the work was carried out within the boundary of current EPM 14797.

**1986-1987 EPM 4927 (232.5 sq km)**

Western Mining Corporation Ltd ("WMC"): spent \$12,957 exploring the Claret Creek Ring Complex for base metals. About 20% of the work was carried out within the boundary of current EPM 14797.

**1986-1992 EPM 4030 (327.3 sq km)**

AOG/Elders Resources: spent \$567,355 on airborne geophysics, stream sediment ( samples) and soil geochemistry, rock chip sampling ( samples), gridding ( km), ground magnetics ( km), air track drilling (63 holes for 1805m), RC drilling (48 holes for 3042m cost \$89,023) and diamond core drill (9 holes for 649m). About 15% of the work was done within the boundaries of current EPMs 14417 and 14418.

**1987-1989 EPM 5274 (301.2 sq km)**

Western Mining Corporation Ltd ("WMC"): spent \$115,297 on regional stream sediment sampling (336 samples) exploring for breccia associated gold mineralisation. About 10% of the work was carried out within the boundary of current EPM 14797.

**1991-1992 EPM 7871 (81.9 sq km)**

S Moroney: rock chip, stream and soil sampling. About 40% of the work was carried out within the boundary of current EPM 14797.



**1992-1994 EPM 8994 (19.6 sq km)**

Auralia Resources NL ("Auralia"): geological mapping and stream sediment sampling (9 samples).

**1992-1997 EPM 8982 (190.0 sq km)**

Dominion Mining Limited ("Dominion"): rock chip (174 samples), BLEG stream (82 samples) and soil sampling, percussion and diamond drilling. About 30% of the work was carried out within the boundary of current EPM 14797.

**1992-1996 EPM 8998 (320.8 sq km)**

Poseidon Gold Limited ("Poseidon"): drainage sampling (147 samples), rock chip sampling (25 samples), RC drilling (20 holes for 1525m), airborne geophysics. About 25% of the work was carried out within the boundary of current EPM 14797.

**1992-1999 EPM 8812**

Centamin Egypt Limited: BLEG stream sediment and rock chip sampling. About 10% of the work was done within the boundaries of current EPM 14418.

**1993-1994 EPM 9437 (111.4 sq km)**

Cyprus Gold Corporation ("Cyprus"): spent \$300,000 on rock chip, BLEG stream and dump sampling.

**1993-1994 EPM 9774 (490.5 sq km)**

CRA: reconnaissance for bulk-tonnage copper-gold deposits, including BLEG stream sediment (16 samples), soil (257 samples) and rock chip (171 samples) sampling and ground magnetics (37 line km). About 10% of the work was done within the boundaries of current EPM 14418.

**1995 EPM 10280 (189.8 sq km)**

BHP: BLEG stream sediment (36 samples), soil and rock chip sampling and ground magnetics. About 25% of the work was done within the boundaries of current EPM 14418.

**1995-2000 EPM 10453 (288.2 sq km)**

GTN Resources Limited ("GTN"): spent \$19,300 on data compilation. About 30% of the work was carried out within the boundary of current EPM 14797.

**1996-2001 EPM 11138 (324.1 sq km)**

Capricorn Dolomite Pty Ltd: BLEG (45 samples) and rock chip (34 samples) sampling. About 2% of the work was done within the boundaries of current EPM 14418.

**1996-2005 EPM 8998 (100.0 sq km)**

Diatreme Resources Limited ("Diatreme"): ground magnetics, RC drilling (6 holes for 941.5m). The holes were collared outside the boundary of current EPM 14797.

**1998-2000 EPM 10804 (68.8 sq km)**

GTN Resources Limited ("GTN"): spent \$14,700 on rock chip, BLEG stream and dump sampling. About 60% of the work was carried out within the boundary of current EPM 14797.

**2005 EPMs 14417 and 14418 (49.1 sq km and 42.5 sq km)**

Auzex Resources Ltd ("Auzex"): spent \$ on data compilation, mapping, stream sediment (147 samples), rock chip (596 samples) and soil (2762 samples) sampling.

**2006 EPM 14417 and 14418**

Auzex Resources Ltd ("Auzex"): spent \$ on stream sediment (96 samples), rock chip (310 samples) and soil (2569 samples) sampling.

**2006 EPM 14797 (245.6 sq km)**

Auzex Resources Limited ("Auzex"): spent \$234,734 on mapping, soil and rock chip sampling testing tin potential of greisens-altered granite.

**2007 EPM 14417 and 14418**

Auzex Resources Ltd ("Auzex"): spent \$675,514 on stream sediment (96 samples), rock chip (172 samples) and soil (468 samples) sampling and RC drilling (35 holes for 3226m).

**2007 EPM 14797**

Auzex: mapping, rock chip sampling, RC (9 holes for 1185m) and diamond core drilling (1 hole for 150m).

**2007-2008 EPM 15570 (6.6 sq km)**

Auzex: spent \$21,777 on data review.

**2008 EPM 14417**

Auzex Resources Ltd ("Auzex"): spent \$76,661 on rock chip (463 samples) and soil (2522 samples) sampling.

**2008 EPM 14418**

Auzex Resources Ltd ("Auzex"): spent \$78,360 on stream sediment (24 samples) and soil (1843 samples) sampling.

**2008 EPM 14797**

Auzex: spent \$454,264 on geophysical interpretation, channel chip sampling (1232 samples), rock chip sampling (65 samples).

**2008-2009 EPM 15570**

Auzex: spent \$32,405 on data review and soil sampling (66 samples).

**2009 EPM 14417**

Auzex Resources Ltd ("Auzex"): spent \$26,196 on data review.

**2009 EPM 14418**

Auzex Resources Ltd ("Auzex"): spent \$75,563 on RC drilling (3 holes for 340m).

**2009 EPM 14797**

Auzex: data compilation and review.

**2009-2010 EPM 15570**

Auzex: spent \$13,635 on data review and soil sampling.

**2010 EPM 14417**

Auzex Resources Ltd ("Auzex"): spent \$36,282 on data review.

**2010 EPM 14797**

Auzex/Hillgrove Resources JV: mapping, rock chip (39 samples) and NITON soil sampling (12 samples).

### **6.1.2 New England, NSW**

Bismuth was discovered on Yarrow Creek Station in 1877 (Kenny, 1924). Mining commenced prior to the 1883 visit by Chief Government Geologist (Andrews, 1916). He noted that the Mo pipes were clustered along the margins of the granite. Approximately 380t of bismuth concentrate and 175t of molybdenite concentrate was produced between 1880 and 1922. There was sporadic production from 1922 to 1951. At Glen Elgin, records of mine production commenced in 1892, although alluvial mining may have commenced as early as 1853. From 1892 to 1940 a total of 742t of tin and 10,252 oz of gold production was recorded. The Surprise molybdenite mine was worked during the 1920s and 1930s but not records of production are available.

**1966**

Carpentaria Exploration Company Pty Ltd ("CEC"): tape and compass mapping of 150 acres. Percussion drilling 79 holes (2,103m @ \$7/m). Most assays below 0.4% Mo cut-off.

**1969-70**

North Broken Hill Ltd ("NBH: spent \$15,859 within the boundaries of present EL 6408 on regional geological mapping, sampling stream sediments ( total 13,341 samples), rock chips ( total 2038 samples), soils ( total 346 samples) and panned concentrates (total 68 samples).

**1969-72**

AOG Minerals Pty Ltd ("AOG"): spent A\$208,601 on geological mapping, orientation geochemistry (486 samples assayed), detailed stream sediment geochemistry (>500 samples assayed). 730 sites re-sampled (additional cost \$16,678 or \$23/site). In early 1971 1,286 sites sampled (cost \$28,575 or \$22/site). Anomalies followed up by soil and rock chip sampling. In early 1972, 40 air-track percussion holes drilled (1,243m @ \$7/m). No significant intersections.

**1969-72**

Eastmet Minerals Ltd ("Eastmet"): spent A\$151,994 on geological mapping, an airborne magnetic and radiometric survey, ground prospecting, costeaning, stream sediment sampling (240 samples).

**1971**

Glendale Explorations NL ("Glendale"): spent A\$17,209 on geological mapping, stream sediment sampling,

**1972**

Kingsgate Mining and Exploration NL (“Kingsgate”): compilation.

**1974-75**

Buka Minerals NL (“Buka”): spent AUD\$4,121 on rock chip sampling, geochemical sampling, rock chip sampling (15 samples), petrology.

**1978-79**

Amoco Minerals (“Amoco”): geological mapping, stream sediment sampling, rock chip sampling, soil sampling, ground magnetics, shallow percussion drilling (4 holes, 80m total).

**1981**

Aerospace Metals and Mining Pty Ltd (“AMM”): spent AUD\$11,065 on ML 6069 carrying out bulk sampling and metallurgical test work.

**1981-82**

Amoco Minerals Australia Company (“Amoco”): spent A\$7,077 on reconnaissance geological mapping, regional stream sediment geochemistry (samples assayed) and rock chip sampling.

**1988-92**

G & J Gem Merchants Pty Ltd (“G&J”): spent AUD\$80,000 on detailed geological mapping, high-resolution magnetic surveys and RAB drilling (59 holes) within the boundaries of present EL 2537 Kingsgate. Although the work (which in the wider area involved a total expenditure in excess of A\$3.5M) was directed at gemstone (especially sapphire) exploration, the mapping, geophysics and drilling through Tertiary basalt cover to provide information on the underlying granite contributed to exploration data useful for base metal exploration of the granite.

**2001-02**

Tamas Kapitany: EL 5858 was granted then surrendered when it was discovered the landowner had a private mining agreement with the NSW government.

**2002-03**

Great Northern Mining Pty Ltd: Exploration for sapphires

**2005**

Auzex: spent \$201,461 on data compilation, mapping, rock chip sampling (258 samples), soil sampling (450 samples), ground radiometrics, planning for diamond core drilling.

**2006**

Auzex: spent \$803,042 on mapping, rock chip sampling (215 samples), soil sampling (2283 samples), auger sampling (116 holes), IP survey, RC drilling (38 holes for 1268m).

**2007**

Auzex: spent \$2,077,412 on mapping, rock chip sampling (267 samples), channel sampling, soil sampling (4098 samples), auger sampling (638 holes), IP survey, RC drilling (83 holes for 4169m).

## **2008**

Auzex: spent \$2,300,633 on mapping, rock chip sampling (8 samples), channel sampling, soil sampling (658 samples), airborne geophysics and RC drilling (252 holes for 12,136m).

## **2009**

Auzex: spent \$87,028 on data compilation and feasibility study.

## **2010**

Auzex: spent \$103,877 on data compilation and RC drilling (5 holes for 492m).

### **6.1.3 Lyell Project, NZ**

Rich alluvial gold deposits were found in the Lyell Stream in 1862 and traced to reefs between Irishman's and Eight Mile Creeks, small east-flowing tributaries of the Lyell Stream. The Mines Inspector's reports for 1937-38 record that men were driving adits at German Gully and Anticline following gold-bearing reefs described as the most promising find in the area. New finds included Reid's Discovery (Reid's Reef – grab samples over 2 oz/ton), North British, North Croesus and Alpine. A total of 91,353 oz of gold was recovered from 151,166 tons of quartz crushed.

#### **1967-1968**

Asarco Developments NZ Ltd ("Asarco"): helicopter stream sediment sampling (141 samples within Auzex tenement).

#### **1970-1971**

Carpentaria Exploration Company Pty Ltd ("CEC"): stream sediment (165 samples within Auzex tenement).

#### **1972-1973**

Otter Minerals: stream sediment (68 samples), soil sampling (47 samples) and rock chip sampling (130 samples). Isolated Au, As and Cu anomalies detected.

#### **1973-1975**

NZ Cities Services: stream sediment (396 samples).

#### **1974-1982**

Reconnaissance prospecting by various companies including Kennecott Exploration, JBL Exploration and Otter Minerals. Isolated cassiterite, scheelite and molybdenite anomalies detected.

#### **1977-1980**

Otter Minerals: stream sediment sampling (254 samples) and regional geological mapping.

#### **1979**

Dept of Scientific and Industrial Research ("DSIR"): stream sediment sampling (74 samples).

#### **1979-1981**

Amoco Minerals: stream sediment (95 samples) and rock chip sampling (184 samples).

**1982-1985**

Gold Mines of New Zealand Limited (“GMNZ”): 10 prospecting licences (“PLs”) covered by helicopter stream sediment sampling (57 samples within Auzex tenement). Spent NZD\$31,641 in 1982 on soil sampling (425 samples).

**1987-1989**

McConnell Dowell Mining Ltd (“MCM”): data review.

**2005**

Auzex: spent NZD\$20,500 data compilation, mapping, rock sampling (26 samples).

**2006**

Auzex: spent NZD\$22,186 on helicopter reconnaissance, rock chip sampling (27 samples).

**2007**

Auzex: spent NZD\$92,635 on mapping, grid soil sampling (511 samples).

**2008**

Auzex: spent NZD\$173,193 on mapping, sampling (\$93,344 on 881 soil and 113 rock chip samples), and drilling (\$7,017).

**2009**

Auzex: spent NZD\$12,971 data review.

## 6.2 Historical Mineral Resource & Reserve Estimates

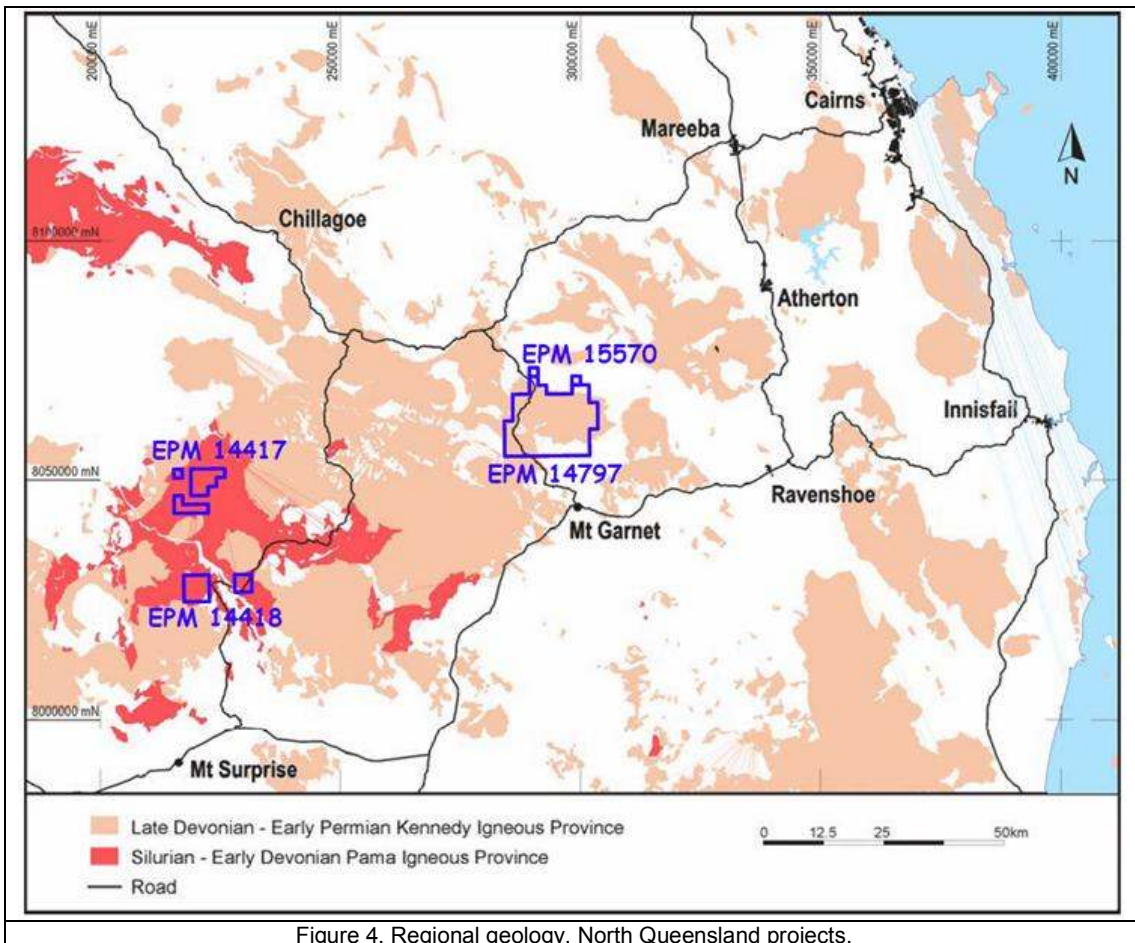
There are no historical mineral resources or mineral reserves established on any of the non-Bullabulling projects.

## 7. GEOLOGY & MINERALISATION

### 7.1 North QLD Projects

#### 7.1.1 Regional Geology

The early-middle Paleozoic Hodgkinson Province succession forms the northern part of the Tasman Fold Belt. The province is the most extensive element in the Cairns Region, where it forms a belt about 500km long and up to ~150km wide. It is separated from the coeval Broken River Province to the south by Carboniferous-Permian igneous rocks of the Kennedy Province and the northwest-trending part of the Palmerville Fault. Lithologies consist dominantly of sandstone, greywacke and siltstone with limestones occurring along the western margin. To the west, the Palmerville Fault defines the boundary with the Proterozoic high-grade metamorphic and associated intrusive rocks of the Dargalong and Yambo Inliers.



The Dargalong Inlier is intruded by numerous Early Silurian leucogranitoid bodies grouped together as the Blackman Gap Complex. Both the Dargalong and adjacent Hodgkinson Province are also intruded by numerous granite plutons, of Late-Carboniferous-Permian age. These are mainly I-type and A-type volcanic and plutonic rocks which belong to the west-northwest trending, intraplate Townsville – Mornington Island belt. This belt is part of the Kennedy Province. Three major I-type supersuites and one minor I type supersuite have been identified, namely the Almaden, Ootan, O'Briens Creek, and Claret Creek Supersuites (Champion, 1991).

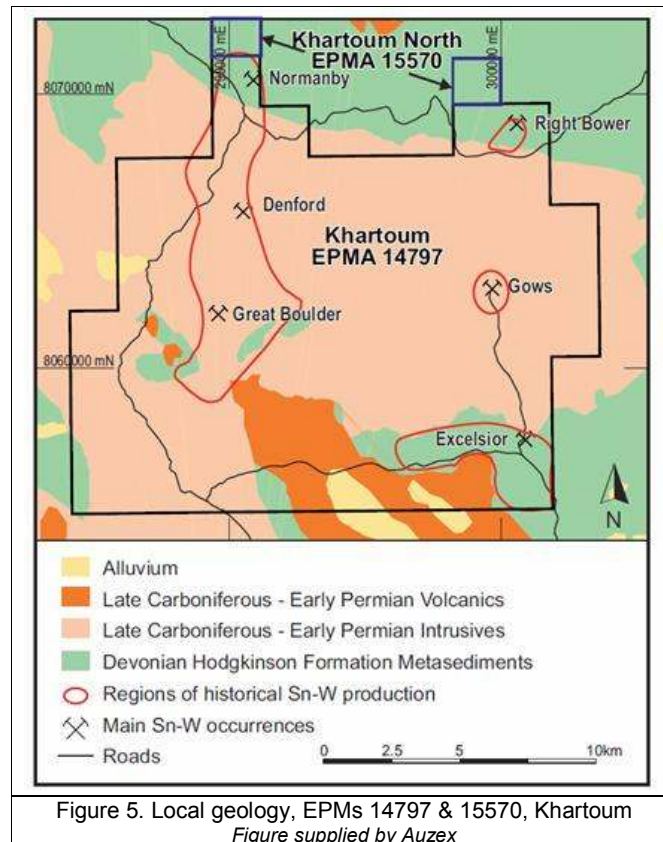
The O'Briens Creek Supersuite in the region consists of highly fractionated characteristically pale pink to white, alkali-feldspar-rich biotite granites, leucogranites and microgranites, some of which are porphyritic and some of which are miarolitic. The supersuite includes the Go Sam and Nettle Suites of Johnston (1984), the Emu Suite of Pollard (1984, 1988) and Witt (1985), and the Herberton Suite of Clarke (1990). Small bodies of relatively felsic (mostly fractionated), fine grained, commonly miarolitic and/or porphyritic, granite are abundant; some of these contain topaz and/or fluorite.

Plutons of the O'Briens Creek Supersuite have intruded the Etheridge Group, Dargalong and McDevitt Metamorphics (Paleoproterozoic), and the Blackman Gap Complex; and the Hodgkinson Formation. They have been intruded by granites of the Ootan and Claret Creek Supersuites, and are overlain (or faulted against) volcanic rocks of the Featherbed Group, Nanyeta, Boxwood, Slaughter Yard, Pratt, Glen Gordon and Walsh Bluff Volcanics.

### **7.1.2 Local Geology**

The basement geology in the Emuford area consists of sandstones and mudstones of the Devonian Hodgkinson Formation. The sediments are intruded by granites of the Ootan and O'Briens Creek Supersuites. Pollard (1984, 1988) subdivided the granites in the Emuford area into two main types based on grain size and field relationships (Donchak and Bultitude, 1994): early granites and late-stage granites; the Emuford Granite being the most extensive of the early granites (Figure 4).



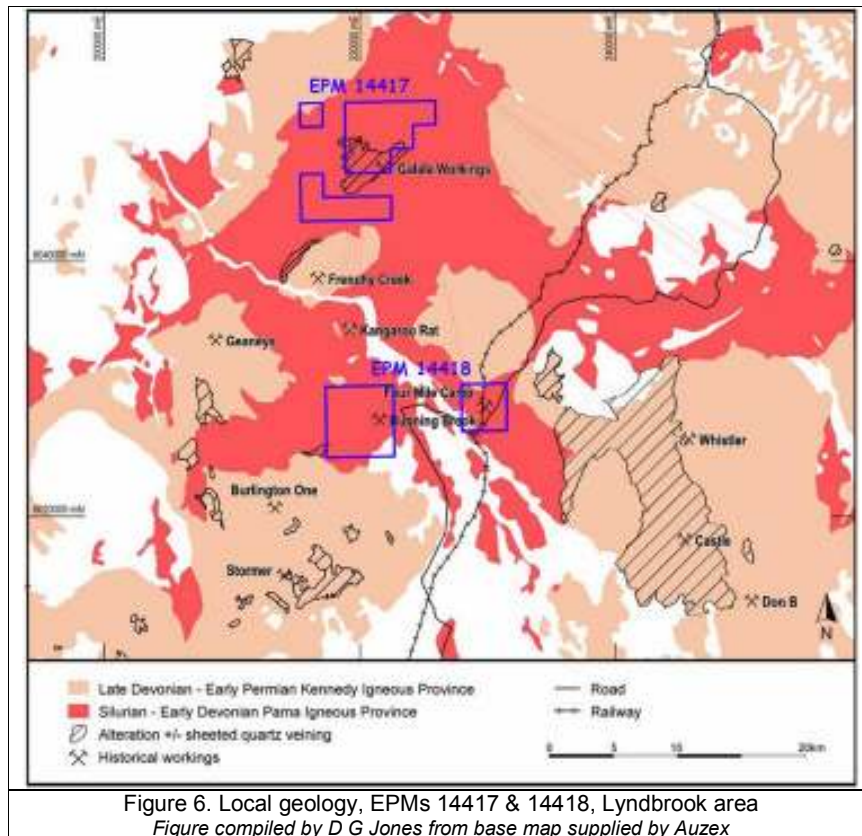


The Emuford Granite forms a relatively large pluton (>200 sq km) and underlays approximately 75% of the Khartoum permit (Figure 5). The Emuford Granite is composed in the main of a coarse grained granite which is intruded by numerous small bodies of fine and medium grained, mainly sparsely to moderately porphyritic biotite granite and adamellite (late-stage). Most of the late-stage granites form dykes, sheets and small plutons (<10 sq km) which occur along the margins and within the early granites. The late-stage granites have generally sharp contacts although Pollard and Auzex geologists have found local evidence of gradational contacts. The most extensive of the late stage granites is the Billings Granite which forms a sheet-like body in the northwest of the permit.

Granite and diorite and associated volcanics assigned to the Ootan Supersuite form part of the Gurrumba Ring Complex in the central west of the permit area shown as darker pink shading in Figure 6 and surround and intrude an inlier of sandstone and siltstone of the Hodgkinson Formation.

In the south of the tenement area there is a volcanic sequence (Nanyeta Volcanics) of rhyolitic to andesitic composition interpreted as comagmatic with the O'Brien Creek Supersuite. The Featherbed Volcanics lie off the northern bounds of the tenement. Adjacent and to the west of the Nanyeta Volcanics is a narrow north-west trending exposure of Silurian Chillagoe Formation.

Late Carboniferous – Early Permian granites from the O'Briens Creek and Ootan Supersuites make up 50% of the Lyndbrook Project area and intrude the Silurian granites/granodiorites of the Blackman Gap Batholith that make up the other half of the area (Figure 6).



### 7.1.3 Mineralisation

Alteration, especially greisenisation, is extensive and most, if not all O'Briens Creek Supersuite rocks, contain some Sn ± W ± Mo and F mineralisation. Most of the tin mineralisation in the Herberton, Irvinebank, Emuford, Mt Garnet and Tate River areas is intimately associated with granites of this supersuite. The tin mineralisation occurs mainly in veins, pipes and breccias within shear zones and fractures in Hodgkinson province sediments adjacent to granite contacts and in veins, pipes and disseminated deposits in granite or at the contact with Hodgkinson sediments. Estimated total production from the Herberton-Mt Garnet Tin field is more than 150,000 tonnes of cassiterite concentrate with close to half (70,000 tonnes) mined from primary lode deposits.

Tin mineralisation occurs mainly as fracture-controlled fissure filling and/or replacement bodies. Ore types are diverse (Pollard, 1984) with the most prominent types including chlorite-, sericite-, tourmaline-, and sulphide-rich assemblages. Greisenisation with associated quartz veins is common within the granites, and quartz-cassiterite veinlet swarms are associated with albite-rich lenses and albitised granite at Mt Misery near Irvinebank. Skarn-type mineralisation occurs in altered carbonate rocks near Mt Garnet and tin mineralisation is associated with hydrothermally altered basic volcanics in the Silver Valley and Sunnymount districts.

Tungsten occurs either in association with molybdenum, bismuth or tin, or as a sole commodity generally in quartz vein lodes or greisen veins. Wolframite is the dominant species. Tungsten and bismuth ores associated with molybdenite occur in flat lying greisen lodes occupying joints in granite in the Gows area. Pollard (1994) reported that at several localities in the Emuford district wolframite mineralisation appears to be associated with relatively late fine-grained granite and/or pegmatite. The greisen deposits commonly have central cores of quartz and fluorite with abundant large wolframite crystals.

## 7.2 New England Projects

### 7.2.1 Regional Geology

The Upper Carboniferous to Triassic New England Batholith (“NEB”) has an outcrop area of ~15,000 sq km and intrudes the accretionary prism complexes of the southern New England Fold Belt (Shaw and Flood, 1981). It is composed of synorogenic, Late Carboniferous to Early Permian peraluminous S-type granitoids, and post-orogenic Permo-Triassic I-type intrusions. The I-type intrusions form a NNE trending 300 km long by 60 km wide belt and are interpreted to be products of a continental margin magmatic arc with Andean-type affinities (Chappell 1994). The intrusion-related gold deposits that are the focus of this appraisal are considered to be associated with Late Permian-Early Triassic I-type granitoids that intrude the accretionary prism rocks of the Coffs Harbour block.

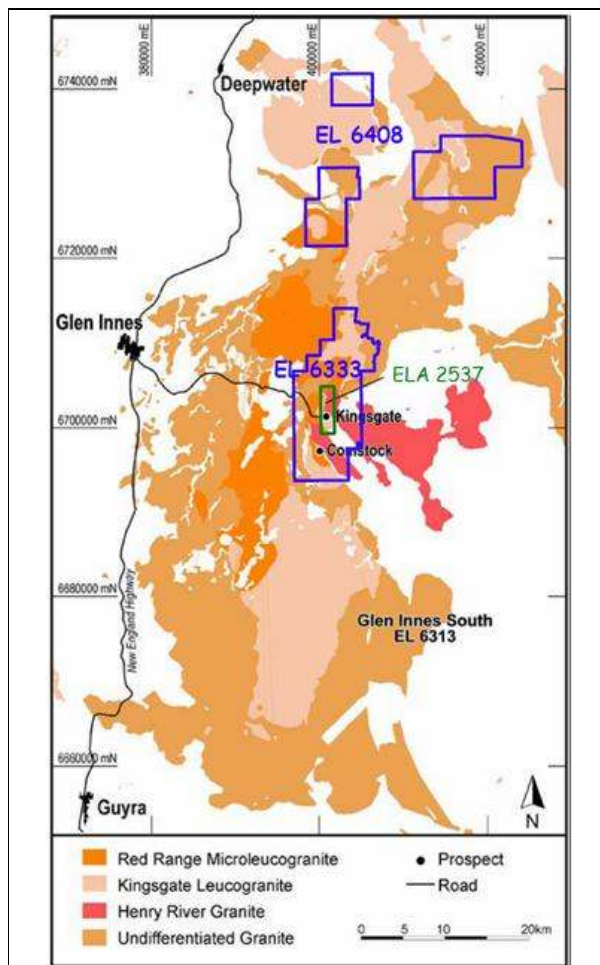


Figure 7. Local geology, ELs 6333, 6408 & ELA 2537.  
 Figure compiled by D G Jones from base map supplied by Auzex

Shaw and Flood (1981) subdivided the New England Batholith into the Bundarra, Hillgrove, Moonbi, Uralla and Clarence River suites based on distinct mineralogical, geochemical, isotopic and age criteria. Several economically-significant, fractionated and felsic granitoids were assigned to a separate "leuco-adamellite" group. Subsequently Chappell and Bryant (1994) renamed these groups Supersuites and reclassified the "leuco-adamellites" as leuco-monzogranite and incorporated many of them into the Moonbi Supersuite.

## **7.2.2 Local Geology**

Late Permian-Early Triassic granitoids dominate the geology of the Glen Innes EL 6333 and Glen Elgin EL 6408 (Figure 7).

The Wards Mistake Adamellite is extensively developed and comprises coarse to medium-grained monzogranite-granodiorite (Undifferentiated Granite in Figure 7). It has been intruded by the two main leucogranites in the area, the Kingsgate Leucogranite and the Red Range Microleucogranite. The Kingsgate Leucogranite is a very coarse-grained, equigranular biotite granite. The Red Range Microleucogranite is a fine- to very fine-grained saccharoidal, pink, equigranular microleucogranite.

The Red Range Microleucogranite is considered to form the carapace to the Kingsgate Leucogranite. This region has high potential for intrusion related gold deposits (IRGD's) due to the analogous geological setting to Timbarra.

## **7.2.3 Mineralisation**

The NEB has been a significant historical producer of tin and molybdenum. Estimated production of approximately 300,000 tonnes tin and 450 tonnes molybdenum were won from dominantly alluvial and hard rock sources respectively (Stroud et al., 1999; Weber et al., 1978). Timbarra represents the first significant disseminated intrusion-hosted gold deposit recognised in the NEB. This new class of gold deposit are now being recognised in tin-tungsten bearing magmatic provinces elsewhere around the world (Thompson et al., 1999).

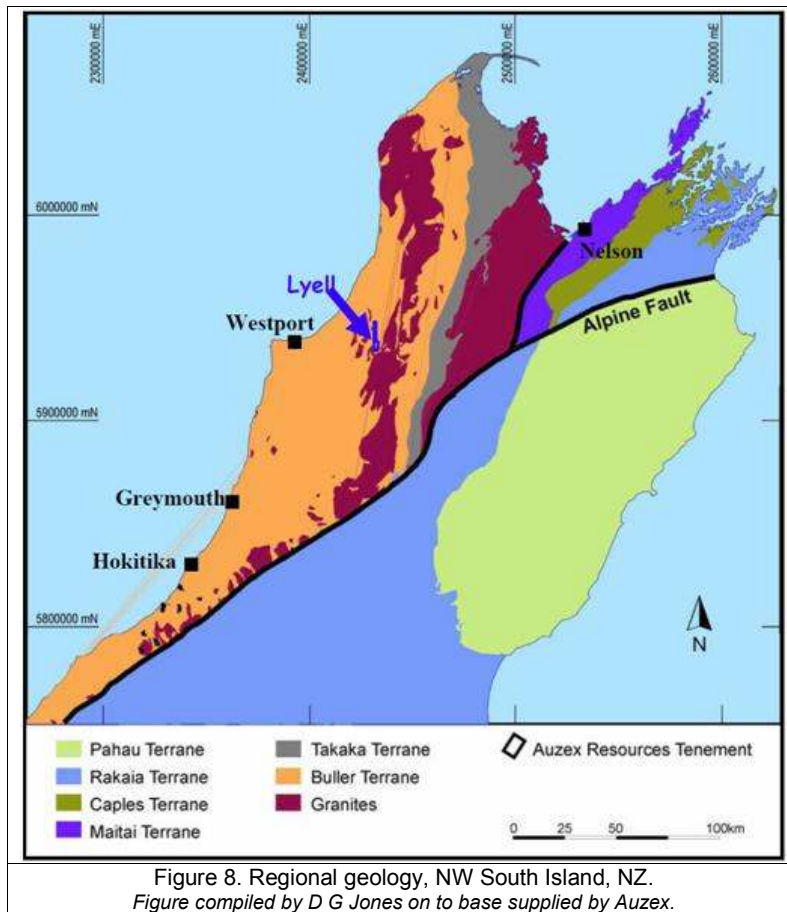
The Kingsgate Leucogranite and the Red Range Microleucogranite host a range of Mo, Bi, W and Sn deposits. Mo-Bi-Ag±Au quartz pipes and veins are developed in clusters along the margins of the Kingsgate Leucogranite and the Red Range Microleucogranite. The Kingsgate and Yarrow Creek (Comstock) deposits are the best known examples of this mineralisation style.

## **7.3 New Zealand Project**

### **7.3.1 Regional Geology**

West of the Alpine Fault, basement geology consists of the Western Province, Buller and Takaka Terranes to which the Eastern Province was accreted (Figure 8). Buller Terrane basement in the Reefton/Buller region is composed of indurated and strongly folded mudstone and sandstone beds of the Ordovician Greenland Group. The Greenland Group is generally weakly metamorphosed to sub-greenschist facies although locally to amphibolite facies, and hornfelsed adjacent to intrusive plutons. The folding has produced a ubiquitous axial plane cleavage.

The Greenland Group metasediments are intruded by, or in fault contact with, granites and diorites of the Carboniferous to Cretaceous Karamea or the Cretaceous Rahu and Separation Point Suites of S-type and I-type affiliations ranging from diorite, granodiorite, granite to leucogranite in composition. Contact metamorphic aureoles comprising biotite hornfels are developed over widths of up to 2km.



### 7.3.2 Local Geology

The Lyell goldfield is underlain by Ordovician Greenland Group metasediments, intruded by or in fault contact with granites and diorites of the Cretaceous Rahu/Separation Point Suites and Carboniferous to Cretaceous Karamea Suite which outcrop immediately to the east of the main channel of the Lyell Creek outside the exploration prospect (Figure 9).

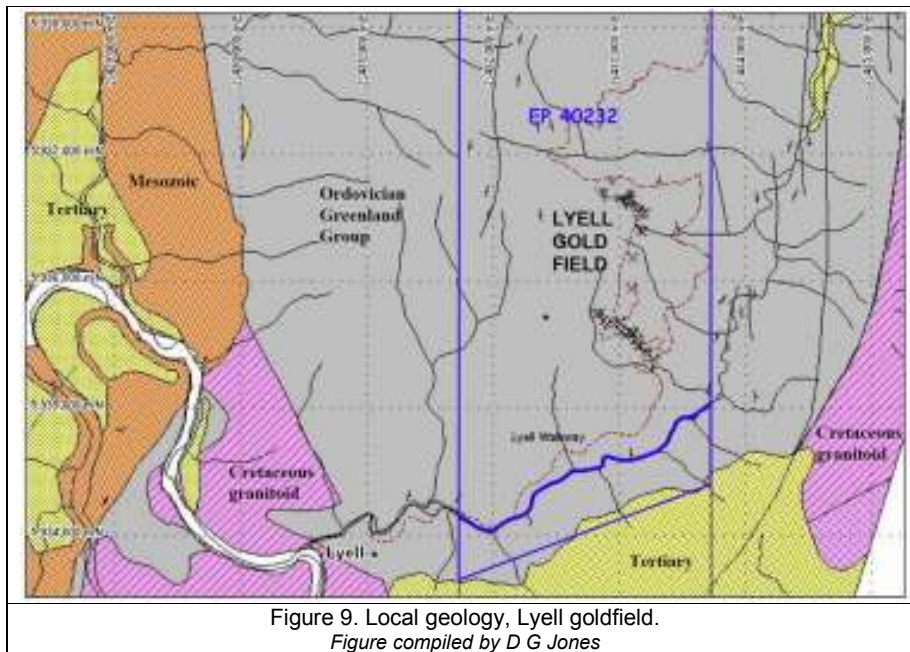


Figure 9. Local geology, Lyell goldfield.  
 Figure compiled by D G Jones

### 7.3.3 Mineralisation

Historic hard rock gold production in region has been derived predominantly from orogenic gold deposits, typically gold bearing quartz veins hosted by turbidites (Christie and Braithwaite 2005). The term orogenic derives from their occurrence in regionally metamorphosed terranes and their formation during compressional and transpressional deformation processes at convergent plate margins in accretionary and collisional orogens. Orogenic gold deposits in NZ are restricted to the South Island and lower North Island of NZ, and occur in greywacke rocks of Palaeozoic age (mostly Greenland Group) located in the Greymouth and Nelson districts (e.g. Reefton and Lyell, including the Globe-Progress deposit- 530,000oz), and also in Mesozoic age schists of the Marlborough and Otago districts (e.g. the Macraes Flat deposit greater than 5 M oz Au), in schists and greywackes of the Southern Alps and in Mesozoic greywackes in the Wellington region of the North Island. They have accounted for about 8% of New Zealand's total gold production.

Lenoid and sheet-like gold-bearing quartz veins occur within shear zones related to fold zones in the Greenland Group. The veins, containing gold and minor pyrite, arsenopyrite and stibnite are inferred to have been deposited from hydrothermal fluids generated in the later stages of a metamorphic event in the Silurian at about 420 Ma. Hydrothermal alteration is generally confined to narrow zones of pervasive quartz and sericite, with disseminated carbonate, pyrite and arsenopyrite, in wall rocks adjacent to veins. Less commonly, significant disseminated gold occurs associated with a wider alteration halo as at Globe-Progress.

The most important deposits of this type in NZ are those in the Reefton Goldfield, where over 67 t of gold were produced from 84 mines between 1870 and 1951. The gold quartz lodes are contained within a NNE-trending belt of Greenland Group metasedimentary rocks, some 34 km in length by 10 km in width. The largest known deposits were worked at the Blackwater and Globe-Progress mines. In the Blackwater Mine, the Birthday Reef averaged less than one metre in width but had a strike length of 1070 m, and was mined to a depth of 830 m, to produce 23 t of gold between 1909 and 1951. Quartz lodes at the Globe-Progress mine produced 13 t of gold between 1879 and 1920. Oceana Gold's 520,000 oz Globe-Progress Mine commenced production in 2006.

The Lyell goldfield area is the northern extension of the Reefton goldfield and contains around 21 historic mines with a total historic underground production of 95,000 oz gold from narrow high grade quartz veins structurally controlled in basement Greenland Group lithologies. Recorded structural measurements from the most significant mine, the Alpine United, indicate metasediments form a tight anticlinal structure within the broader syncline (informally Lyell Synclinorium, Barry (1995)). Mined gold-bearing quartz veins from the Alpine United mine are believed to have deposited within the sheared steeply dipping axial plane of the anticline, plunging approximately 40-45 degrees to the north.

## 8. EXPLORATION RESULTS & POTENTIAL

### 8.1 North Queensland Projects

Within EPM 14797 “Khartoum” and contiguous EPM 15570 “Khartoum North”, since 2006 Auzex has defined six prospective areas for tin and tungsten, with the gold potential of the area remaining fully untested (Figure 10). The six prospects are:

- Great Boulder Group in the south (centred on the Great Boulder Mine with production 182 tons cassiterite).
- Denford Group in the centre (centred on the Denford and related mines).
- Normanby Group centred on the abandoned township of Emuford.
- Right Bower group, centred on the twin historical mines of Right Bower and Omeo.
- Gows group (or Glen deposits) in the central east.
- Excelsior group in the southeast near the old township of Brownsville.

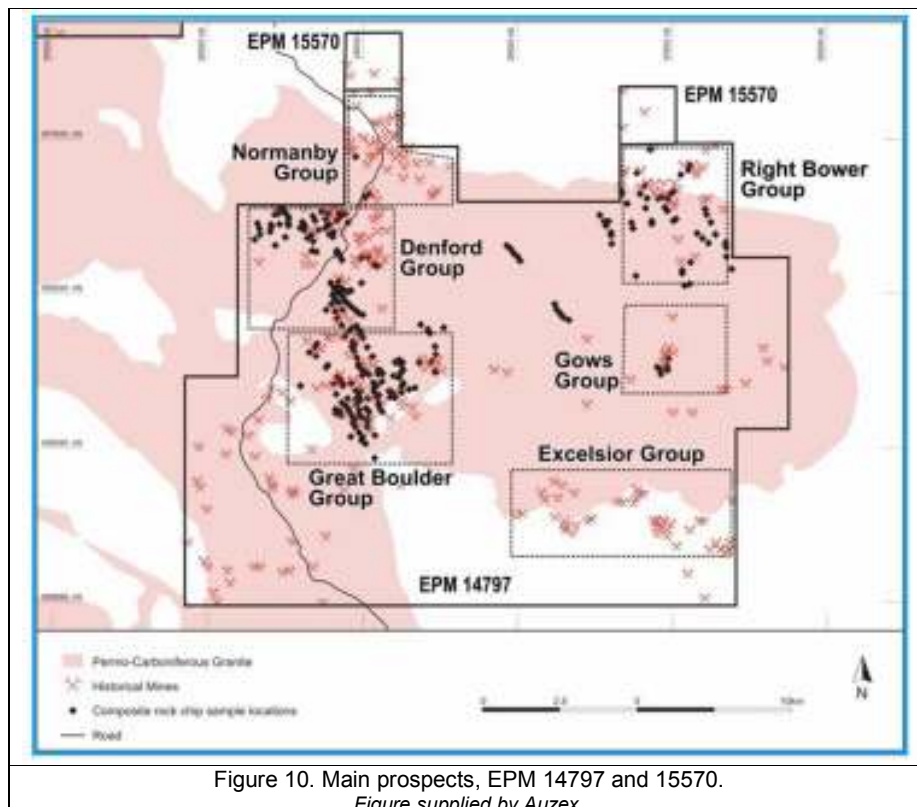


Figure 10. Main prospects, EPM 14797 and 15570.

Figure supplied by Auzex.

Regional mapping and soil sampling initially identified a 9 km by 3 km zone of highly anomalous tin geochemistry with 15 key areas that have soil values up to 1.8% tin and 10% of the samples returned greater than 0.05% Sn. The high grade tin values are developed in soils that form on zones of greisen alteration. The greisen zones are flat-lying or steeply dipping and can be mapped over a 1 km strike length and are up to 50m wide.

Channel sampling was followed up by five RC holes and one HQ diamond hole, for a total of 528m (384m RC, 144m DD). Most holes were designed to test down-dip continuations of outcropping greisen bodies with lower priority drill-targets including structurally controlled linear greisen, soil anomalies and some conceptual targets. Most holes were designed to finish in unmineralised granite. All holes intersected the targeted greisen mineralisation and visible coarse cassiterite was logged in the diamond drill hole within the greisen alteration. Mineralisation was intersected over wide intervals from the surface to a depth of 132m with grades of mineralisation between 0.13% and 0.26% Sn intersected. Narrow zones of high grade tin were also intersected within the broader intersections with 1m at 1.76% Sn from 13m and 1m at 1.10% Sn from 102m in BARD07-05 and 1m at 3.00% Sn from 44m in BARC07-02. The drilling results compare well with the surface sample results.

Of 107 greisens mapped and sampled on the surface, 45 greisen bodies average greater than 0.10% Sn and Auzex estimated tonnage per vertical metre at about 250,000 tonnes per vertical metre at 0.18% using a SG of 2.55. Given many of the greisens form 20-30m hills and drilling intersected mineralisation to a depth of 135m, Auzex assumes that the greisens can be mined to a depth of 150m. This gives a reasonable target for the project of approximately 40 Mt at an average grade of about 0.2% Sn, which is a typical average grade for tin greisen deposits. However, MA would caution that there is no guarantee that this target will be achieved with further exploration.

Initial metallurgical test work, performed on diamond drill core comprising fresh greisen mineralisation, returned 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 grained (<100µm), free from sulphide and contains only trace stannite (an uneconomic tin mineral). The greisen mineralisation is also anomalous in silver, indium and gallium associated with recoverable zinc and copper sulphides.

Within EPM 14417 (Figure 11), the Galala Range prospect occurs within a large alteration system forming a NE trending zone of sericite-silica alteration measuring 6 km x 4 km. Mineralisation consists of 0.5cm to 1.5m wide flat-dipping quartz veins within a sericite-silica altered biotite-muscovite granite. Auzex interprets the source of the metals to be a shallow buried Late Carboniferous granite.



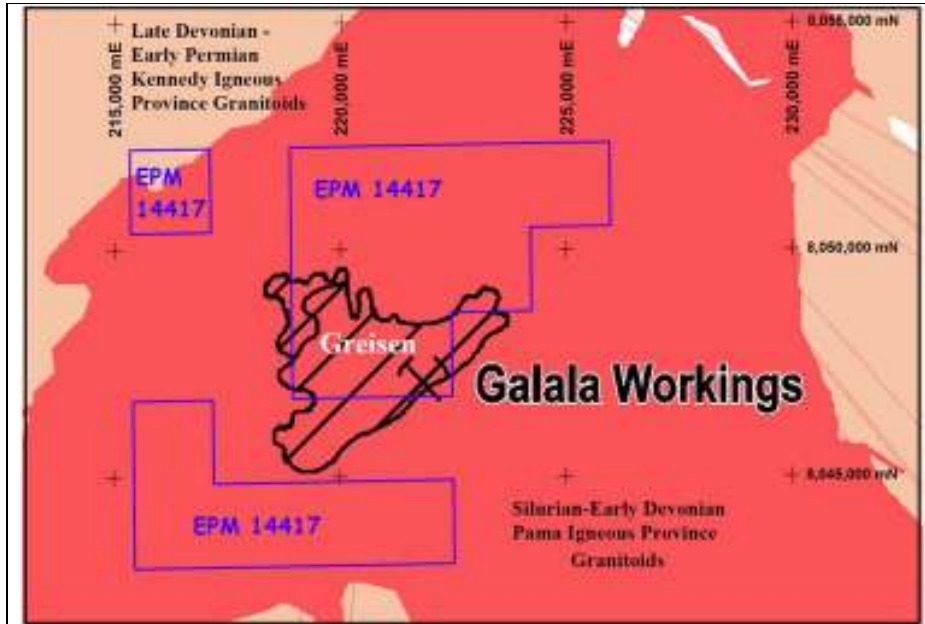


Figure 11. Galala Range prospect, EPM 14417.  
 Figure compiled by D G Jones on to base map supplied by Auzex.

In July 2006 (Figure 12), a 33 hole first phase RC drill program for 2,838m was completed at Galala over a 2km by 1.5km area. Twelve holes intersected significant widths of tungsten-gold or molybdenum mineralisation at shallow depths. However, the focus became the molybdenum core with better intersections including 14m @ 0.15% Mo from 15m.

Two additional holes (388m total) were drilled in November 2006 focusing on the molybdenum core. Both holes intersected near surface Mo mineralisation with results up to 5m @ 0.2% Mo.

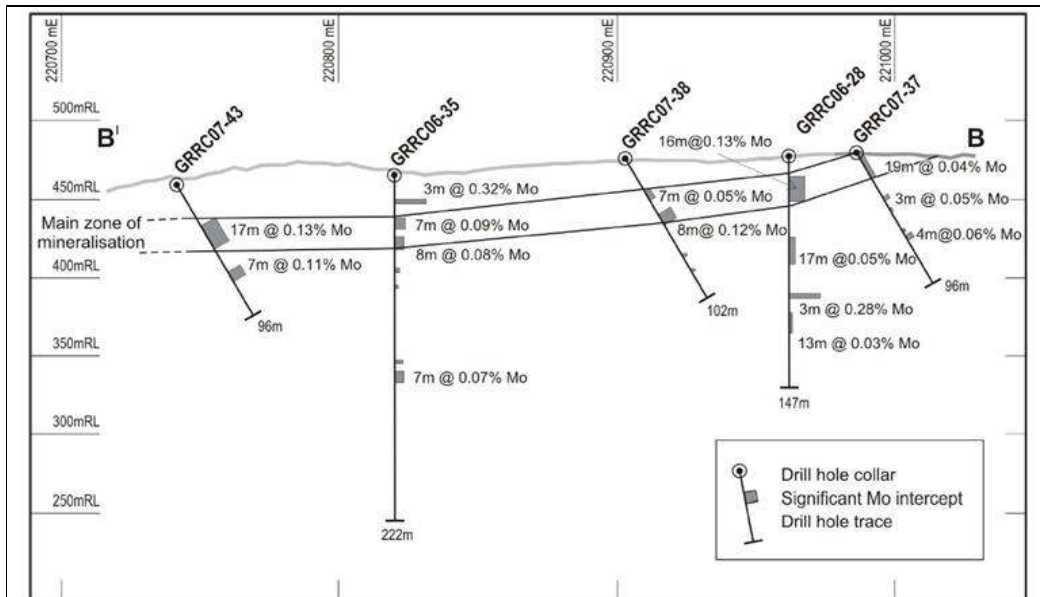


Figure 12. Drill cross-section through Mo-bearing greisen at the Galala Range prospect.  
 Figure supplied by Auzex.

A further nine holes (for 884m) were drilled in 2007, with results confirming continuity of mineralisation. All holes intersected significant molybdenum mineralisation including 17m at 0.13% Mo from 30m and 7m at 0.13% Mo from 38m. Auzex believes the results from this program were very encouraging highlighting continuity of mineralisation over a 600m by 400m area and confirming the potential for a sizeable molybdenum resource at shallow depth.

To drill out the Galala Mo in soil anomaly covering a 560m x 500m area at a 80m x 80m spacing to a vertical depth of 65m would require 42 holes for 3,360m of RC drilling. If sufficiently encouraging results were received indicating that the molybdenum mineralisation is likely to form a near-surface, continuous flat-lying to shallow dipping zone that displays good grade continuity, then a second stage of drilling to a 80m x 40m may be considered to upgrade the resource. The second stage of drilling at 80m x 40m spacing would require 35 RC drill holes for 2,800m of RC drilling.

Preliminary metallurgical test work has confirmed that the mineralisation is amenable to processing by flotation to produce a molybdenite ( $\text{MoS}_2$ ) concentrate. The mineralisation has no other metals associated with it and should produce a clean concentrate. Additional metallurgical test work is required to assess processing costs and determine recoveries.

The Running Brook prospect is located north of Mt Surprise with initial soil sampling identifying anomalous gold and copper. A 30ppb Au in soil anomaly was defined over a 1km x 300m area. Sampling also highlighted a 150ppm Cu in soil anomaly measuring 1km x 500m that partially overlaps the gold in soil anomaly to the north. Results from follow-up sampling confirm the prospectivity of the region with coherent gold and copper anomalies defined over 900m x 200m and 1,700m x 800m areas respectively. The anomalies overlap but are offset from each other. Work completed to date includes:

- Digital data compilation of previous geochemical data over the permit area.
- A minus 80 mesh soil sampling program was completed at Runningbrook covering a 4.2km x 3.1km area (n=1033).
- Detailed geological mapping and rock chip sampling (n=121).
- Four costeans have been excavated and sampled across Au and Cu soil anomalies at Runningbrook for a total of 1040m. Costeans were sampled as 2m composites and submitted to ALS Townsville for analysis for Au via Au-AA21, Sn via XRF05 and Ag, As, Bi, Cu, In, Ge, Ga, Mo, Pb, Sb, W and U via ME-MS62s.
- A drill program comprising a total of 9 RC holes and 2 HQ diamond holes, for a total of 1196.7m (896m RC, 300.7m DD) was completed at the Runningbrook Prospect.
- Ground based magnetic survey over a 4km x 4.5km area covering the main soil anomaly.

## **8.2 New England Projects**

Within EL 6333, detailed exploration commenced in late 2004 at Kingsgate. Trial mining was successfully completed in December 2006 with results forming part of a scoping study. Drilling of the quartz pipe which was the subject of trial mining revealed an average grade of 0.34% Mo and 0.64% Bi. The amount and grade of bismuth was unexpected and, if maintained, will add significant value to the project.

A scoping study for development of the project (based on an annual processing rate of 250,000 tpa at an average grade of 0.23% Mo and 0.23% Bi) was completed in June 2007. This study was based on production of separate Mo and Bi concentrates.

Best results from the resource drilling program include 5m at 1.35% Mo and 0.69% Bi from 42m and 7m at 0.70% Mo and 0.52% Bi from 43m. Drilling was successful in identifying individual mineralised zones (quartz pipes) with the results revealing a much larger scale of mineralisation than had been modelled.

Auzex has defined a diluted target “resource” range of some 1 Mt to 1.5 Mt of molybdenum pipe mineralisation at a grade range of 0.20% to 0.25% Mo and 0.20% to 0.25% Bi. The “resource” estimate does not meet JORC standards and is based on geological data comprising drill results, geophysical interpretations and historical mining records. The estimate is based on 25 individual molybdenum pipes of which 11 are interpreted from geophysical data and the remainder are evidenced by surface historical workings. The estimate is confined to the Central area of the Project.

Whittle optimisations produced a “Diluted Mineable Resource” of 136,489 t at 0.23% Mo and 0.23% Bi, producing pipe material from 17 separate pipes. This “resource” does not meet JORC standards, principally because the mineralisation is very irregular and “nuggety”. The geological and geometrical complexity of the pipe deposits has not been addressed within the “resource” estimate. Most pipes with surface workings were not able to be economically extracted any deeper than previously mined, hence a high proportion of the estimate arises from pipes interpreted from geophysical data.

In order to attain a 5 year project life at a process rate of 250,000 tpa, a total diluted mineable resource of 1.25 Mt is required. Consequently some 1.11 Mt or 89% of the Diluted Mineable Resource has been added from the classification of “Exploration Potential” to attain the required inventory. The high percentage of Exploration Potential material added suggests that this study has a strong conceptual basis with respect to the resource estimate.

A feasibility study for development of the project was completed in December 2008, based on downstream processing of high purity silica, ammonium molybdate (or molybdenum trioxide), and bismuth metal or fusible Bi-Pb alloy. According to Auzex, the feasibility study demonstrated this project is economic and financially very robust. Despite metal prices falling dramatically over the second half of 2008, the study indicated the Kingsgate project remains highly attractive for development in the current market, with a relatively low initial capital cost, high operating margin, and short payback period.

The Klondyke/Seven Hills Gold Project is located 40km north-east of Glen Innes, NSW and only 30km from the Kingsgate Molybdenum Project. Seven Hills was initially identified as prospective for gold by the Company’s prospectivity modelling in the New England region. No records of historical workings are known for this area. Mineralisation at Seven Hills is hosted by the same granite as the Company’s Kingsgate molybdenum project.

Fieldwork in late 2005 was encouraging with rock chip samples assaying up to 2.5 g/t gold. In August 2006, soil sampling and mapping then defined anomalous gold in soils within a 3,500m long by 1,500m wide area of interest. The soil anomalies are typically in the range 100-600 ppb gold, up to 2 g/t gold. Anomalous rock chip assays from within this zone have recorded values up to 24.4 g/t gold from limonite rich greisen altered granite sub-crop.

Hand auger sampling and trenching were also carried out in 2006 returning similar gold values to the soil and rock chip sampling. Deep weathering (+20m) caused results of these programs to be sporadic and inconclusive.

In late 2006, Auzex could not secure an appropriate RC drill rig to complete an initial scout drill program at Seven Hills. Consequently, it was decided to carry out a short RAB drilling program using a blast hole rig. This drill rig only allows open hole sampling (where ground conditions allow) to a maximum depth of 21m.

The aim of the 28 hole (313m) RAB program was to test four areas with rock, soil or auger gold anomalies for bedrock gold mineralisation in the 3.5 km by 1.5 km target area reported previously. The best intersections included 13m @ 8.6 g/t Au and 14m @ 1.3 g/t Au.

Subsequent RC programs designed to test continuity and depth potential of the mineralisation provided mixed results. Best results from RC drilling included 8m @ 2.7g/t Au from 3m and 8m @ 2.8g/t Au from 50m. Evidence of coarse gold caused poor repeatability of previous high grade RAB

results. Interpretation of all data suggests near-surface enrichment from 0-20m and zones of gold depletion between 20-55m. RC drill results, in general, lack continuity however it is important to note that the second program intersected fresh mineralisation in an area where weathering typically extends below 40m depth.

Induced Polarisation (IP) geophysics was completed over 6.65 line kilometres between RC programs, however drill holes targeting geophysical targets yielded poor results. Drilling based on geology and geochemistry generated better results with a further sixteen geochemical anomalies yet to be tested. Detailed mapping and 3D modelling of the prospect area is required before the next round of drilling.

Previous work at Klondyke consists of historical mining for 184kg of Au from high-grade Au greisen material that is typically only 1 to 2m wide. This was mined at surface and underground in ca late 1800's – today several deep shafts are still evident. More recently, an 8 hole drill program for 350m was done in 1998-99. It appears that the company was solely targeting the greisen vein, intersecting it several times, although typically quite close to the surface. They discontinued further drilling due to short intercepts and limited wall-rock alteration/mineralisation.

Auzex work at Klondyke included a 4 hole RC drill program to follow up on mapping and geochemical sampling in previous years. Coincident and peripheral to the Klondyke Reef prospect, a bulk tonnage intrusion related gold target was located. It is defined by a northwest trending zoned pluton with a strike length of ~15km. One RC drill hole was completed at the Pluton prospect.

Greisen was intersected in all holes and sufficient encouragement was received from the results to warrant additional investigation and drilling. Significant intercepts from the drilling include:

- KDRC09-01 - 1 m wide (true) greisen vein from 57-58m 5 ser 3%py within altered zone from 54-61m. Vein dips approx 80 deg S from surface including 2m at 2.8 ppm from 57-59m (including 1m at 4.1 ppm) within an 8m zone from 53-61m averaging 0.65 ppm.
- KDRC10-05 - 0-138 Aplite, wk ser-py greisen alt 43-44m, 73-74m, and 77-90m; minor quartz-py veins and w-m sil-ser alt from 108-110m with best intercept of 2m at 0.045 ppm Au.

### **8.3 New Zealand Project**

A diamond core drilling program commenced at the Lyell Project in March 2011 targeting a 3000m long gold soil anomaly associated with the Alpine United and Leader historic gold mines (Figure 13). The aim of the program was to determine whether zones of low grade gold mineralisation (2-3 g/t Au) occurs as shallow halo mineralisation associated with alteration around previously mined narrower high grade quartz lodes (average 17 g/t Au), and to explore for new repetitions of the high grade lodes at depth.

A total of 6 diamond holes for 748m were completed as an initial test of the two target areas. The first hole, ARD-1, was completed at 149.9m and the second, ARD-2, terminated at 127.1m down hole. Strong quartz veining was intersected between 90 and 98m down hole, containing limonite alteration after sulphide. Holes ARD-3, 4 5 & 6 finished at 105.0, 97.6, 127.0 and 140.0m respectively.

Best results were 2.6m @ 4.6 g/t Au in hole ARD-4, with corresponding intervals of 1m @ 1.66 g/t Au and 1m @ 1.23 g/t Au in the adjacent hole ARD-2. No other intervals above 1 g/t Au were reported from any of the other holes. These results did not meet the expectations that were based on strongly anomalous surface soil geochemistry, although they do confirm that thin stringers of gold-bearing veins occur in the area.

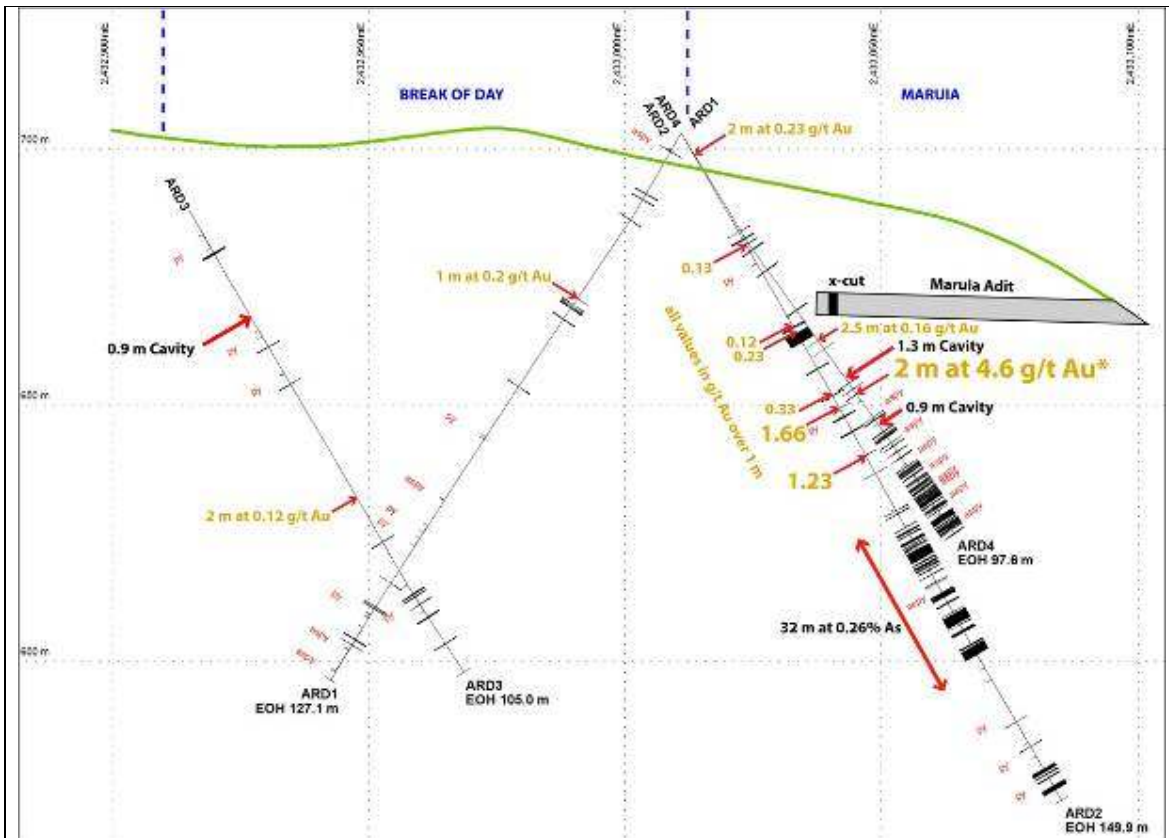


Figure 13. Cross-section on line 5936634 at Lyell.  
 Figure supplied by Auzex.

## 9. MINERAL RESOURCES & MINERAL RESERVES

There are no mineral resources or mineral reserves established on any of the non-Bullabulling projects.

## 10. METALLURGY

There are no metallurgical reports on any of the non-Bullabulling projects.

## 11. ENVIRONMENTAL CONSIDERATIONS

There are no environmental issues aside from the normal environmental regulatory requirements on any of the non-Bullabulling projects.

## 12. MINING & PROCESSING OPERATIONS

There are no operating mines among the Auzex non-Bullabulling assets.

## **13. KEY ASSUMPTIONS, RISKS & LIMITATIONS**

### **13.1 Assumptions**

The Projects generally have a long history of assessment and exploration. Historical work was not documented to the current standards demanded by modern disclosure requirements. Hence a judgement has had to be made as to the weighting given to each element of the data available

### **13.2 Material Risks**

The material risks faced by any future development of the Projects are no different from those faced by other mining and processing operations in Australia.

### **13.3 Operating Risks**

Mines by their nature are subject to many operational risks and factors that are generally outside of the control of the operator and could impact the business, operating results and cash flows. These operational risks and factors include, but are not limited to:

1. Unanticipated ground and water conditions and adverse claims to water rights.
2. Geological problems, including earthquakes and other natural disasters.
3. Metallurgical and other processing problems.
4. The occurrence of unusual weather or operating conditions and other force majeure events.
5. Lower than expected ore grades or recovery rates.
6. Accidents.
7. Delays in the receipt of or failure to receive necessary government permits.
8. The results of litigation, including appeals of agency decisions.
9. Uncertainty of exploration and development.
10. Delays in transportation.
11. Labour disputes.
12. Inability to obtain satisfactory insurance coverage.
13. Unavailability of materials and equipment.
14. The failure of equipment or processes to operate in accordance with specifications or expectations.
15. Unanticipated difficulties consolidating acquired operations and obtaining expected synergies.
16. The results of financing efforts and financial market conditions.

In addition, any company's business depends on its ability to attract and retain skilled and experienced employees. There is significant competition between mining companies for key executives and other employees with applicable technical skills and experience in the mining industry.

### **13.4 Financial Risks**

#### **13.4.1 Metal Price Volatility**

The financial performance of any mine is heavily dependent on the price of the commodity produced, which is affected by many factors beyond the control of the mining company. The price of commodities as reported publicly is influenced significantly by numerous factors, including:

1. The worldwide balance of demand and supply.
2. Rates of global economic growth and trends in energy consumption, both of which correlate with demand for minerals.

3. Economic growth and political conditions in China, which has become the most rapidly-expanding minerals consumer in the world, and other major developing economies such as India.
4. The decline in availability of secondary sources of minerals, e.g. scrap copper.
5. Technical or regulatory problems could reduce mine supply.
6. Material owned by speculators and investors could temporarily flood the market.
7. Currency exchange fluctuations.

In addition, sustained low metal prices could:

- Reduce revenues as a result of production cutbacks due to curtailment of operations or temporary or permanent closure of mines or portions of deposits that have become uneconomical at the then prevailing copper prices.
- Delay or halt exploration or the development of new process technology or projects.
- Reduce funds available for exploration and the building of ore reserves.

### **13.4.2 Energy Costs**

Energy represents a significant portion of the production costs of mining operations. If miners are unable to procure sufficient energy at reasonable prices in the future, it could adversely affect profits and cash flow.

## **13.5 Environmental Risks**

The Herberton-Mount Garnet region, in which Auzex's North Queensland tenements are located, has a long and continuing history of mining. No unusual environmental risks that are not faced by current mining operations in the area have been identified in the Auzex tenements.

Golder Associates conducted an environmental assessment for the Kingsgate project in New England with the primary objective of identifying the more significant environmental impacts and risks associated with the project, and clarifying the approval process. The environmental study was conducted primarily by desktop assessment.

The risks and impacts identified by Golder Associates are broadly defined in the following categories:

- Air quality, noise and vibration impacts on local residents;
- Surface and groundwater impacts, particularly those associated with ARD potential (though this has been downplayed by benign results of the tailings column leach test work) and seepage contamination from tailings disposed into pit voids;
- Yarrow River impacts arising from water extraction;
- Flora and fauna impacts – threatened species, infiltration of weeds; and
- Soil erosion and sediment losses.

At the Lyell project in NZ the bush, mostly beech, is 30-80 years re-generation and contains moderate to significant flora values. The values of the site although moderate to high will not be significantly affected by the current drilling operation, according to the NZ Ministry of Conservation. The disturbance to historic sites will be low and only the old tracks which will be used to access the exploration sites. There are significant recreational and historic values that would make it likely that any application for full scale mining will be closely scrutinised by the Ministry.

## **13.6 Permitting Risks**

Mining operations and exploration activities are subject to extensive laws and regulations governing exploration, development, production, exports, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, protection of endangered and protected

species, mine safety, toxic substances and other matters. Mining also is subject to risks and liabilities associated with pollution of the environment and disposal of waste products occurring as a result of mineral exploration and production. Compliance with these laws and regulations imposes substantial costs and subjects mining companies to significant potential liabilities.

The laws and regulations that apply in Australia are complex and are continuously evolving. Costs associated with environmental and regulatory compliance have increased over time, and it is expected that these costs will continue to increase in the future. In addition, the laws and regulations that apply may change in ways that could otherwise have an adverse effect on operations or financial results. The costs of environmental obligations may exceed the reserves established for such liabilities.

Mining operations are subject to various stringent federal, provincial and local environmental laws and regulations related to improving or maintaining environmental quality. Environmental laws often require parties to pay for remedial action or to pay damages regardless of fault and may also often impose liability with respect to divested or terminated operations, even if the operations were terminated or divested many years ago.

## **14. VALUATION**

### **14.1 Currency & Exchange Rates**

The currency used in this Valuation is the Australian dollar ("AUD\$"). The exchange rates utilized are the Monthly and Annual Noon Exchange Rate Averages published by the Reserve Bank of Australia (<http://www.rba.gov.au/statistics/frequency/exchange-rates.html>). The price index used is the historical Consumer Price Index published by the Reserve Bank of Australia (<http://www.rba.gov.au/inflation/measure-cpi.html>).

### **14.2 Database**

The database used for the valuations includes all the 306 company reports lodged with the QLD DME, the WA Mineral Tenement Office, the NSW DPI and NZ Crown Minerals relevant to the tenements, together with geological survey reports (including those from GeoScience Australia), public company announcements, annual reports, annual information forms, management discussions and analysis, news releases and NI43-101 technical reports filed under SEDAR.

### **14.3 Market Approach – Comparable Transactions**

Information used for this section on comparable transactions has been sourced from the Public Domain including ASX announcements.

For the Market Approach valuation of Auzex's Exploration Projects, some 60 transactions that occurred in the period 2007-2011 have been examined. Of these, 15 have been analysed in detail and a summary of each is set out below. Metal prices used to calculate metal equivalents are London Metal Exchange ("LME") quotations in USD\$ to 3 significant figures at close on Friday 14 October 2011 and include antimony (USD\$13,000/t), bismuth (USD\$28,600/t), copper (USD\$7,300/t), gold (USD\$1,670/oz), molybdenum (USD\$28,000/t), silver (USD\$32/oz), tin (USD\$22,500/t) and tungsten (USD\$46,000/t). A comparison of price movements for these commodities since the previous Valuation dated 10 May 2011 is given below:



Table 3: Selected metal price movements in the last 6 months

Metal	Price USD \$/t		Change	
	21/04/11	14/10/11	USD \$	%
Antimony	\$18,000	\$13,000	-\$5,000	-28%
Bismuth	\$26,500	\$28,600	+\$2,100	+8%
Copper	\$9,600	\$7,300	-\$2,300	-24%
Gold	\$1,500/oz	\$1670/oz	+\$170/oz	+11%
Molybdenum	\$37,000	\$28,000	-\$9,000	-24%
Silver	\$46/oz	\$32/oz	-\$14/oz	-30%
Tin	\$32,700	\$22,500	-\$10,200	-31%
Tungsten	\$30,000	\$46,000	+\$16,000	+53%

## 14.4 Comparable Transactions – Exploration Projects

### 14.4.1 Red Hills, Texas USA

On 6th April 2011 Tosca Mining Corp. ("Tosca") reported that it had completed due diligence on the Red Hills Moly-Copper Project and signed a formal agreement to purchase the 100% ownership of all mineral and surface rights of the property. The agreement calls for payments of USD\$10.9M and the issuance of 2.1 million common shares to the Sellers of the property over a five year period. The Sellers will retain a 2% net smelter return over the Red Hills property.

The 11.65 sq km Red Hills project lies along a 7 km long mineral district characterised by significant occurrences of precious and base metals, including the Shafter-Presidio silver deposit. Located 27 km north of the border town of Presidio which is served by US highway 67 and the South Orient Railroad, the property has access to water from adjoining properties and a major power line serves the Shafter silver property located t km east of Red Hills.

The Red Hills project consists of a large molybdenum porphyry system overlain a by a copper (chalcocite) enrichment blanket developed below the oxide-sulphide transition zone. Eighty eight holes were drilled on the property between 1955 and 1972. This work led to the identification of a historical estimate of 17Mt grading 0.35 Cu% with associated molybdenum mineralisation in the shallow copper blanket. This estimate does not meet the standards of the JORC Code. The previous activity also led to the discovery of a linear trend of high grade copper mineralisation defined by three vertical holes which included 33.55 m of 9.09 % Cu. Based on historic drilling, the molybdenum mineralisation occurs within a horseshoe shaped area measuring 1,000 m x 200 m and is open in two directions and at depth. Although many of the holes drilled in the molybdenum system were stopped in mineralisation at shallow depths, the deeper holes were mineralised throughout.

At the time of the agreement, Tosca's share price peaked at CAD\$0.55, subsequently settling to CA\$0.45. Assuming an average CAD\$0.50 per share, the 2.1 million shares to be issued to the Sellers would be worth CAD\$1.05M (AUD\$1.05M). Added to the USD\$10.9M (AUD\$10.53M) cash this transaction values the Red Hills project at AUD\$11.6M (excluding the 2% NSR royalty). Typical buyout costs for royalty equate to USD\$0.5M to USD\$1.0M per 1% NSR. Using USD\$1.0M for the 2% Red Hills NSR, the transaction places a total value on Red Hills of around AUD\$12.6M.

The notional content of around 60,000t of copper in the Red Hill historical resource equates to 15,400t of molybdenum. The Kingsgate "target resource" of 1.2Mt @ 0.23% Mo and 0.23% Bi equates to 4,740t of contained molybdenum equivalent, i.e. around 30% of the Red Hill equivalent resource. This equates to a value of 30% of AUD\$12.6M for Kingsgate, i.e. AUD\$3.88M.

#### 14.4.2 Logan, BC Canada

On 23rd March 2010, Wallbridge Mining Company Limited ("Wallbridge") announced that it had signed an option agreement with Paget Minerals Corporation ("Paget") to acquire a 100% interest in their Logan Property, which is located 70 km north of Pemberton, BC and wholly enclosed within Wallbridge's White Cross property (Figure 14).

The White Cross property is one of seven properties which Wallbridge has acquired in south-western BC over a newly recognized belt of Miocene-age intrusive rocks which are highly prospective for copper-molybdenum-gold mineralisation. With the addition of Paget's Logan Property, the White Cross property now consists of 116 sq km and covers the entire extent of one of these intrusions, which hosts widespread molybdenum mineralization and is associated with the largest molybdenum stream sediment anomaly in south-western BC.

Paget Minerals Logan property hosts numerous occurrences of molybdenum mineralisation distributed within a 15 km long arc along the contact between a fine-grained to porphyritic leucogranitic core and a coarser-grained, marginal equivalent. The property was explored for molybdenum by channel and chip sampling, and diamond drilling in the 1960's and 1970's by BP Minerals, Utah Mines and Amax Minerals. This work identified molybdenum mineralisation over widths of 10's of metres across the contact zone along the 15 km long arc and discovered mineralisation over vertical exposures of 100's of metres.

There is no record that previous property owners analysed samples for rhenium (Re), however, in 2008 Paget assayed six samples for rhenium, three returned anomalous values including one with a rhenium value of 82 g/t Re in a sample that returned 0.857% MoS<sub>2</sub> (0.514% Mo).

Wallbridge can acquire a 100% interest in the Logan property by paying Paget \$53,000 and subject to TSX approval, issuing voting common shares representing \$150,000 in value in a new company, Miocene Metals Limited, to be incorporated for the purposes of holding Wallbridge's 2 portfolio of BC Properties. Such issuance per share will be at the same value per share as common shares issued to Wallbridge for the value of the Wallbridge's BC Properties being vended into the new company, and such shares shall be issued within a period of eight months from the date of the execution of this Option Agreement. Upon making the above payments, Wallbridge will acquire a 100 % undivided interest in the Property. The agreement is subject to a 2 % Net Smelter Return Royalty, half of which can be purchased by Wallbridge for \$500,000.

The transaction values the Logan property at CAD\$1.203M (including the 2% NSR) or AUD\$1.12M. It could be equated to EL 6408 in New England.

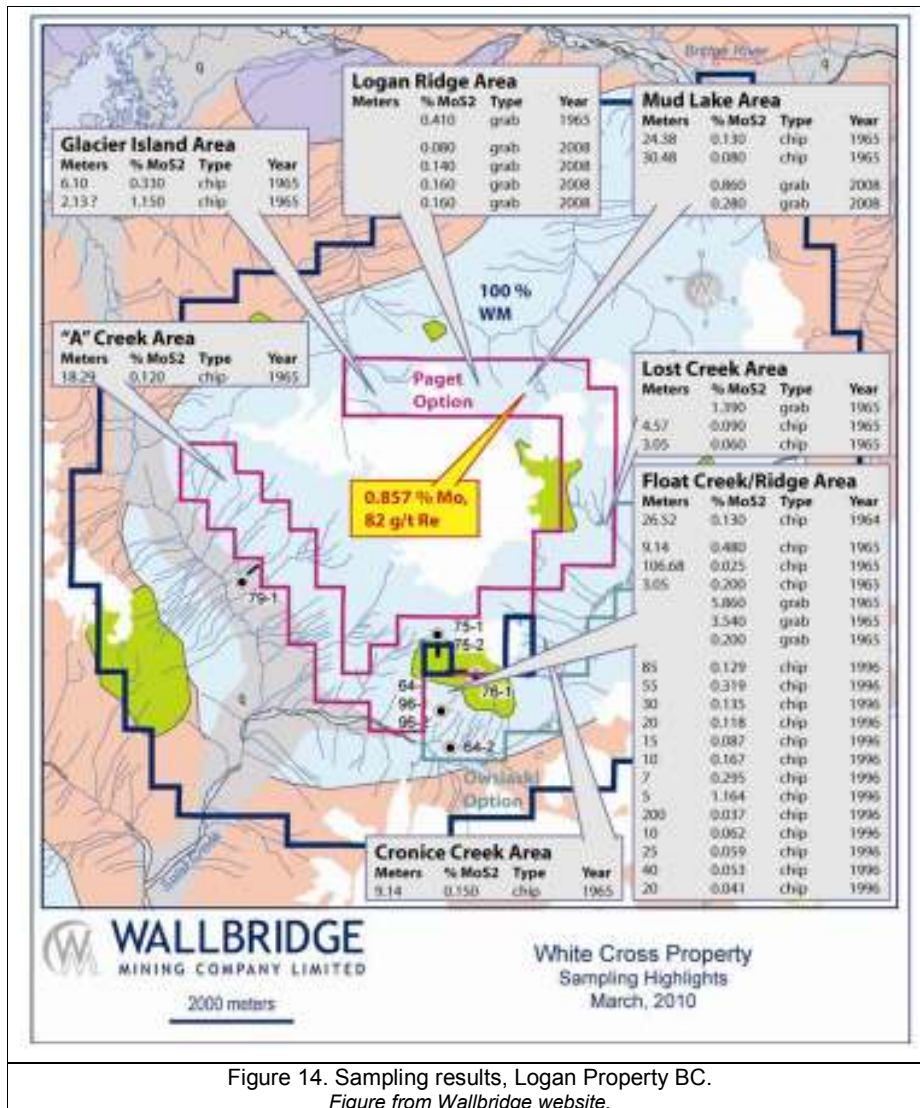


Figure 14. Sampling results, Logan Property BC.  
 Figure from Wallbridge website.

### 14.4.3 Sprogge, Yukon, Canada

On 12th April 2011, Northern Tiger Resources Inc. ("Northern Tiger") announced that it had executed an Option Agreement with Alexco Resource Corp and Newmont Canada Corporation, a subsidiary of Newmont Mining Corporation ("Newmont") (the "Vendors") for the Sprogge property. The Sprogge property is located in southeast Yukon and adjoins the eastern boundary of Northern Tiger's 3Ace Property, where the Company recently announced a new gold discovery, including a drill-hole intercept grading 14.8 g/t gold over 10.9 m.

The most advanced target on the Sprogge Property is the Sugar Bowl Zone, defined by a highly anomalous gold and pathfinder element geochemical signature measuring 2,400 m by 1,200 m. A 1,200 m by 600 m core area averages more than 200 ppb gold in soils and returned a maximum gold-in-soil value of 10.3 g/t Au. Rock chip samples taken along a 2.5 km ridge bisecting the Sugar Bowl Zone contain numerous multi-gram gold values up to a maximum of 34.8 g/t Au, and including 6.9 g/t Au over 12.0 ms and 9.6 g/t Au over 4.0 m. Four holes (762 m) drilled in 2000 intersected considerable hydrothermal alteration, but did not replicate the grades found in the surface exploration. The drilling program was hampered by poor weather, and only tested the lowest elevation targets

along the northern boundary of the surface anomaly. Most of the Sugar Bowl Zone remains to be drill tested, and a number of other geochemical targets warranting follow-up have been identified on the property.

The Option Agreement, which is subject to TSX Venture Exchange approval, provides Northern Tiger with an option to earn a 100% interest in the property from the Vendors. Under the terms of the proposed agreement, Northern Tiger will be required to make cash payments of CAD\$0.5M over a three year period and incur CAD\$1.0M in exploration expenditures over a four year period. The Vendors will retain a 2% net smelter return interest (NSR) on the property. Northern Tiger can purchase 1% of the NSR for CAD\$1.0M. The Vendors will have a first right of offer on any proposed sale of the property for four years.

The transaction values the Sprogge property at CAD\$3.5M (AUD\$3.5M). Sprogge could be regarded as equivalent to the Lyell project in NZ.

#### 14.4.4 Wild Cattle Creek, NSW Australia

On 20<sup>th</sup> December 2010, Anchor Resources Ltd (“Anchor” announced that an unwelcome takeover bid had been received from China Shandong Jinshunda Group Co. Ltd (“Jinshunda”) for 100% of the company, bidding AUD\$0.28 per share or AUD\$14M for 100%.

Anchor’s only significant project is the wholly owned Bielsdown antimony project in New South Wales, north of the town of Dorrigo, which includes the Wild Cattle Creek (WCC) deposit, discovered in the late 1880s. The Bielsdown project consists of one exploration licence covering an area of approximately 27 sq km (Figure 15).

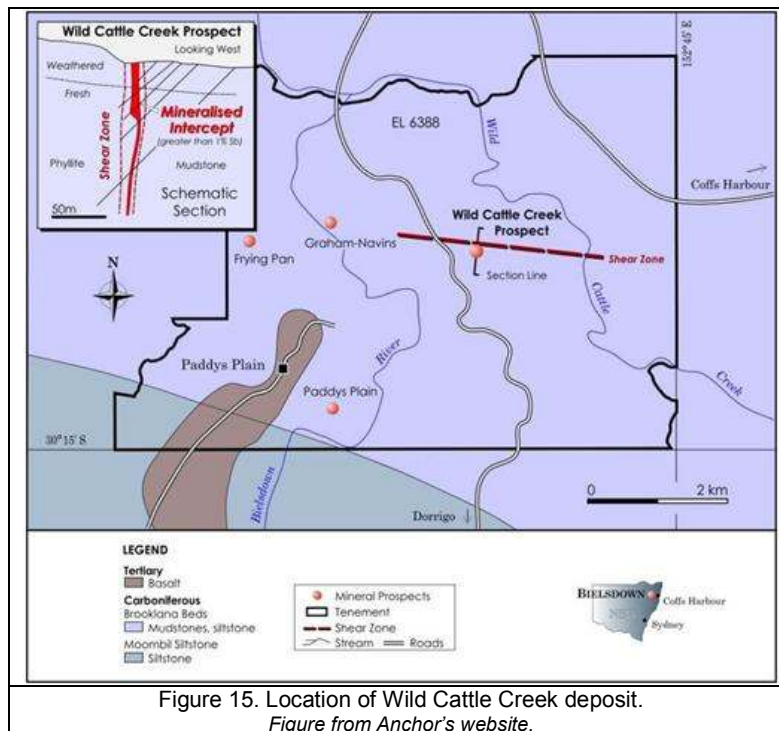


Figure 15. Location of Wild Cattle Creek deposit.  
 Figure from Anchor’s website.

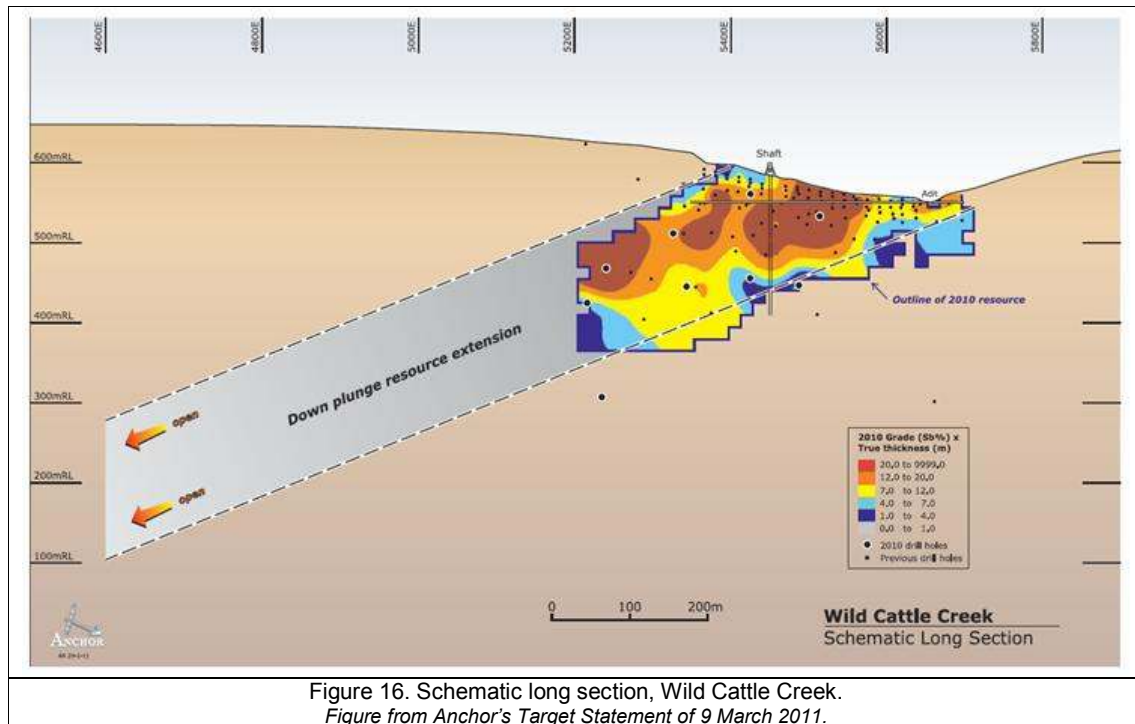


Figure 16. Schematic long section, Wild Cattle Creek.  
 Figure from Anchor's Target Statement of 9 March 2011.

To date, Anchor has defined a JORC (2004) compliant resource at WCC of greater than one million tonnes grading 1.77% antimony, 0.23 g/t gold and 332 ppm tungsten, equivalent to about 18,000t of contained molybdenum (Figure 16). The target resource at Kingsgate contains about 25% equivalent molybdenum, so the offer places a value of AUD\$3.7M on Kingsgate.

#### 14.4.5 Hawkwood, QLD, Australia

On 23 December 2008, Carlyle Mining Corp ("Carlyle") announced that it had entered into an option to acquire 60% of the issued and outstanding shares of Sunland Properties Limited. Sunland Properties Limited controls 520 sq km of prospective copper-gold tenements situated near Hawkwood in SE QLD (Figure 17).



The properties (the “Hawkwood Project”) consist of two EPMs and one EPMA. The exploration permits were acquired by Rugby Mining Pty Limited (“Rugby”), a wholly owned subsidiary of Sunland Properties Limited (“Sunland”), from Newcrest Operations Limited (“Newcrest”). The Hawkwood Project, which is very well located with respect to infrastructure, has been the subject of exploration activities over the last 40 years with reported results from previous explorers of 0.55% copper over 3m in trenches and drill results of 0.51% copper over 20m, from a depth of 2m. In addition, trenching results from the mid 90’s are also reported to include up to 12m of 0.3% copper, 0.4 ppm platinum and 0.6 ppm palladium.

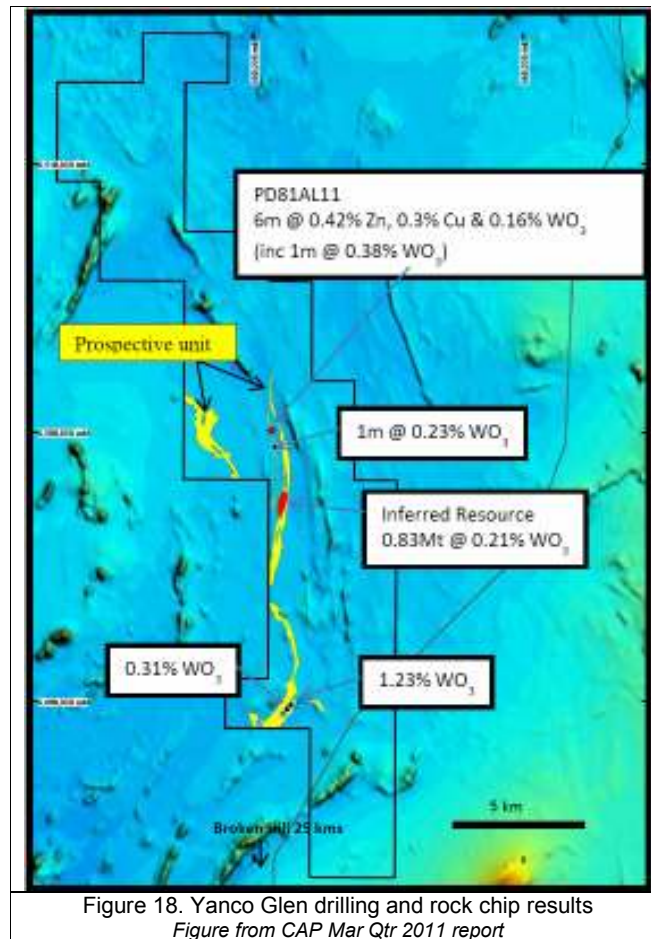
Carlyle will advance a non-refundable deposit. In order to maintain its option, the Agreement provided that Carlyle will pay AUD\$200,000 cash and must incur exploration expenditures totalling AUD\$3.0 million, or make cash payments in lieu thereof, (including 20,000m of bedrock drilling) within 42 months, of which AUD\$500,000, to be incurred within 18 months, is a minimum commitment.

Although the commodities are different, the Hawkwood and Auzex’s EPM 14417 “Eight Mile” tenements are at a similar exploration stage and this transaction provides an indication of AUD\$3.2M as a guide to the value of EPM 14417.

#### 14.4.6 Yanco Glen, NSW, Australia

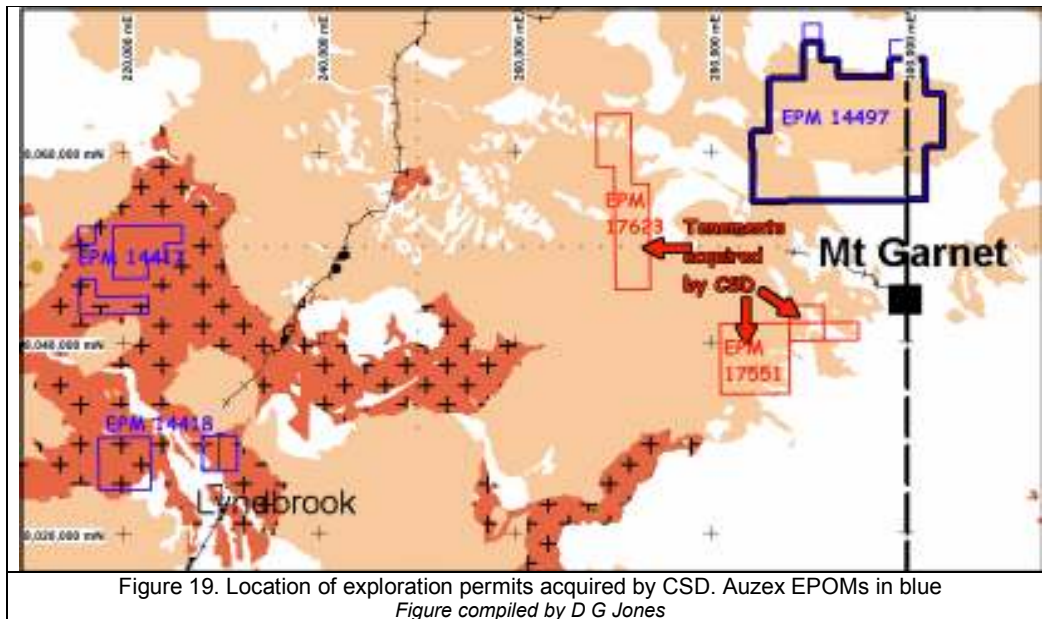
On 23 November 2010, Carpentaria Exploration Limited (“CAP”) announced the acquisition of the Yanco Glen mineral exploration tenement, further expanding the Company’s tin and tungsten portfolio in the Broken Hill region of New South Wales. Located 30 kilometres north of Broken Hill, the Yanco Glen tenement is prospective for tin, tungsten and base metals with 125 known mineral occurrences on site. It is being acquired from Wolf Minerals Limited (WLF) for a total consideration of 250,000 new Carpentaria ordinary shares, at that time trading at AUD\$0.60 per share.

The acquisition adds to the Company’s nearby Euriowie tin discovery (100% CAP), increasing its tenement holdings to 240 sq km. The property is at a similar stage to Auzex’s EPM 14797 “Khartoum” tin project and the transaction is valued at AUD\$150,000.



#### 14.4.7 Herberton, QLD, Australia

On 18 March 2010, North Queensland Metals (“NQM”) announced that it had signed a Heads of Agreement with ASX-listed Consolidated Tin Mines Limited (“CSD”) to consolidate the two companies’ respective tin exploration assets in the historic Herberton Tin Fields in North Queensland. Under the agreement NQM granted CSD a 90-day exclusivity period to conclude a formal agreement to effect the consolidation. In return for transferring the assets NQM will receive 25 million CSD shares, (trading at the time at AUD\$0.23 per share), \$500,000 cash and a royalty of 2.0% based on mineral production by CSD from all NQM tenements transferred to CSD. Including a notional value of AUD\$2M for the 2% NSR royalty, the transaction values the tin exploration assets at AUD\$8.25M.



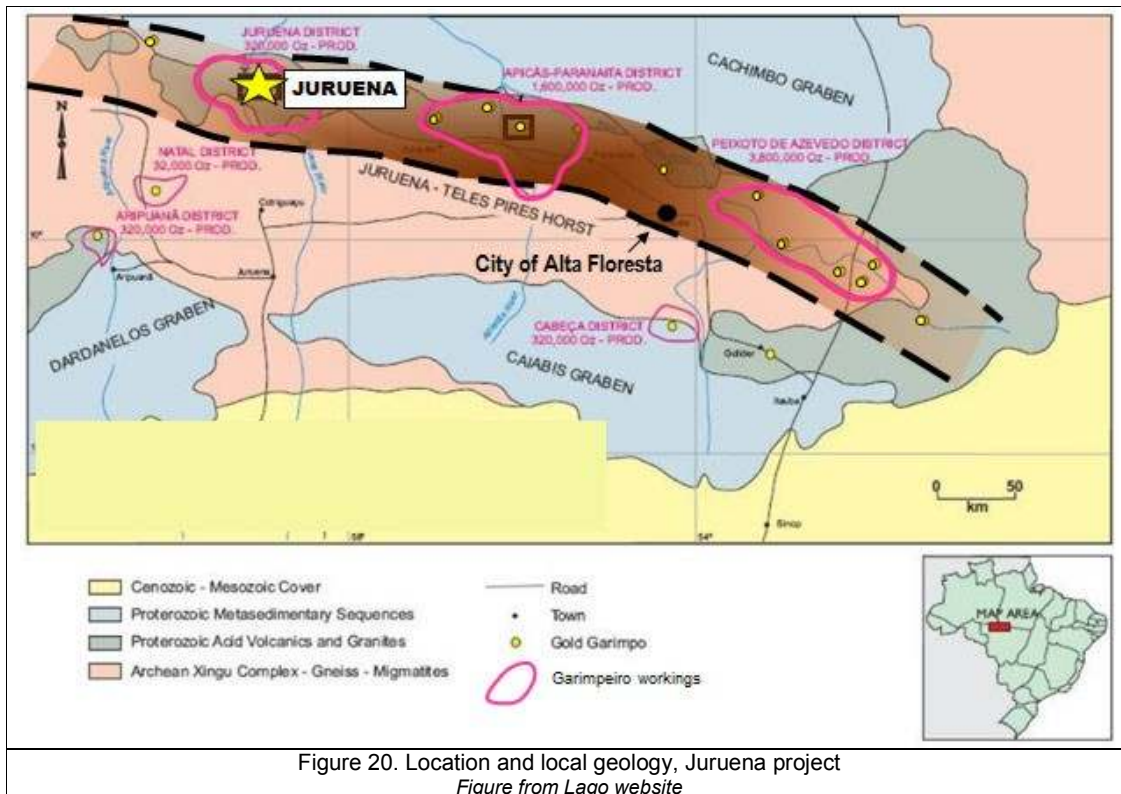
NQM will retain the Baal Gammon mining leases and the exploration ground considered most prospective for additional base metal discoveries (EPM 14016). CSD will have the right to explore and peg leases on NQM's retained ground and NQM will have reciprocal rights to do the same with respect to base metals on the CSD tenements. NQM's tenements, which were part of the Company's original assets, include numerous highly prospective tin targets and former tin mining mine operations such as Vulcan, Arbouin, Jumna and Stannary Hills. These assets are similar to the combined North Queensland exploration assets of Auzex and thus the transaction places a value of AUD\$8.25M on the Auzex EPMs.

#### 14.4.8 Juruena, Mato Grosso, Brazil

On 28 March 2011, Lago Dourado Minerals Ltd ("Lago") announced that it had signed an agreement with Geomin to acquire a 100% interest in the remaining 16 exploration licenses, previously under option, at its flagship gold project Juruena, in the Mato Grosso state of Brazil. The Company will now hold a 100% interest in the entire project which consists of 25 exploration licenses, covering approximately 71,000 hectares. There is currently one drill rig turning at Juruena with two rigs expected to be added in the coming weeks.

The terms of the agreement with Geomin, a local private consulting firm in Brazil, include; a cash payment of CAD\$1 million, the issuance of 1.5 million common shares and the issuance of 1 million warrants with a three-year term at an exercise price of equal to the lower of CAD\$1.00 and the 10 day weighted average trading price of the common shares of the Company, from March 9, 2011, being CAD\$0.91, subject to receipt of requisite regulatory approval.





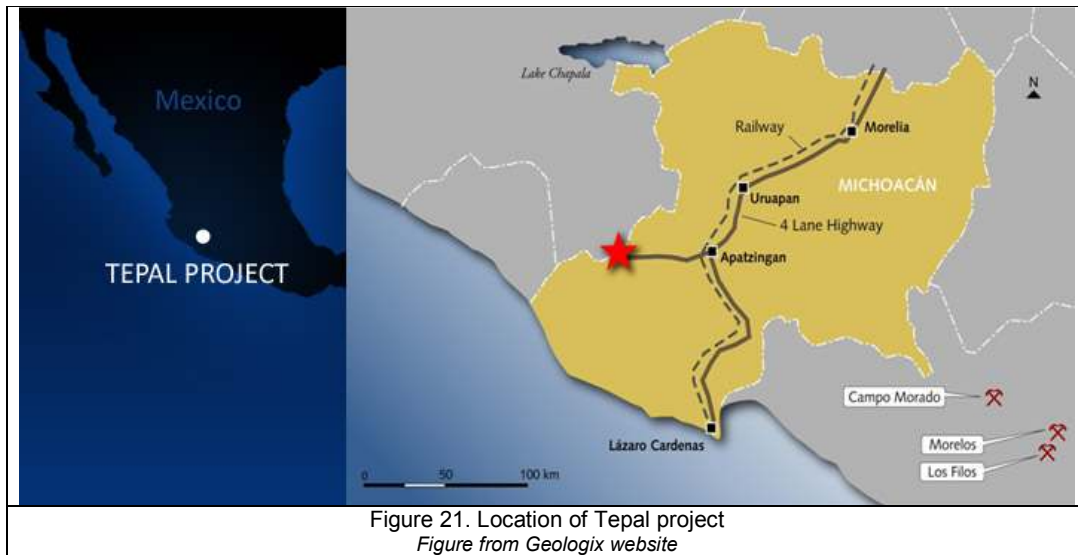
Extensive gold mineralization has been identified and at least 0.5 million oz of gold has been mined from surface workings in the past over 10 sq km of the property, which remains largely untested. A phase I drill campaign is currently underway and is expected to continue throughout the spring of 2011. The transaction values the property, which is at a similar stage to Auzex’s Lyell project in NZ, as AUD\$3.36M.

#### 14.4.9 Mt Carbine, North QLD, Australia

In June 2007, Republic Gold Limited offered to purchase the Nicholson group of companies. The principal asset was the former Mt Carbine tungsten mine. The offer valued the defunct mine and exploration assets at AUD\$14M. The mine had operated from the early 1970s until 1986 when low tungsten prices forced its closure. A small body of mineralisation estimated at 7Mt @ 0.5% WO<sub>3</sub> could possibly be recovered by underground mining. This resource does not meet JORC standards but approximately equates to 28,000t of contained molybdenum. The Kingsgate project target resource represents about 16% of this and thus an equivalent value, as a rough guide only, would be about AUD\$2.3M for Kingsgate.

#### 14.4.10 Tepal, Mexico

On 5 November 2009, Geologix Explorations Inc. ("Geologix") announced that it had entered into an agreement with Arian Silver Corp. ("Arian") whereby Geologix was granted the exclusive rights to purchase Arian's 100% interest in the Tepal Gold-Copper Project in the state of Michoacán, Mexico.



The Tepal Project is located in the northwest portion of Michoacán State, Mexico. Local and regional infrastructure is excellent, with paved roads, deep sea port access, and low topographical relief. The project is comprised of 6 concessions covering approximately 138 square kilometres. The area has been well explored by 129 drill holes (62 diamond core and 67 RC) totalling 20,121m which led to the identification of two main mineralised zones, the North Zone and the South Zone. In addition, surface geochemical surveys throughout much of the project area indicate numerous highly prospective untested gold and copper anomalies; most notably to the east of the current deposits.

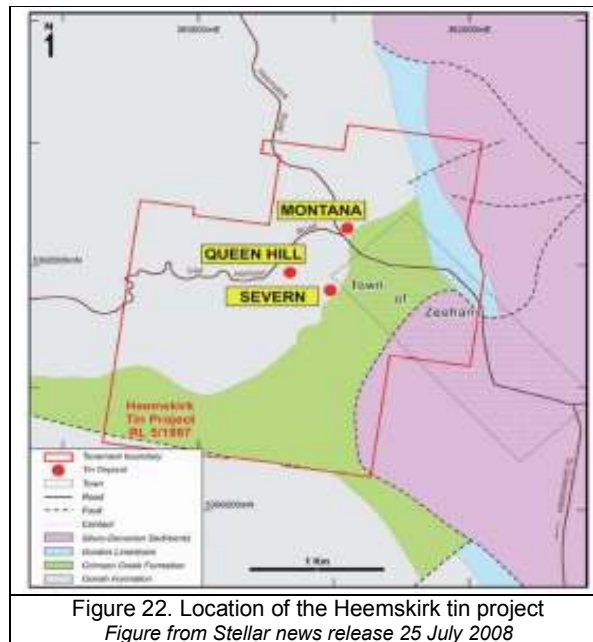
Under the terms of the agreement, Geologix can elect to complete the purchase of 100% of the property, subject to a 2.5% net smelter return royalty, by delivering to Arian USD\$3.0 million in staged payments before 23 February 2011. Assigning a value of USD\$1.25M to the royalty gives a total transaction price of USD\$4.25M (AUD\$4.25M). Although Tepal is a porphyry copper-gold project as opposed to tin at Auzex's North Queensland projects, in some respects the projects are at a similar stage and the Tepal transaction could be loosely considered to be comparative.

#### 14.4.11 Heemskirk, Tasmania, Australia

On 25 July 2008, Stellar Resources Limited ("Stellar") announced that it would consolidate its interest in the Heemskirk tin project by purchasing the 40% interest of JV partner Gippsland Limited by issuing Gippsland 15M AUD\$0.25 Stellar shares, placing a value of AUD\$3.75M on 40% of the project or AUD\$9.4M for 100%.

The Heemskirk Tin Project comprises the drill identified Severn, Queen Hill and Montana tin resources within the 6 sq km Retention Licence 5/1997, located adjacent to the mining town of Zeehan in northwest Tasmania. The Heemskirk resources lie within the world renowned Western Tasmanian tin province which hosts such famous tin mines as Renison, Mt Bischoff and Cleveland.

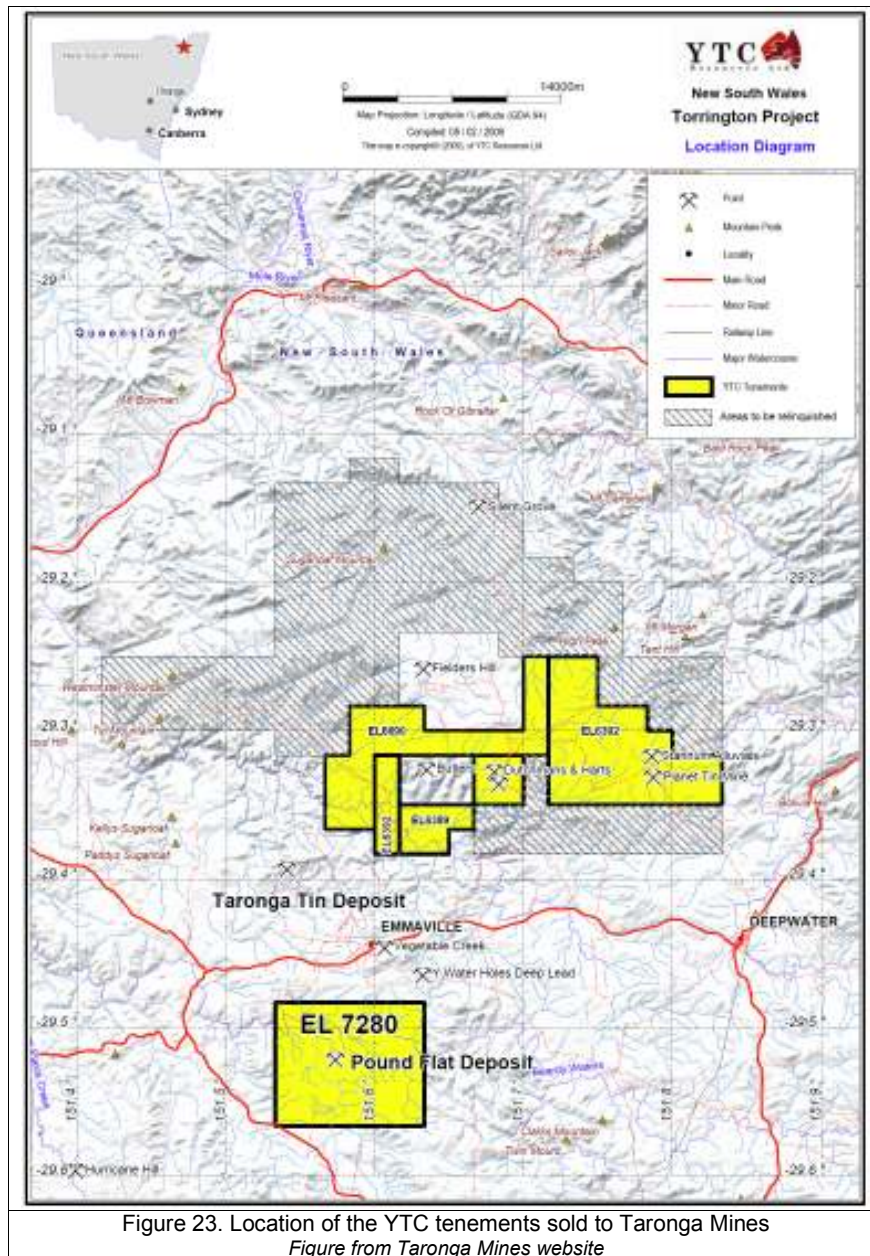
The combined historic resources at the Queen Hill, Severn and Montana deposits is claimed to be 7.3Mt @ 0.7% Sn but this resource does not meet JORC standards. The Zeehan tin mineralisation has traditionally been quite refractory.



Given some similarities with Auzex’s North Queensland projects, this transaction would place a comparative value of AUD\$9.8M in 2010 dollars.

#### 14.4.12 Pound Flat, NSW, Australia

On 19th October 2010, YTC Resources Ltd announced an agreement to sell the Pound Flat and Torrington Tenements into the upcoming IPO of Taronga Mines Ltd. Under the Agreement, YTC will receive 11M shares and 5.5M options in Taronga Mines. Taronga Mines owns 100% of the adjacent Taronga Tin Deposit, which represents the largest undeveloped, hard rock tin deposit on mainland Australia.



The Pound Flat deposit has been variously explored in detail by previous companies in the period 1978-1984 and has been separated into two geological domains: a hard rock, sheeted vein hosted tin deposit overlain by a shallow eluvial/alluvial + shallow oxide tin deposit. The 16.5M 20 cent shares and options value the property, which is similar to Auzex's EL 6408 "Glen Elgin" tenement nearby, at AUD\$3.3M.

#### 14.4.13 La Gloria, Mexico

On 23 February 2011, Tumi Resources Limited ("Tumi") announced the acquisition of the La Gloria gold-tungsten-tin project located about 250 km by road east of Hermosillo, Sonora, and 47 km north of the Company's Mezquite property. Two contiguous mineral claims totalling 200 hectares have been optioned from a private Mexican owner. The agreement gives Tumi the right to acquire 100% interest

for a total of US\$1,330,000 over 5 years of which US\$30,000 is payable in the first year. A 1.5% NSR is in place of which 0.5% can be purchased for US\$500,000.



A report from 1959 states that La Gloria was discovered around 1955 by a group of Mexican prospectors. During a 3-week period in 1956, they reportedly produced 120 tons of 65% WO<sub>3</sub> (tungsten oxide) using very crude mining and concentrating methods.

La Gloria is hosted by a massive garnet-pyroxene skarn spanning an area of at least 600 m NE-SW by 300 m NW-SE and of undetermined thickness. Numerous trenches, pits and adits are found within this area, and the skarn is believed to continue for some distance to the east. A granodioritic to quartz monzonitic intrusive is in contact with the skarn along its southern and western boundaries. The skarn is locally strongly weathered to limonites and jarosite and contains visible pyrite. Scheelite (tungsten-bearing mineral) and molybdenite were noted in the historical records, as was the presence of gold, silver and copper.

Including the NSR, calculated as USD\$1.5M, the transaction values the property at USD\$2.83M (AUD\$2.8M). In many respects, apart from the commodity mix, La Gloria is similar to the Kingsgate project of Auzex.

#### 14.4.14 Hemerdon, United Kingdom (“UK”)

On 5 December 2007, Wolf Minerals Limited (“Wolf”) announced that it had reached agreement to acquire the Hemerdon tin-tungsten deposit in Devon, UK.

The discovery of tungsten at Hemerdon dates back to 1867, before the First World War. Preparation of the site began in 1917 and mining operations started in 1919 – 16,000 tons of ore were mined before the mine closed. A new plant commenced production in October 1943 during the Second

World War and ran until June 1944, when operations ceased due to the resumption of shipments of tungsten from overseas.

The mineralisation is characterised by sheeted greisen veining and stockworks containing wolframite and cassiterite. The vein system is hosted within a dyke like granite body. The mineralisation starts from the surface and is contained within the steeply dipping granite body flanked by metamorphosed sediments.



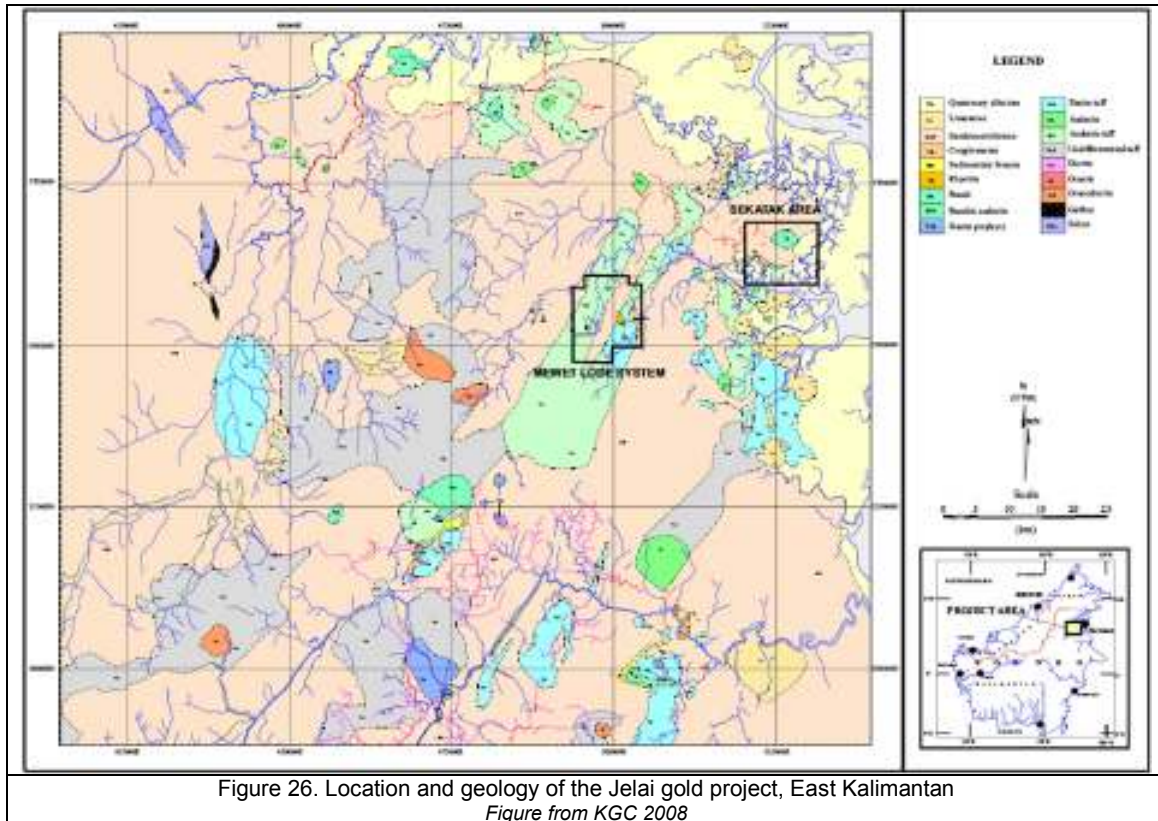
Wolf acquired a 40-year mining lease on the property for AUD\$1M (paid in early 2008) plus a 2% NSR royalty and A\$160,000 rent payable to the Hemerdon Mineral Trust. The transaction valued the property at AUD\$2.1M in 2010 dollars (including a notional AUD\$1M for the royalty). Hemerdon could be considered a similar project to the Kingsgate project of Auzex

#### 14.4.15 Jelai, Indonesia

Kalimantan Gold Corporation Limited ("KGC") executed a definitive option agreement (the "Deed") with Tigers Realm Minerals Pty Ltd. ("Tigers") an Australian based, privately owned resource company on February 16, 2011. Pursuant to the Deed, Tigers may earn up to a 70% interest in the KGC's Jelai Gold project in Indonesia by meeting certain project expenditure obligations and completing a bankable feasibility study.

The Deed remains conditional upon receipt of the necessary forestry permits being granted to enable the on ground exploration activities to be conducted. In recognition of delays in the receipt of these permits, Tigers and the Company agreed on 23 August 2011 to a second extension of time in which this condition could be satisfied by a further three months until November 16, 2011. The terms of the Deed require Tigers to spend a minimum of US\$2 million on exploration in the first 18 months (the "First Period") after the forestry permit is issued. Whilst this expenditure commitment remains the same for Tigers to earn an interest in the project the parties also agreed in August 2011 to amend the required expenditure before Tigers may withdraw during the First Period from US\$2 million to US\$1.5 million.

On the basis that 70% of Jelai was valued at the exploration commitment of USD\$2M, then 100% of the project would be deemed as worth USD\$2.86M in Feb 2011. The US and Australian dollars were at par on 16 Feb 2011. If Auzex's Lyell gold project were considered to be equivalent to Jelai, this would value \$100% of Lyell at AUD\$2.86M.



The 5,000 hectare Jelai exploration concession contains 11 known anomalous gold prospects. The concession is a low-sulphidation epithermal precious metal system consisting of at least seven major veins and numerous subsidiary veins with a cumulative strike length of more than 5 km. The veins vary in length from about 250 m to greater than 1,000 m and have an average width of between 2 and 8 m. The veins show complex textural characteristics, including prominent banding and brecciation, which reflect multiple stages of silica, adularia and carbonate deposition and preservation at relatively high levels within a classic epithermal gold environment.

The most significant drilling results are as follows:

Hole	From	To	Metres	Au (g/t)	Ag (g/t)	Vein
JCM-01	21.6	24.7	3.15	5.76	2.6	Lipan
JCM-04	22.4	23.1	0.75	5.75	4.2	South Mewet
JCM-09	37.7	38.3	0.57	1.16	<DL	Sembawang
JCM-12	32.4	36.3	3.92	1.33	1.2	Sembawang
JCM-13	19.5	20.5	1	2.23	2.4	Sembawang
and	32	36.8	4.75	10.43	14.6	Sembawang
JCM-14	35	36.5	1.5	13.44	20.6	Sembawang
JCM-16	34.5	38.5	4	2.27	1.1	Sembawang
JCM-19	43.3	44.3	1	5.48	2	Balangan
JCM-25	14.6	15.5	0.9	2.96	9	Sembawang

Hole	From	To	Metres	Au (g/t)	Ag (g/t)	Vein
	32	35.5	3.5	1.01	1	Sembawang
JCM-26	42	47.2	5.2	5.6	2.7	Sembawang
includes	43.4	44.6	1.2	17.33	7.5	
JCM-27	12.6	18.5	5.95	2.15	4.2	Sembawang
includes	16.7	17.4	0.65	10.3	7.6	

These results are considerably better than those achieved to date in the recent Auzex drilling programme at Lyell. MA is inclined therefore to discount the notional comparative value of the Lyell property by 50% to a more realistic AUD\$1.4M.

### 14.5 Cost Approach

Details of expenditure on each project are often (but not always) included in the exploration reports lodged with the QLD DME, WA MTO and the NSW DPI. Where actual expenditure has not been reported, MA has estimated the cost where possible, based on the work programme reported each year and the contemporaneous costs for each activity reported by other companies. A tabulation of these expenditures for each project is given in Appendix 1. A summary of the expenditures on each project is given below:

Projects	Expenditure AUD	
	\$ of day	2011 \$
North QLD	\$3,259,352	\$5,015,942
New England	\$6,161,847	\$10,000,031
Lyell NZ (58%)	\$590,051	\$747,448
<b>Total</b>	<b>\$10,011,250</b>	<b>\$15,763,421</b>

The expenditures shown in the table above are regarded as conservative, as some company reports contain no expenditure data and the work programme reports lacked sufficient detail to estimate expenditure.

Thus a reasonable estimate of the value of the Projects using the cost approach would be as follows:

Projects	Value AUD
North QLD	\$5.0 M
New England	\$10.0 M
Lyell NZ (58%)	\$0.75 M
<b>Total</b>	<b>\$15.75M</b>



## 15. VALUATION CONCLUSIONS

### 15.1 Summary of Estimates

The summary of estimates has been divided between exploration projects (North QLD, New England NSW, and Lyell NZ).

#### 15.1.1 Market Approach – Exploration Projects

Compared to the relatively prolific trade in gold exploration properties, there is a paucity of transactions in mineral properties involving minor and specialty metals such as bismuth, molybdenum and tin. Because China has a virtual monopoly on the world supply of tungsten, trading of tungsten mineral properties is even more rare. Tungsten is not traded on the LME so there is little price information.

Hence there is a very wide range of values attributed to transactions involving minor and specialty metals, compared to the fairly consistent values attributed to gold properties like Lyell in NZ. It is interesting to note that the market tends to over-value gold properties compared to the value invested on a cost basis. The opposite is true for properties involving minor metals.

Of the 50 transactions examined in detail, 15 are considered relevant to the market value of Auzex's Exploration Projects. The 15 comparable transactions are summarised in Table 7.

Table 7 lists the comparable transaction and the values which are applied to the equivalent Auzex exploration project. The valuations for the Auzex exploration projects are based on transactions for other properties with similarities in commodities, geological setting, work completed and prospectivity.

Comparable Transaction	Exploration Projects		
	North QLD	New England NSW	Lyell NZ (100%)
Red Hills		\$6,090,000	
Logan		\$4,080,000	
Sprogge			\$3,500,000
Wild Cattle Creek		\$5,910,000	
Hawkwood	\$3,200,000		
Yanco Glen			
Herberton	\$8,250,000		
Juruena			\$3,360,000
Mt Carbine		\$4,540,000	
Tepal	\$4,250,000		
Heemskirk	\$9,870,000		
Pound Flat		\$6,260,000	
La Gloria		\$5,010,000	
Hemerdon		\$4,300,000	
Jelai			\$1,400,000
<b>Average</b>	<b>\$6,400,000</b>	<b>\$5,170,000</b>	<b>\$2,750,000</b>

The wide range of values for each of the Projects is considered normal for this type of Valuation.

### 15.1.2 Cost Approach – Exploration Projects

A very conservative estimate of the cost of replicating the effective exploration work done to date on the Projects is given below. There is no question that this work has substantially enhanced the value of the properties:

Projects	Value AUD
North QLD	\$5.0M
New England	\$10.0M
Lyell NZ (58%)	\$0.75M
Total	\$15.75M

## 15.2 Valuation

The three generally accepted Valuation approaches are:

- Income Approach.
- Market Approach.
- Cost Approach.

The **Income Approach** is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property, most commonly Discounted Cash Flow or DCF. This approach is not applicable to the BBGP or the other Projects as none contain measured resources or reserves that comply with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”) established by the Joint Ore Reserves Committee, and so a different approach is required for those Projects.

The primary methods used in this Valuation are the Market Approach and the Cost Approach.

The **Market Approach** is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market. Methods include comparable transactions and option or farm-in agreement terms analysis.

The **Cost Approach** is based on the principle of contribution to value. The method is one commonly used where exploration expenditures are analysed for their contribution to the exploration potential of the Mineral Property.

On the basis of an analysis of 15 comparable transactions for the Exploration Projects, and a review and analysis of 306 open-file reports of previous exploration within the Projects, the following tabulation has been compiled. The “Preferred” column lists the most preferable value placed on each Project by MA:

Project	Market Approach		Cost Approach	Preferred		
	Low AUD\$M	High AUD\$M	AUD\$M	Low AUD\$M	Preferred AUD\$M	High AUD\$M
North Queensland	\$4.1	\$6.1	\$5.0	\$5.0	\$5.0	\$6.1
New England NSW	\$3.2	\$15.6	\$10.0	\$10.0	\$10.0	\$15.6
Lyell NZ (for 58%)	\$0.7	\$2.0	\$0.8	\$0.7	\$1.8	\$3.0
<b>Total Value AUD</b>	<b>\$7.0</b>	<b>\$23.7</b>	<b>\$15.8</b>	<b>\$15.7</b>	<b>\$16.8</b>	<b>\$24.7</b>

The Preferred values for the Exploration Projects in Queensland and NSW are based on the Cost Approach, which is in close agreement with central value of the Market Approach.

The Preferred value for the Exploration Project in NZ is based on the Market Approach, which is higher than the Cost Approach due to the recent gold price increases.

## 16. REFERENCES

- Andrews, E.C., 1916.** *The Molybdenum Industry of New South Wales*. NSW Dept. Mines Geol. Survey Mineral Report No.24, pp.92-116.
- Ashley, P.M., 1997.** *Silica-carbonate alteration zones and gold mineralisation in the Great Serpentine Belt, New England Orogen, New South Wales*. Geological Society of Australia Special Publication 19: pp.212-225.
- Bain, J.H.C. and Draper, J.J., 1997.** *North Queensland Geology*, Australian Geological Survey Organisation Bulletin 240, and Queensland Department of Mines and Energy Queensland Geology 9.
- Barnes, R.G., Brown R.E., Brownlow J.W., Stroud W.J. and Willis I.L., 1988.** *Late Permian volcanics in New England – the Wandsworth Volcanic Group*. Geological Survey of New South Wales, Quarterly Notes 84: pp.1-36.
- BDO LLP, Edison Investment Research Limited, Jan 2010,** *Gold – Valuation benchmarks are obsolete*.
- Blake, D., 1972.** *Regional and economic geology of the Herberton/Mt Garnet area- Herberton tinfield, North Queensland*. BMR Bulletin 124.
- Brooke, J. and Downs, T., 1971.** *Preliminary Geological Report of Bald Nob Tin Prospect Near Glen Innes, NSW*. NSW DPI Company Report GS1971/051. 108p.
- Bryant, C.J., Cosca M.A. and Arculus R.J. 1997.** *40Ar/39Ar ages of Clarence River Supersuite intrusions from the northern portion of the New England Batholith, southern New England Orogen*. Geological Society of Australia Special Publication 19: pp.242-253.
- Buka Minerals NL, 1975.** *Final Report on EL 715*. NSW DPI Company Report GS1975/175. 29p.
- Champion, D.C., 1991.** *Petrogenesis of the felsic granitoids of far north Queensland*. Ph. D. Thesis, Australian National University, Canberra (unpublished).
- Chappell, B.W., 1994.** *Lachlan and New England: Fold Belts of contrasting magmatic and tectonic development*. J Proc Roy Soc NSW 127: pp.47-59.
- Chappell, B.W. and Bryant C.J., 1994.** *New England Batholith granites chemical data*. Department of Geology, Australian National University. AMIRA Project P147B.
- Chappell, B.W., Blevin P.L. and Bryant C.J., 1999.** *Moonbi Supersuite: evolution from partially melted juvenile crust to strongly fractionated leucogranites*. In: Flood PG (ed) *Regional geology, tectonics and metallogenesis: New England Orogen*. Earth Sciences, University of New England, Armidale, pp.295-296.
- Department of Minerals and Energy, 2007.** *Queensland Geological Mapping (polygonised vector) Data Regional & 1:100000 Sheet areas: Atherton, Ravenshoe, Chillagoe and Bullock Creek*.
- Donchak, P.J.T. and Bultitude, R.J., 1994.** *Geology of the Atherton 1:250000 Sheet area*. Department of Minerals and Energy Queensland.
- Flood, C.L. and Aitchison J.C., 1993. eds.** *New England Orogen, eastern Australia*. Department of Geology and Geophysics, University of New England, Armidale.
- Garrad, P.D. & Bultitude, R.J., 1999.** *Geology, mining history and mineralisation of the Hodgkinson and Kennedy Provinces, Cairns Region, North Queensland*. Queensland Minerals and Energy Review Series, Queensland Department of Mines.

- Gilligan, L.B. and Barnes R.G., 1990.** *New England Fold Belt, New South Wales – Regional Geology and Mineralisation.* In Hughes FE (ed) *Geology of the Mineral Deposits of Australia and Papua New Guinea.* The Australian Institute of Mining and Metallurgy, Melbourne: pp.1417-1423.
- Kenny, E.J., 1924.** *Antimony, Arsenic, Bismuth, Molybdenum, Tungsten.* NSW Dept. Mines Geol. Survey Mineral Bulletin No.5, 54p.
- Matthias, I.G., 1971.** *Quarterly Report on EL 455.* NSW DPI Company Report GS1971/513. 26p.
- Murray, C.G., Fergusson C.L., Flood P.G, Whitaker W.G. and Korsch R.J., 1987.** *Plate tectonic model for the Carboniferous evolution of the New England Fold Belt.* *Australian Journal of Earth Sciences.* 34: pp213-236.
- Mustard, R., 2001.** *Granite-hosted gold mineralisation at Timbarra, northern New South Wales, Australia.* *Mineralium Deposita* 36: pp.542-562.
- Nicholson, D.A., 1966.** *Kingsgate Molybdenite and Bismuth Deposits.* NSW Dept. Mines Geol. Survey Report GS1966/009, 12p.
- North Broken Hill Limited, 1969.** *Quarterly Report on EL 162.* NSW DPI Company Report GS1970/062. 148p.
- North Broken Hill Limited, 1970.** *Final Report on EL 162.* NSW DPI Company Report GS1970/609. 754p.
- Pollard, P., 1984.** *Granites and associated tin-tungsten mineralisation in the Emuford District, Northeast Queensland, Australia.* Ph. D. Thesis, James Cook University, Townsville (unpublished).
- Raines, R.B., 1970. Reports on EL 195.* NSW DPI Company Report GS1970/179. 15p.
- Ross, J.M., 1971.** *Quarterly Report on EL 383.* NSW DPI Company Report GS1971/195. 38p.
- Roxburgh, B., 1978.** *Progress Reports EL 1084.* NSW DPI Company Report GS1978/359. 51p.
- Scheibner, E. and Basden H., 1998.** *Geology of New South Wales – Synthesis. Volume 2 Geological Evolution.* Geological Survey of New South Wales, *Memoir Geology* 13(2) p.666.
- Shaw, S.E. and Flood R.H., 1981.** *The New England Batholith, eastern Australia: geochemical variations in time and space.* *J Geophys Res* 86: pp.1530-1544.
- Shaw, S.E., 1994.** *Late Permian-Triassic radiometric dates of granitoids and associated volcanics from the southern New England Fold Belt.* In: Veevers JJ, McA Powell C (eds) *Permian-Triassic Pangean basins and foldbelts along the Panthalassan margin of Gondwanaland,* *Geol Soc Am Memoir* 184: pp.147-160.
- Snowden Mining Industry Consultants Pty Ltd., May 2010,** *Independent Valuation Update for the Mineral Assets of Jupiter Mines Limited,* 20 May 2010.
- Stroud, W.J., Barnes R.G., Brown R.E., Brownlow J.W. and Henley H.F., 1999.** *Some aspects of the metallogenesis of the Southern New England Fold Belt.* In: Flood PG (ed) *Regional geology, tectonics and metallogenesis: New England Orogen.* *Earth Sciences, University of New England, Armidale,* pp.365-371.
- Thompson, J.F.H., Sillitoe R.H., Baker T., Lang J.R. and Mortensen J.K., 1999.** *Intrusion-related gold deposits associated with tungsten-tin provinces.* *Mineralium Deposita* 34: pp.323-334.
- Watt, J.A., 1898.** *Notes on the Occurrence of Bismuth Ores in New South Wales.* NSW Dept. Mines Geol. Survey Mineral Resources No.4, pp.5-7.
- Weber, C.R., Patterson I.B.L. and Townsend D.J., 1978.** *Molybdenum in New South Wales.* Geological Survey of NSW, *Mineral Resources* 43, pp.218.

## **17. CERTIFICATE OF QUALIFICATIONS**

**DAVID GARRED JONES, F.Aus.I.M.M., F.I.M.M.M., M.S.M.E., M.G.S.A**

### **STATEMENT OF QUALIFICATIONS**

I, David Garred Jones, HEREBY CERTIFY THAT:

- 1) I am an independent consulting geologist with a business address 56 Fallon Drive, DURAL NSW 2158, Australia
- 2) I am a graduate of the University of Adelaide, Adelaide, South Australia with a B.Sc. in Geology (1964) and M.Sc. in Geology (1976).
- 3) I have been a Fellow in good standing of the Australasian Institute of Mining and Metallurgy ("The AusIMM") since 1973 with member number 102460 having first joined that organisation in 1963; a Fellow in good standing since 1993 of the Institute of Materials, Minerals and Mining (London) with member number 99301104; a Registered Member in good standing of the Society for Mining, Metallurgy & Exploration Inc. (Denver) since 1973 with member number 1637220; and a Member in good standing of the Geological Society of Australia since 1963 with member number 3192. Membership of The AusIMM meets the requirement of Section 37(d) of the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code (2005) – "VALMIN"). All of these are Professional Associations as defined in S1.0 of the Standards and Guidelines for Valuation of Mineral Properties (CIMVal Final Version February 2003 – "CIMVal").
- 4) I have carried out geological work on projects in 11 countries including Australia, Fiji, Great Britain, Greece, Indonesia, Ireland, New Zealand, Papua New Guinea, Romania, Solomon Islands and Vietnam. I have overseen exploration in a further 14 countries including Bolivia, Brazil, Bulgaria, Burma, Canada, China, Czech Republic, Hungary, Kyrgyz Republic, Laos, Slovakia, Turkey, Vanuatu and the USA. I am familiar with the geology and mineralisation in the areas where Auzex holds mineral tenements.
- 5) I have read the definition of "Independent Individual Expert" set out VALMIN Section 37 and certify that by reason of my education, affiliation with a professional association (as defined in VALMIN) and past relevant work experience, I fulfill the requirement to be an "Expert" for the purposes of VALMIN. I have read the definition of "qualified valuator" set out in CIMVal and certify that by reason of my education, affiliation with a professional association (as defined in CIMVal) and past relevant work experience, I fulfill the requirement to be a "qualified valuator" for the purposes of CIMVal.
- 6) I am the author of the Valuation entitled "Valuation of Non-Bullabulling Exploration Properties of Auzex Resources Limited in Australia and New Zealand" dated 18th October 2011 ("the Valuation"). I have reviewed all sections of the report for which I am responsible and found them to be accurate and reliable within the limitations of this Valuation.
- 7) I have previously inspected the Lyell Project property that is the subject of the Valuation.
- 8) I am not aware of any material fact or material change with respect to the subject matter of the Valuation that is not reflected in the Valuation, the omission to disclose which would make the Valuation misleading.
- 9) I am fully independent of the issuer applying all of the tests set out in Sections 24-27 of VALMIN and in section 1.4 of NI43-101 and as defined in S1.0 Definitions of CIMVal.
- 10) I have read the VALMIN Code (2005), NI43-101, Form 43-101F1 and CIMVal. This Valuation is in compliance with that Code instrument, form and standard.

11) I consent to the public filing of the Valuation with any stock exchange and any other regulatory authority and any publication by them for regulatory purposes, including filings and electronic publication in the public company files on their websites accessible by the public, of the Valuation and to extracts from, or a summary of, the Valuation in any written disclosure being filed, by Auzex Resources Limited, in public information documents so being filed including any offering memorandum, preliminary prospectus and final prospectus.

12) As of the date of this certificate, to the best of my knowledge, information and belief, the Valuation contains as much scientific and technical information that is available to be disclosed at this time to make the Valuation not misleading.



---

David G Jones

*BSc., MSc., FAusIMM, FIMMM, MSME, MGSA*

Dated at Sydney, NSW, Australia

18th October 2011

## **APPENDIX 1**

### ***Previous Exploration Expenditure***

EPM 14797 "KHARTOUM" & EPM 15570 "KHARTOUM NORTH"

Previous Company Exploration Expenditure

Year	Company	Activity	No. samples	No.m drilled	Expenditure Reported	Expenditure Estimated in Khartoum	Cost per sample	Cost per m drilled	CPI	Expenditure 2010 \$	Expenditure credited 2010 \$
1963	CEC	RAB/DD			\$27,590	\$27,590			12.20	\$336,598	\$336,598
1964	BHP				\$60,406	\$20,135			11.91	\$239,711	\$239,711
1965	Mineral Search	RAB		250	\$13,239	\$6,620			11.47	\$75,926	\$75,926
1966	Alluvial	RAB		3316	\$178,440	\$59,480		\$54	11.12	\$661,418	\$661,418
1968	Alluvial	RAB		11591	\$258,737	\$51,747			10.49	\$542,830	\$542,830
1969	Tableland Tin			15240	\$550,000	\$55,000		\$36	10.18	\$559,900	\$559,900
1973	Samedan								8.00		
1977	Renison								4.73		
1981	Houston	DD		2587	\$191,628			\$74	3.33		
1985	AOG				\$406,380	\$40,638			3.33	\$135,325	\$135,325
1986	Ravenshoe				\$74,943	\$7,494			2.45	\$18,361	\$18,361
1987	WMC				\$12,957	\$2,591			2.25		
1989	WMC	SSG	336		\$115,297	\$11,530		\$343	1.79	\$5,364	\$5,364
1992	Moroney								1.60	\$20,638	\$20,638
1993	Cyprus				\$300,000	\$300,000			1.58	\$474,000	\$474,000
1994	Auralia								1.55		
1996	Poseidon	SSG	147		\$35,280	\$8,820		\$240	1.44	\$12,701	\$12,701
		RCS	25		\$6,000	\$1,500		\$240	1.44	\$2,160	\$2,160
		RC		1525	\$114,375	\$28,594		\$75	1.44	\$41,175	\$41,175
1997	Dominion	RCS	174		\$41,760	\$4,176		\$240	1.44	\$6,013	\$6,013
		BLEG	82		\$19,680	\$1,968		\$240	1.44	\$2,834	\$2,834
1999	GTN				\$14,700	\$8,820.0			1.40	\$12,348	\$12,348
2000	GTN				\$19,300	\$6,433			1.34	\$8,621	\$8,621
2006	Auzex 14797	Geol			\$121,756	\$121,756			1.12	\$136,367	\$136,367
		SAM	2009		\$109,685	\$109,685		\$55	1.12	\$122,847	\$122,847
		RC			\$370	\$370			1.12	\$414	\$414
		GIS			\$960	\$960			1.12	\$1,075	\$1,075
		Other			\$1,963	\$1,963			1.12	\$2,199	\$2,199
		TOTAL			\$234,734	\$234,734			1.12	\$262,902	\$262,902



EPM 14797 "KHARTOUM" & EPM 15570 "KHARTOUM NORTH"

Previous Company Exploration Expenditure

Year	Company	Activity	No. samples	No.m drilled	Expenditure Reported	Expenditure Estimated in Khartoum	Cost per sample	Cost per m drilled	CPI	Expenditure 2010 \$	Expenditure credited 2010 \$
2007	Auzex 14797	SAM	1297		\$360,986	\$360,986	\$278		1.09		
2008	Auzex 14797	Geol			\$93,278	\$93,278			1.05	\$379,036	
		TOTAL			\$454,264	\$454,264			1.05	\$476,978	\$476,978
2008	Auzex 15570	Geol			\$21,777	\$21,777			1.05	\$22,866	\$22,866
2009	Auzex 14797								1.03		
2009	Auzex 15570	SAM	66		\$9,280	\$9,280	\$141		1.03	\$9,558	
		Geol			\$23,125	\$23,125			1.03	\$23,819	
		TOTAL			\$32,405	\$32,405			1.03	\$33,377	\$33,377
2010	Auzex 14797	SAM			\$85,010	\$85,010			1.00	\$85,010	\$85,010
2010	Auzex 15570	Geol			\$2,623	\$2,623			1.00	\$2,623	
		TOTAL			\$11,012	\$11,012			1.00	\$11,012	
					\$13,635	\$13,635			1.00	\$13,635	\$13,635
					TOTALS:	\$2,165,656					\$3,398,455
DD		Diamond Core Drilling									
Geol		Geology									
Geophys		Geophysics									
GIS		Computer mapping									
Met		Metallurgical Testwork									
RAB		Rotary Air Blast Drilling									
		Reverse Circulation									
RC		Drilling									
RCS		Rock Chip Sampling									
SAM		Sampling									
SG		Soil Geochemistry									
SSG		Stream Sediment Geochemistry									
UGD		Underground Driving									



EL 6333 "GLEN INNES" & EL 6408 "GLEN ELGIN"

Previous Company Exploration Expenditure

Year	Company	Activity	No. samples	No.m drilled	Expenditure Reported	Expenditure Estimated	Cost per sample	Cost per m drilled	CPI	Expenditure 2010 \$	Expenditure credited 2010 \$
1966	CEC	RAB		2103		\$14,721		\$7	11.12	\$163,698	\$163,698
1970	NBH				\$15,859	\$15,859			9.82	\$155,735	\$155,735
1971	Glendale				\$17,209	\$17,209			9.27	\$159,527	\$159,527
1972	AOG	Geochem	3002			\$69,046	\$23		8.74	\$603,462	
		RAB		1243		\$8,701		\$7	8.74	\$76,047	
		TOTAL			\$208,601	\$208,601			8.74	\$1,823,173	\$1,823,173
1972	Eastmet				\$151,994	\$151,994			9.74	\$1,480,422	\$1,480,422
1975	Buka				\$4,121	\$4,121			6.02	\$24,808	\$24,808
1981	AMM	Met			\$11,065	\$11,065			3.33	\$36,846	\$36,846
1982	Amoco	Geochem			\$7,077	\$7,077			2.99	\$21,160	\$21,160
1992	G & J				\$80,000	\$80,000			1.60	\$128,000	\$128,000
2005	Auzex EL 6333	Geol			\$125,864				1.16		
		RC			\$57,443				1.16		
		TOTAL			\$183,307	\$183,307			1.16	\$212,636	\$212,636
2005	Auzex EL 6408	TOTAL:			\$18,154	\$18,154			1.16	\$21,059	\$21,059
2006	Auzex EL 6333	Geol			\$402,738				1.12		
		RC			\$270,737				1.12		
		TOTAL			\$673,475	\$673,475			1.12	\$754,292	\$754,292
2006	Auzex EL 6408	Geol			\$128,677				1.12		
		RC			\$890				1.12		
		TOTAL			\$129,567	\$129,567			1.12	\$145,115	\$145,115
2007	Auzex EL 6333	Geol			\$1,255,203				1.09		
		RC			\$95,285				1.09		
		TOTAL			\$1,350,488	\$1,350,488			1.09	\$1,472,032	\$1,472,032
2007	Auzex EL 6408	Geol			\$317,963				1.09		
		RC			\$408,961				1.09		
		TOTAL			\$726,924	\$726,924			1.09	\$792,347	\$792,347
2008	Auzex EL 6333	Geol			\$765,190				1.05		
		RC			\$1,427,680				1.05		
		TOTAL			\$2,192,870	\$2,192,870			1.05	\$2,302,514	\$2,302,514



# Appendix 2



**AUZEX RESOURCES LIMITED  
SCHEME OF ARRANGEMENT**

## TABLE OF CONTENTS

<b>1.</b>	<b>DEFINITIONS AND INTERPRETATION .....</b>	<b>1</b>
1.1	Definitions .....	1
1.2	Interpretation.....	3
1.3	Business Day .....	3
<b>2.</b>	<b>PRELIMINARY .....</b>	<b>3</b>
2.1	Auzex.....	3
2.2	AEL.....	4
2.3	Demerger Deed .....	4
2.4	AEL Deed Poll.....	4
2.5	Capital Reduction.....	5
<b>3.</b>	<b>CONDITIONS PRECEDENT TO THIS SCHEME .....</b>	<b>5</b>
3.1	Conditions precedent .....	5
3.2	Conditions precedent and operation of clause 4.....	5
3.3	Waiver of certain conditions precedent.....	5
3.4	Certificate.....	5
3.5	Effective Date.....	5
3.6	End Date.....	6
<b>4.</b>	<b>IMPLEMENTATION OF THIS SCHEME .....</b>	<b>6</b>
4.1	Issue of AEL Shares to Auzex.....	6
4.2	Capital Reduction.....	6
4.3	Demerger Entitlement .....	6
4.4	Transfer of AEL Shares.....	6
4.5	Registration of transfers of AEL Shares .....	7
4.6	Ineligible Foreign Shareholders.....	7
4.7	Dispatch of share certificates .....	7
4.8	Joint holders.....	7
4.9	Fractional entitlements .....	8
4.10	Provision of Scheme Shareholder information to AEL .....	8
<b>5.</b>	<b>DEALINGS IN SCHEME SHARES .....</b>	<b>8</b>
5.1	Entitlement to participate.....	8
5.2	Dealings in Auzex Shares by Scheme Shareholders.....	8
5.3	Register .....	9
<b>6.</b>	<b>GENERAL PROVISIONS .....</b>	<b>9</b>
6.1	Lodgement of Court orders with ASIC.....	9
6.2	Agreement to become a member of AEL .....	9
6.3	AEL Shares free of encumbrances.....	9
6.4	Instructions to Auzex.....	10
6.5	Power of attorney .....	10
6.6	Enforcement of the AEL Deed Poll.....	10
6.7	Further assurance .....	10
6.8	Authority of Auzex .....	10
6.9	Scheme binding .....	10
6.10	Amendments to this Scheme .....	10
6.11	Notices.....	10
6.12	Costs.....	11
6.13	Stamp duty.....	11
6.14	Governing law .....	11
6.15	No liability when acting in good faith .....	11

## Scheme of Arrangement

### Pursuant to section 411 of the Corporations Act 2001 (Cth)

#### Parties

- Between:** **Auzex Resources Limited ABN 74 106 444 606** of C/- Thomsons Lawyers, Level 16 Waterfront Place, 1 Eagle Street, Brisbane Queensland 4000 Australia (**Auzex**)
- And:** **Each person registered as a holder of fully paid ordinary shares in the capital of Auzex as at the Record Date**

## 1. DEFINITIONS AND INTERPRETATION

---

### 1.1 Definitions

The following definitions apply unless the context requires otherwise:

<b>AEL</b>	Auzex Exploration Limited ACN 153 608 596
<b>AEL Deed Poll</b>	the deed poll dated 10 November 2011 executed by AEL in favour of Scheme Shareholders
<b>AEL Share</b>	a fully paid ordinary share issued in the capital of AEL
<b>AEL Share Register</b>	the register of members of AEL maintained in accordance with the Corporations Act
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it
<b>ASX Listing Rules</b>	the official listing rules of ASX
<b>Auzex</b>	Auzex Resources Limited ACN 106 444 606
<b>Auzex Board</b>	the board of directors of Auzex
<b>Auzex Register</b>	the share register of Auzex
<b>Auzex Share</b>	a fully paid ordinary share in the capital of Auzex
<b>Auzex Shareholder</b>	a registered holder of an Auzex Share
<b>Business Day</b>	a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in the place where an act is to be performed or a payment is to be made
<b>Capital Reduction</b>	a reduction of the share capital of Auzex by the amount of \$10,098,288 applied equally against each Scheme Share in accordance with the Capital Reduction Resolution
<b>Capital Reduction Entitlement</b>	in relation to a Scheme Shareholder, so much of the amount allocated to the Scheme Shareholder under the Capital Reduction Resolution as is attributable to the Scheme Shares held by that Scheme Shareholder
<b>Capital Reduction</b>	an ordinary resolution in the form set out in the notice of general

---

Reference:



<b>Resolution</b>	meeting included in the Scheme Booklet
<b>CHES</b>	the clearing house electronic sub-register system operated by ASX Settlement Pty Ltd (ACN 008 504 532)
<b>Corporations Act</b>	the Corporations Act 2001 (Cth)
<b>Court</b>	the Supreme Court of Queensland
<b>Demerger Deed</b>	the demerger deed dated 10 November 2011 between Auzex and AEL relating to the implementation of this Scheme.
<b>Demerger Entitlement</b>	the in relation to a Scheme Shareholder, the number of AEL Shares to which the Scheme Shareholder is entitled in accordance with the Scheme
<b>Effective Date</b>	the date on which an office copy of the Scheme Order is lodged with ASIC
<b>End Date</b>	1 March 2012
<b>Implementation Date</b>	the fifth Business Day after the Record Date
<b>Ineligible Foreign Shareholder</b>	each Scheme Shareholder whose Registered Address on the Record Date is in any jurisdiction other than Australia and its external territories, New Zealand or the United Kingdom, unless Auzex otherwise determines that it is not unlawful, not unduly onerous and not unduly impracticable to transfer AEL Shares to a Scheme Shareholder in that jurisdiction
<b>Liquidity Event</b>	a listing of AEL Shares on ASX, or any transaction pursuant to which a majority of AEL Shares may be acquired including but not limited to a takeover bid or scheme of arrangement
<b>Listing Rules</b>	the Official Listing Rules of ASX, as amended from time to time
<b>Record Date</b>	7:00pm on the fifth Business day after the Effective Date
<b>Registered Address</b>	in relation to an Auzex Shareholder, the address shown in the Auzex Register
<b>Sale Agent</b>	a person nominated by Auzex to sell the AEL Shares referable to the Ineligible Foreign Shareholders
<b>Scheme</b>	this scheme of arrangement between Auzex and the Scheme Shareholders set out in this document together with any amendment or modification made pursuant to section 411(6) of the Corporations Act
<b>Scheme Booklet</b>	the booklet containing the explanatory statement relating to this Scheme as required by Part 5.1 of the Corporations Act, notices of meeting in relation to the Capital Reduction Resolution and this Scheme, and other information (including any supplementary information) relating to any or all of the above matters and distributed to Auzex Shareholders
<b>Scheme Meeting</b>	the meeting of Scheme Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act pursuant to this Scheme
<b>Scheme Order</b>	the order of the Court under section 411(4)(b) of the Corporations Act approving this Scheme, with or without modification
<b>Scheme Share</b>	an Auzex Share on issue at the Record Date

<b>Scheme Shareholder</b>	each person entered on the Auzex Register at the Record Date as the holder of a Scheme Share on the Record Date
<b>Second Court Hearing</b>	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving this Scheme

## 1.2 Interpretation

In this Scheme, headings and bold type are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any government agency;
- (e) a reference to a clause, party, annexure or schedule is a reference to a clause of, and a party, annexure and schedule to this Scheme, and a reference to this Scheme includes any annexure and schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word “includes” in any form is not a word of limitation;
- (i) a reference to “\$” or “dollar” is to Australian currency;
- (j) a reference to any time is a reference to that time in Brisbane, Australia; and
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme.

## 1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

## 2. PRELIMINARY

---

### 2.1 Auzex

- (a) Auzex is a public company:

- (i) incorporated in Australia and registered in Queensland; and
  - (ii) limited by shares.
- (b) Auzex is admitted to the official list of ASX.
- (c) As at 11 November 2011, Auzex had on issue:
- (i) 109,785,981 Auzex Shares which are officially quoted on ASX;
  - (ii) 11,612,874 Auzex options to acquire Auzex Shares, such options quoted on ASX; and
  - (iii) 2,369,904 Auzex options to acquire Auzex Shares, such options not quoted on any stock exchange.

## 2.2 AEL

- (a) AEL is a public company:
- (i) incorporated in Australia and registered in Queensland on 6 October 2011; and
  - (ii) limited by shares.
- (b) As at 11 November 2011, there was 1 AEL Share on issue which was held by Auzex.

## 2.3 Demerger Deed

Auzex and AEL have entered into the Demerger Deed pursuant to which, among other things:

- (a) Auzex has agreed to propose the Capital Reduction and this Scheme to the Scheme Shareholders;
- (b) AEL has agreed that it will observe all the provisions of the Capital Reduction and the Scheme which relates to it; and
- (c) each of Auzex and AEL has agreed to take all steps required to be taken by them to give effect to the Capital Reduction and this Scheme.

## 2.4 AEL Deed Poll

AEL has entered into the AEL Deed Poll in favour of the Scheme Shareholders pursuant to which it has, among other things, covenanted to:

- (a) issue AEL Shares to Auzex in accordance with the provisions of this Scheme; and
- (b) comply with and be bound by all provisions of this Scheme,

subject to this Scheme becoming binding on the Scheme Shareholders in accordance with sections 411(4), 411(6) (if applicable) and 411(10) of the Corporations Act.

## 2.5 Capital Reduction

- (a) The Capital Reduction Resolution is to be voted on by the Scheme Shareholders at a general meeting prior to the Scheme Meeting.
- (b) This Scheme is conditional on the Capital Reduction Resolution being passed at that general meeting.

## 3. CONDITIONS PRECEDENT TO THIS SCHEME

---

### 3.1 Conditions precedent

This Scheme is subject to and conditional upon the satisfaction in accordance with clause 3.3 of each of the following conditions precedent:

- (a) **(no termination of Demerger Deed or AEL Deed Poll)** neither the Demerger Deed nor the AEL Deed Poll are terminated before the Court makes the Scheme Order;
- (b) **(Capital Reduction approved)** the Scheme Shareholders approve the Capital Reduction by the requisite majority of the Scheme Shareholders;
- (c) **(approval of this Scheme)** this Scheme is approved by the Scheme Shareholders in accordance with section 411(4) of the Corporations Act at the Scheme Meeting;
- (d) **(Court approval of this Scheme)** the Court makes the Scheme Order; and
- (e) **(lodgment with the ASIC)** the Scheme Order is lodged with the ASIC,

subject only to this Scheme taking effect and such other conditions as may be acceptable to Auzex.

### 3.2 Conditions precedent and operation of clause 4

The satisfaction of each condition of clause 3.1 is a condition precedent to the operation of clause 4.

### 3.3 Waiver of certain conditions precedent

The conditions precedent in clause 3.1 are for the benefit of Auzex and Auzex may at any time in its sole discretion waive any one or more of such conditions, except the conditions in clauses 3.1(b), (c), (d) and (e) which cannot be waived. Any such waiver must be in writing in order for the waiver to be effective.

### 3.4 Certificate

Auzex will provide to the Court at the Second Court Hearing a certificate, or such other evidence as the Court requests, confirming whether or not all conditions precedent to this Scheme (other than the condition precedent in clause 3.1(d) and (e)) have been satisfied or waived.

### 3.5 Effective Date

Subject to clause 3.6, this Scheme takes effect for all purposes on the Effective Date.

### 3.6 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

## 4. IMPLEMENTATION OF THIS SCHEME

---

### 4.1 Issue of AEL Shares to Auzex

- (a) On the Implementation Date, and prior to implementation of the Scheme, in consideration for Auzex providing AEL with \$2.085 million of initial funding, AEL will, in accordance with the terms of the Demerger Deed, issue to Auzex such number of AEL Shares calculated by the formula:

$$(SS \text{ divided by } 6) \text{ plus } R \text{ minus } 1$$

where:

**SS** is the number of Scheme Shares on issue on the Record Date.

**R** is the number of AEL Shares (positive or negative in number) resulting from rounding of the Demerger Entitlements of Scheme Shareholders in accordance with clause 4.9 the Scheme.

- (b) The AEL Shares must:
- (i) be duly and validly issued;
  - (ii) be fully paid; and
  - (iii) rank pari passu in all respects with all other AEL Shares then issued and outstanding.

### 4.2 Capital Reduction

On the Implementation Date, Auzex must reduce its capital in accordance with the Capital Reduction Resolution.

### 4.3 Demerger Entitlement

Each Scheme Shareholder directs Auzex to apply, and Auzex must apply, the Capital Reduction Entitlement relating to that Scheme Shareholder as consideration for the transfer (subject, in the case of Ineligible Foreign Shareholders, to clause 4.6) by Auzex to that Scheme Shareholder of that number of AEL Shares calculated by the formula:

$$SS \text{ divided by } 6$$

where SS is the number of that Scheme Shareholder's Scheme Shares.

### 4.4 Transfer of AEL Shares

Auzex must execute transfers of the Scheme Shareholders' Demerger Entitlements to AEL Shares to the Scheme Shareholders (subject, in the case of Ineligible Foreign Shareholders, to clause 4.6) and deliver the transfers to AEL for registration on the Implementation Date.

#### 4.5 Registration of transfers of AEL Shares

On the Implementation Date, AEL must register the transfers delivered to it under clause 4.4 by entering the name of each Scheme Shareholder (subject, in the case of Ineligible Foreign Shareholders, to clause 4.6) in its register of members, in respect of the AEL Shares transferred to that Scheme Shareholder under this Scheme, in accordance with the Corporations Act and the Demerger Deed.

#### 4.6 Ineligible Foreign Shareholders

- (a) In the case of each Ineligible Foreign Shareholder, Auzex must transfer to the Sale Agent the AEL Shares that would, but for this clause 4.6, be transferred to that Ineligible Foreign Shareholder.
- (b) The Sale Agent must take all reasonable steps after the Implementation Date to sell those AEL Shares. The Sale Agent may delay such sale (but to no later than 30 June 2012 unless at that time a Liquidity Event is pending) until such time as AEL Shares are listed on ASX if the Sale Agent considers that to be in the best interests of Ineligible Foreign Shareholders. The Sale Agent must pay to AEL the proceeds of sale (after deduction of any applicable brokerage, taxes and charges) of all AEL Shares sold under this clause 4.6.
- (c) AEL must then pay each Ineligible Foreign Shareholder the average amount per AEL Share provided by the Sale Agent under clause 4.6(b) multiplied by the number of AEL Shares to which that Ineligible Foreign Shareholder would have been entitled but for this clause 4.6. Payment under this clause 4.6(c) is to be made by cheque:
  - (i) in Australian currency drawn on an Australian bank; and
  - (ii) is to be sent by post to (subject to clause 4.8(a)) the Ineligible Foreign Shareholder within a reasonable time after all of the AEL Shares to be sold by the Sale Agent under this clause 4.6 have been sold in accordance with this clause 4.6.
- (d) Payment in accordance with this clause 4.6 fully satisfies and discharges all Auzex's obligations to Ineligible Foreign Shareholders in relation to their entitlements under clauses 4.4 and 4.5.

#### 4.7 Dispatch of share certificates

On, or as soon as practicable after the Implementation Date, AEL must forward to the Scheme Shareholders, other than Ineligible Foreign Shareholders, and to the Sale Agent, share certificates for AEL Shares to which they are entitled under this Scheme by prepaid post to the Scheme Shareholder at their Registered Address (subject to clause 4.8(b)).

#### 4.8 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to Scheme Shareholders must be payable to the joint holders and be forwarded to the holder whose name appears first in the Auzex Register at the Record Date; and
- (b) share certificates for AEL Shares transferred or issued to Scheme Shareholders must be issued in the names of the joint holders and sent to the holder whose name appears first in the Auzex Register at the Record Date.

#### 4.9 Fractional entitlements

- (a) Subject to clause 4.9(b), any entitlement of a Scheme Shareholder to a fraction of an AEL Share:
  - (i) which is 0.5 or greater will be rounded up to the nearest whole number of AEL Shares; and
  - (ii) which is less than 0.5 will be rounded down to the nearest whole number of AEL Shares.
- (b) If Auzex reasonably believes that a Scheme Shareholder that holds the Scheme Shares has, on or before the Record Date, dealt with the Scheme Shares (including splitting or dividing a holding) since the date of the Demerger Deed in an attempt to obtain an advantage by reference to the rounding which would, but for this clause, apply in the calculation of that Scheme Shareholder's entitlements to AEL Shares, then any resulting fractional entitlement will be aggregated and such aggregate entitlement rounded in accordance with clause 4.9(a).

#### 4.10 Provision of Scheme Shareholder information to AEL

Immediately after the close of registers on the Record Date, Auzex must give AEL:

- (a) the names and addresses shown in the Auzex Register of all Scheme Shareholders;
- (b) the number of Scheme Shares held by each Scheme Shareholder at such date; and
- (c) such other information as is set out in the Register that AEL may require to comply with its obligations under the Demerger Deed and the Scheme.

## 5. DEALINGS IN SCHEME SHARES

---

### 5.1 Entitlement to participate

Each Scheme Shareholder on the Record Date is entitled to participate in this Scheme in respect of their Scheme Shares.

### 5.2 Dealings in Auzex Shares by Scheme Shareholders

For the purposes of establishing who are Scheme Shareholders, subject to the Corporations Act and the Listing Rules, dealings in Auzex Shares will be recognised only if:

- (a) in the case of dealings of the type to be effected on CHESSE, the transferee is registered in the Auzex Register as the holder of the relevant Scheme Shares on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before the Record Date at the place where the Auzex Register is kept.

### 5.3 Register

- (a) Auzex must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 5.2 on or before the Record Date, subject to the Corporations Act and the Listing Rules.
- (b) Auzex will not accept for registration or recognise for the purpose of establishing the Scheme Shareholders or their entitlements under this Scheme any transmission, application or transfer in respect of Scheme Shares received after the Record Date.
- (c) For the purpose of determining the Capital Reduction Entitlement and the Demerger Entitlement, Auzex must maintain the Auzex Register in accordance with the provisions of this clause 5.3(c) until the AEL Shares have been transferred by Auzex to the Scheme Shareholders. The Auzex Register in this form will solely determine entitlements to the Demerger Entitlement.

## 6. GENERAL PROVISIONS

---

### 6.1 Lodgement of Court orders with ASIC

Auzex must lodge with ASIC, pursuant to section 411(10) of the Corporations Act, an office copy of the Scheme Order by no later than 5.00pm on the second Business Day after the day on which the Court approves this Scheme.

### 6.2 Agreement to become a member of AEL

Under this Scheme, each Scheme Shareholder, other than an Ineligible Foreign Shareholder, agrees to:

- (a) become a member of AEL;
- (b) have their name entered in the AEL Share Register; and
- (c) accept the AEL Shares issued under the Scheme on the terms and conditions of the constitution of AEL.

### 6.3 AEL Shares free of encumbrances

- (a) The AEL Shares transferred to Scheme Shareholders under this Scheme must be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.
- (b) Auzex is deemed to have warranted to each Scheme Shareholder that:
  - (i) all the AEL Shares (including any rights attaching to those shares) that are transferred to that Scheme Shareholder under this Scheme are, at the date of transfer, fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
  - (ii) Auzex has full power and capacity to transfer the AEL Shares together with any rights attaching to those shares to that Scheme Shareholder.



#### 6.4 **Instructions to Auzex**

Except for a Scheme Shareholder's tax file number all binding instructions or notifications between Scheme Shareholder and Auzex relating to Scheme Shares or a Scheme Shareholder's status as an Auzex Shareholder (including, without limitation, any instructions relating to payment of dividends, or to communications from Auzex) will, to the extent permitted by law, from the Implementation Date be deemed, by reason of this Scheme, to be similarly binding instructions or notifications to, and accepted by, AEL in respect of AEL Shares issued to Scheme Shareholders unless and until those instructions or notifications are, in each case, revoked or amended by notice in writing addressed to AEL or its share registry.

#### 6.5 **Power of attorney**

Upon this Scheme becoming effective, each Scheme Shareholder, without the need for any further act by any Scheme Shareholder, irrevocably appoints Auzex and each of its directors and secretaries (jointly and severally) as its attorney and agent for the purpose of executing any document or doing any other act necessary or expedient to give effect to the terms of this Scheme.

#### 6.6 **Enforcement of the AEL Deed Poll**

Auzex undertakes in favour of each Scheme Shareholder that it will enforce the AEL Deed Poll against AEL on behalf of and as agent and attorney for Scheme Shareholder.

#### 6.7 **Further assurance**

Auzex must execute all documents and do all acts and things necessary for the implementation and performance of this Scheme.

#### 6.8 **Authority of Auzex**

Each of the Scheme Shareholders consents to Auzex doing all things necessary or expedient for or incidental to the implementation and performance of this Scheme.

#### 6.9 **Scheme binding**

Each of the Scheme Shareholders acknowledges that this Scheme binds Auzex and all Scheme Shareholders from time to time (including those who do not attend the Scheme Meeting to approve this Scheme or do not vote at the Scheme Meeting or vote against this Scheme at the Scheme Meeting). To the extent of inconsistency between this Scheme and Auzex's constitution, this Scheme overrides Auzex's constitution.

#### 6.10 **Amendments to this Scheme**

Auzex may, with the consent of AEL (which cannot unreasonably be withheld), by its counsel or solicitor, consent on behalf of all persons concerned, to any alterations or conditions to this Scheme which the Court thinks fit to impose.

#### 6.11 **Notices**

Where a notice, transfer, transmission application or other communication referred to in this Scheme is sent by post to Auzex, it is not deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Auzex's registered office or at Auzex's share registry.

**6.12 Costs**

Auzex must pay all filing, application or similar fees due in relation to this Scheme.

**6.13 Stamp duty**

Auzex must:

- (a) pay, or procure the payment of, all stamp duties and any related fines and penalties (if any) in respect of the Scheme, the performance of the Scheme and each transaction effected by or made under this Scheme; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with paragraph (a).

**6.14 Governing law**

This Scheme is governed by the laws of the State of Queensland.

**6.15 No liability when acting in good faith**

None of Auzex or AEL nor any officer of any of those companies is liable for anything done or omitted to be done in the performance of this Scheme in good faith.

# Appendix **3**



## DEED POLL

**By Auzex Exploration Limited  
(AEL)**

in favour of The Scheme Shareholders

## TABLE OF CONTENTS

<b>1.</b>	<b>DEFINITIONS AND INTERPRETATION .....</b>	<b>1</b>
1.1	Definitions .....	1
1.2	Interpretation.....	2
1.3	Nature of Deed Poll.....	2
<b>2.</b>	<b>CONDITIONS AND TERMINATION.....</b>	<b>3</b>
2.1	Conditions.....	3
2.2	Termination.....	3
2.3	Consequences of termination.....	3
<b>3.</b>	<b>ISSUE OF AEL SHARES .....</b>	<b>3</b>
3.1	Agreement to become members of AEL.....	3
3.2	Timing of issue.....	3
3.3	Discharge of obligations.....	4
<b>4.</b>	<b>OTHER OBLIGATIONS OF AEL .....</b>	<b>4</b>
<b>5.</b>	<b>WARRANTIES .....</b>	<b>4</b>
<b>6.</b>	<b>CONTINUING OBLIGATIONS .....</b>	<b>4</b>
<b>7.</b>	<b>STAMP DUTY .....</b>	<b>4</b>
<b>8.</b>	<b>GENERAL .....</b>	<b>5</b>
8.1	Governing law and jurisdiction .....	5
8.2	No waiver.....	5
8.3	Variation.....	5
8.4	Cumulative rights .....	5
8.5	Assignment.....	5
8.6	Further action.....	5
8.7	Consent .....	5

## DEED POLL

**THIS DEED POLL** is made on 10 November 2011

by **Auzex Resources Limited ACN 106 444 606** of Level 16, Waterfront Place,  
1 Eagle Street Street, Brisbane QLD Australia 4000

in favour of Each holder of Shares in Auzex Resources Limited (ABN 74 106 444 606)  
(**Auzex**) as at the Record Date (**Scheme Shareholders**)

## RECITALS

- A. The directors of Auzex consider that it is in the interests of Auzex that the Scheme Shareholders should consider approving the Scheme.
- B. Accordingly, the directors of Auzex have resolved that Auzex should propose the Scheme.
- C. Auzex and AEL entered into the Demerger Deed to, among other things, implement the Capital Reduction and the Scheme.
- D. In the Demerger Deed, AEL agreed, among other things and subject to the satisfaction of certain conditions, to issue AEL Shares to Auzex, in consideration of Auzex providing \$2.085 million of initial funding to AEL.
- E. AEL is entering into this Deed Poll for the purpose of covenanting in favour of each Scheme Shareholder that it will observe and perform all obligations under the Demerger Deed and the Scheme that are attributed to AEL, including issuing AEL Shares to Auzex.

## OPERATIVE PROVISIONS:

### 1. DEFINITIONS AND INTERPRETATION

---

#### 1.1 Definitions

In this Deed Poll:

- (a) the following definitions apply unless the context necessarily requires otherwise:

**Deed Poll** this deed poll

**Demerger Deed** the deed of that name between AEL and Auzex dated  
10 November 2011

- (b) Other capitalised words and phrases have the same meaning as given to them in the Demerger Deed.
- (c) Words and phrases which are defined in the Corporations Act 2001 have the same meaning in this Deed Poll.

---

Reference:827307

## 1.2 Interpretation

In this Deed Poll:

- (a) headings are for convenience only and do not affect interpretation;
- and unless the context indicates a contrary intention:
- (b) **person** includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
  - (c) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation;
  - (d) a reference to a document (including this Deed Poll) is to that document as varied, novated, ratified or replaced from time to time;
  - (e) a reference to a statute includes its delegated legislation and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
  - (f) a word importing the singular includes the plural (and vice versa), and a word indicating a gender includes every other gender;
  - (g) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this Deed Poll, and a reference to this Deed Poll includes all schedules, exhibits, attachments and annexures to it;
  - (h) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
  - (i) includes in any form is not a word of limitation; and
  - (j) a reference to \$ or dollar is to Australian currency.

## 1.3 Nature of Deed Poll

AEL acknowledges that:

- (a) this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms, even though the Scheme Shareholders are not party to it;
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Auzex and all of its directors, secretaries and officers (joint and severally) as its agent and attorney for the purposes of, among other things, enforcing this Deed Poll against AEL; and
- (c) Auzex may enforce this Deed Poll against AEL in its own name notwithstanding that Auzex is not a party to this Deed Poll.

## 2. CONDITIONS AND TERMINATION

---

### 2.1 Conditions

The obligations of AEL under this Deed Poll are subject to the satisfaction or, where permitted, waiver of each condition in clause 3.1 of the Scheme in accordance with their terms.

### 2.2 Termination

The obligations of AEL under this Deed Poll will automatically terminate, and the terms of this Deed Poll will be of no further force or effect, if the Effective Date for the Scheme has not occurred on or before 1 March 2012 or such later date as determined by Auzex.

### 2.3 Consequences of termination

If this Deed Poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) AEL is released from its obligation to further perform this Deed Poll except those obligations contained in clause 7; and
- (b) Scheme Shareholders retain the rights they have against AEL in respect of any breach of this Deed Poll which occurs before it is terminated.

## 3. ISSUE OF AEL SHARES

---

### 3.1 Agreement to become members of AEL

Under clause 6.2 of the Scheme, each Scheme Shareholder (other than Ineligible Foreign Shareholders) agrees to:

- (a) become a member of AEL;
- (b) have their name entered in the AEL Share Register; and
- (c) accept the AEL Shares issued under the Scheme on the terms and conditions of the constitution of AEL.

### 3.2 Timing of issue

Subject to clause 2, on the Implementation Date AEL will issue to Auzex in accordance with the provisions of the Scheme the number of AEL Shares calculated by the formula:

$$(SS \text{ divided by } 6) \text{ plus } R \text{ minus } 1$$

Where:

**SS** is the number of Scheme Shares on issue on the Record Date.

**R** is the number of AEL Shares (positive or negative in number) resulting from rounding of the Demerger Entitlements of Scheme Shareholders in accordance with the Scheme.



### 3.3 Discharge of obligations

The obligations of AEL under clause 3.2 shall be discharged in accordance with the provisions of the Scheme.

## 4. OTHER OBLIGATIONS OF AEL

---

AEL covenants in favour of the Scheme Shareholders to perform all other steps attributed to it under, and otherwise to comply with, the Scheme as if named as a party to the Scheme.

## 5. WARRANTIES

---

AEL represents and warrants in favour of each Scheme Shareholder that:

- (a) it is a body corporate duly incorporated under the laws of Australia;
- (b) it has the corporate power to:
  - (i) enter into and perform its obligations under this Deed Poll; and
  - (ii) to carry out the transactions contemplated by this Deed Poll;
- (c) it has taken all necessary corporate action to authorise its entry into this Deed Poll;
- (d) it has taken or will take all necessary corporate action to:
  - (i) authorise the performance of this Deed Poll; and
  - (ii) carry out the transactions contemplated by this Deed Poll;
- (e) upon issue, the AEL Shares will be free from any mortgage, charge, lien, Encumbrance or other security interest; and
- (f) this Deed Poll is valid and binding on it.

## 6. CONTINUING OBLIGATIONS

---

This Deed Poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) AEL has fully performed its obligations under this Deed Poll; or
- (b) this Deed Poll is terminated pursuant to clause 2.2,

whichever occurs first.

## 7. STAMP DUTY

---

AEL will:

- (a) pay, or procure the payment of, all stamp duties and any related fines and penalties (if any) in respect of this Deed Poll, the performance of this Deed Poll and each transaction effected by or made under this Deed Poll; and

- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with paragraph (a).

## **8. GENERAL**

---

### **8.1 Governing law and jurisdiction**

This Deed Poll is governed by the laws of Queensland. AEL irrevocably submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Queensland.

### **8.2 No waiver**

No failure to exercise, nor any delay in exercising any right, power or remedy by AEL or a Scheme Shareholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

### **8.3 Variation**

A provision of this Deed Poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Auzex; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by Auzex and is approved by the Court, in which event AEL will enter into a further Deed Poll in favour of the Scheme Shareholders giving effect to the variation.

### **8.4 Cumulative rights**

The rights, powers and remedies of AEL and the Scheme Shareholders under this Deed Poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this Deed Poll.

### **8.5 Assignment**

The rights and obligations of AEL and each Scheme Shareholder under this Deed Poll are personal and may not be assigned, charged or otherwise dealt with at law or in equity.

### **8.6 Further action**

AEL will promptly do all things and execute and deliver all further documents required by law or reasonably requested by Auzex to give full force and effect to this Deed Poll.

### **8.7 Consent**

AEL consents to Auzex producing this document to the Court.

Executed as a deed poll

**EXECUTED BY  
AUZEX EXPLORATION LIMITED  
ACN 153 608 596**

in accordance with the Corporations Act:

\_\_\_\_\_  
Director signature

\_\_\_\_\_  
Director/Secretary signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

This page is left blank intentionally

This page is left blank intentionally

This page is left blank intentionally



[www.auzex.com](http://www.auzex.com)