

## QUARTERLY REPORT

Three Months Ending 30 June 2010

ASX RELEASE

### Highlights

#### Corporate

- Auzex and Central China Goldfields Plc (CCG) signed a Sale and Purchase Agreement for the acquisition of the Bullabulling Gold Project in the Coolgardie Goldfields of Western Australia from Jervois Mining and its wholly owned subsidiary (Goldpride Pty Ltd).
- An unincorporated joint venture agreement over the project was finalised with CCG, with Auzex and CCG each having a 50% interest in Bullabulling.
- The Company announced a Placement and Rights Issues to raise up to \$3.7 million to fund its share of exploration and development expenditure through to completion of a feasibility study at Bullabulling.
- The Placement was oversubscribed, raising \$0.9 million; the Rights Issues currently in progress will close on 5<sup>th</sup> August.

#### Exploration

- A study of the structural controls on gold mineralisation and the implications for resource potential and exploration within the Bullabulling project area has concluded "It is clear that potential exists to redefine the resources within, and expand them beyond, existing drilling by applying the understanding of the structural process involved in gold mineralisation that were revealed in this study".
- The extensive Bullabulling drill hole database has been updated and independently validated
- Bullabulling resource modelling is underway to assist planning future resource drilling and mining studies. The current timing for the delivery of an updated JORC compliant resource is mid August.
- Drilling of the seven diamond drill holes (totalling 1,432m) planned from the results of the structural study has started. All drillholes also have the potential to intersect significant mineralisation outside the current known resources. Results will be available in early August.

## Corporate

As announced to ASX on 22 April 2010, Auzex and Central China Goldfields Plc (CCG) signed a Sale and Purchase Agreement for the acquisition of the Bullabulling Gold Project in the Coolgardie Goldfields of Western Australia from Jervois Mining and its wholly owned subsidiary Goldpride Pty Ltd. Subsequently, an unincorporated joint venture over Bullabulling was finalised with CCG during the quarter, with Auzex and CCG each having a 50% interest in Bullabulling. CCG transferred funds to Auzex to complete its acquisition of its 50% interest in the Bullabulling Gold Project for a total of \$3.0 million (including replacement of 50% of the security bonds for Bullabulling). Completion of the Bullabulling acquisition is subject to customary conditions precedent, including ministerial approvals and replacement of the security bonds, most of which are satisfied with the balance expected to be satisfied before the end of July 2010.

Two Bullabulling joint venture committee meetings were held during the quarter and a six month development budget approved, including a 1,400 metre diamond drilling program. An independent feasibility review study commenced to:

- Develop a Feasibility Plan – Working closely with the Project Manager, from all the information gathered, determine what further work needs to be done in order to complete a fully bankable feasibility study on the Bullabulling Project.
- Develop a “reverse” time table which includes estimated current lead-times for key equipment such as mills and crushers etc to help scope out a possible project timetable by September 2010.
- Pit Optimisation Parameters – By updating known historical costs for the treatment of Bullabulling ore, define the costs (or a range of costs) for both mining and ore processing to be used for preliminary pit optimisation studies – assuming a CIP/CIL ore processing option initially.

On 30 June 2010, the Company announced a capital raising of up to \$3.7 million by a Placement and separate shareholder and option holder Rights Issues to undertake exploration and development activities at the Bullabulling Gold Project in Western Australia. Auzex in joint venture with CCG intends to fast-track a feasibility study into the development of the Project over the next 12 to 18 months. The Placement was over-subscribed raising \$0.9 million (15% of issued capital) from institutional and sophisticated investors. Renounceable rights issues are being offered to eligible shareholders and optionholders on similar terms to the Placement, and are expected to close on 5 August 2010.

## Exploration

### Bullabulling gold project, WA (Auzex 50%)

The Bullabulling Gold Project is located approximately 60km southwest of Kalgoorlie in the Eastern Goldfields of Western Australia. The Project assets include gold resources estimated in 2002 of 431,000 ounces, mining infrastructure, substantial geological exploration databases and granted Mining Leases. Gold mineralisation at Bullabulling is open in all directions, particularly at depth, where previous resource drilling is limited past a vertical depth of 60m (the average depth of all drilling at Bullabulling is 34m). In addition, current pit optimisations and mine planning were undertaken at A\$600oz (US\$315oz) gold price. Although mining and processing costs have increased in the past few years, with the current gold price in excess of US\$1,100oz, Auzex considers there is scope for expanding the current resources both between the existing pits and at depth.

#### Bullabulling Resources

Resource Category	Tonnes	Grade g/t Au	Contained Gold oz
Measured	4,865,000	1.51	237,000
Indicated	4,159,000	1.35	180,800
Inferred	284,000	1.52	13,900
<b>Total</b>	<b>9,308,000</b>	<b>1.44</b>	<b>431,600</b>

Note: Resource tonnes and contained gold figures have been rounded

Four Prospecting Licences have been pegged and applications submitted on open ground to the west of the Bullabulling shear zone to cover potential down dip extensions of mineralisation.

Work has been completed on correcting errors in the Bullabulling drill hole database and entering all historical digital and paper data. Resource modelling is underway to help constrain planning future resource drilling and mining studies. The current timing for the delivery of an updated JORC compliant resource is mid August. A quote to supply a digital DTM over the main project area at Bullabulling has been accepted and the air photographs required to produce the DTM have been flown. The DTM should be available in mid August and will be used to accurately calculate the remaining resources available to the Bullabulling Project.

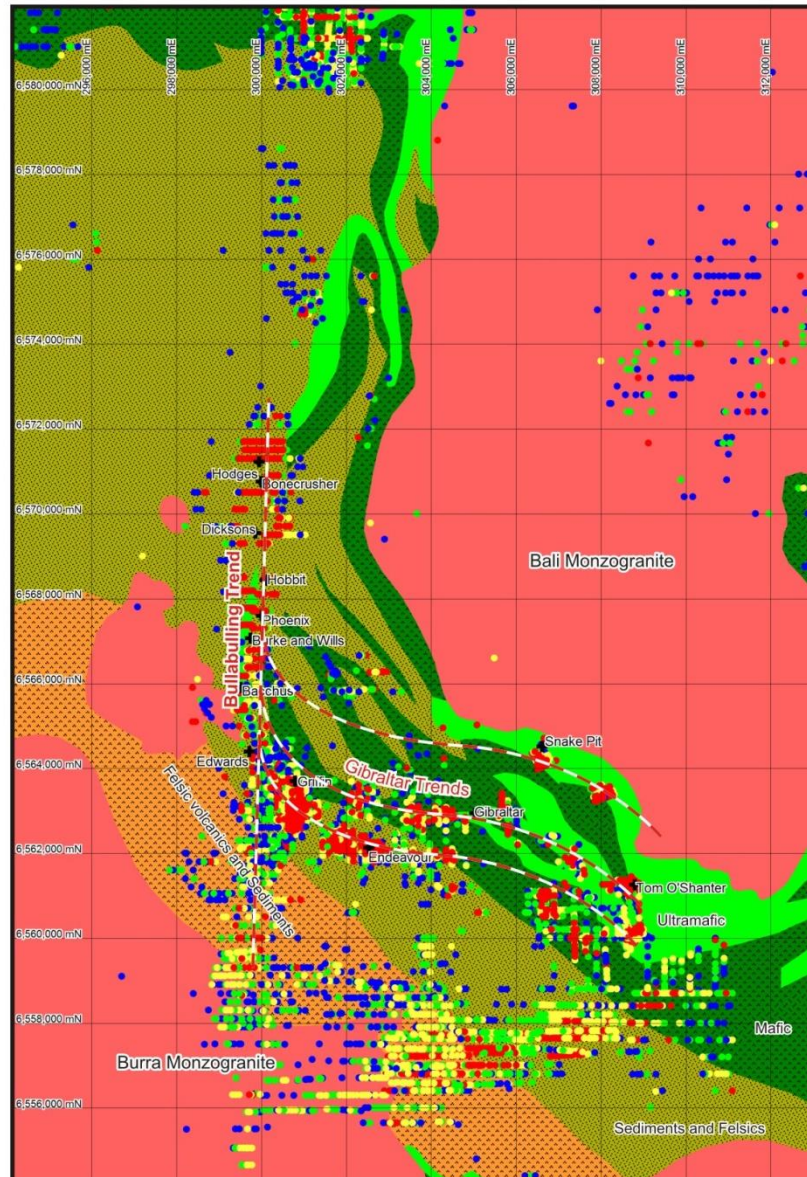
The study on the structural controls on gold mineralisation and its implications for resource potential and exploration within the Bullabulling project area has been completed as reported during the quarter. As quoted in the independent report "It is clear that potential exists to redefine the resources within, and expand them beyond, existing drilling by applying the

understanding of the structural process involved in gold mineralisation that were revealed in this study”.

The aim of the study was to define the structural geology controlling the gold deposits at Bullabulling to provide geological information to constrain the planned new resource estimations and provide targets for future exploration with the aim of increasing the current gold resource. The study documents the results of 3D geometric modelling of the main primary deposits using the current drill database and five days mapping, focussing on structural geology, in the Bacchus South, Phoenix, Gibraltar and Hobbit open pits. The deformation history of the Bullabulling Project area was determined in relation to timing of gold mineralisation using observations of overprinting relationships exposed in the pits. This work has resulted in the development of a model that, for the first time at this project, links the structural framework associated with the gold deposits to their geometry as defined by the existing drilling data.

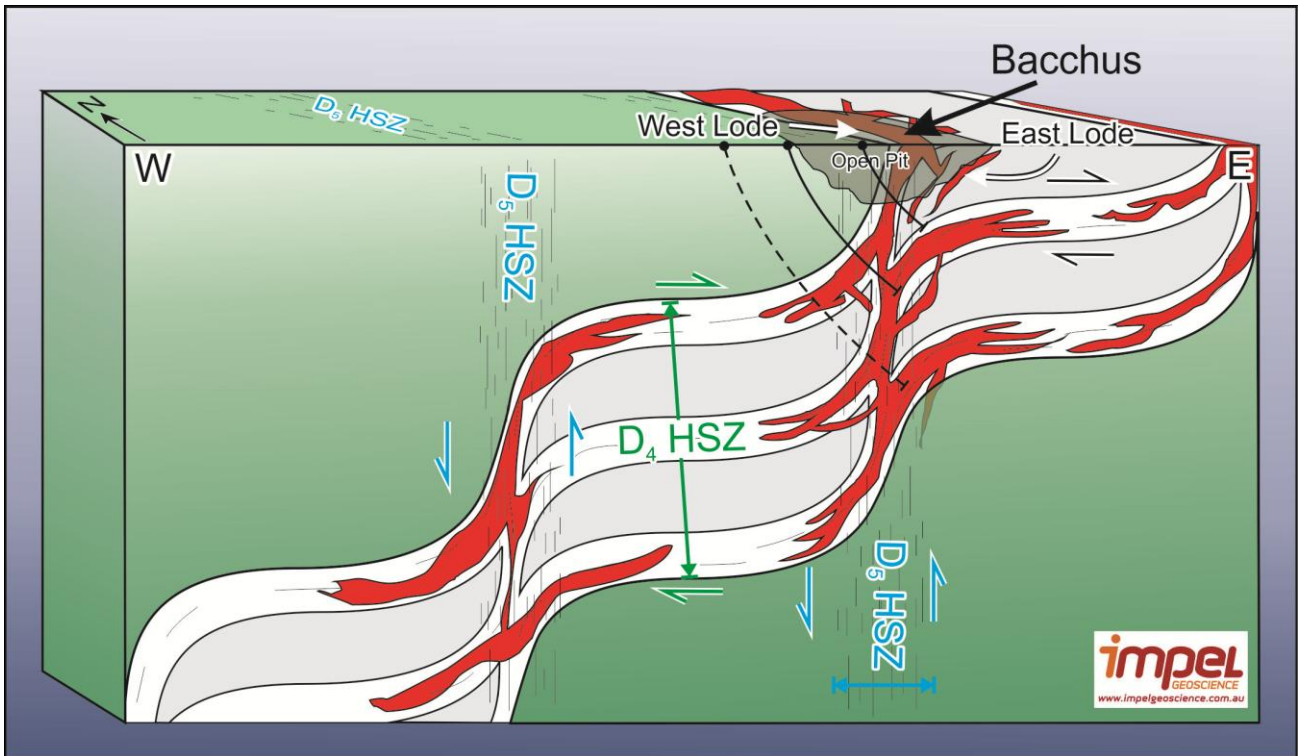
Mapping of the host rocks to gold mineralisation at Bullabulling confirms that the rocks have been weathered to a depth of about 60m and that the weathering has produced laterite and supergene gold in the near surface with a 10-40m zone of gold depletion formed between the laterite and supergene mineralisation and primary gold mineralisation. Consequently, the grade of gold mineralisation increases with depth as the rocks are less weathered and primary gold mineralisation becomes dominant.

Structures were mapped in the weathered and primary rocks that define a north trending 6 km long 300m wide structure that control the distribution of primary gold mineralisation. Two distinct regional mineralised trends were mapped: the N-S-striking Bullabulling Trend and the E-W- to NW-SE-striking Gibraltar Trend. The majority of resources are hosted by the Bullabulling Trend. The Bullabulling Trend comprises a network of ductile high strain zones and folds that were formed by five overprinting deformation events. Gold mineralisation occurred late in the deformation history and was broadly synchronous with the last phase of granite and pegmatite emplacement. Gold occurs in all structures but is especially well developed at the intersection of the older and younger structures, the most important being the Bullabulling Shear Zone.

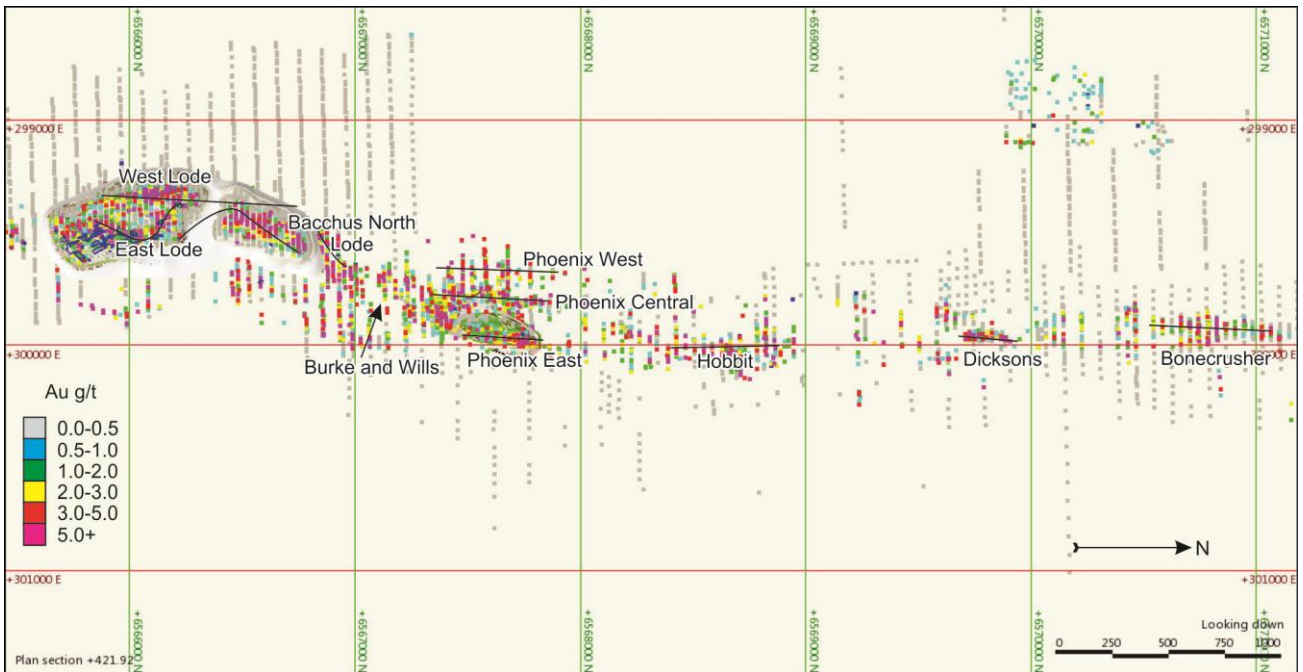


Regional structural trends in relation to anomalous gold in soil as red and yellow dots

Gold mineralisation along the Bullabulling shear zone can be traced through 40m spaced sections along almost the entire length of the trend, which is more than 6 km long. The mineralisation forms as halo of low grade gold mineralisation (0.5-1.5 g/t Au) that is continuous throughout the 6 km strike that is 330m wide and open at depth, except where cut by later pegmatites. Higher grade gold bearing shoots of 3-5 g/t Au within the lower grade envelope are located at the intersection of older and younger structures. These shoots tend to be continuous over 100s of metres, are 5-20m wide and are also open at depth. The higher grade shoots appear to be systematically repeated along the trend.



3D Model of the structural framework of the Bullabulling Trend showing interpreted extensions to known mineralisation



Map of high grade shoots along the Bullabulling Trend

The Phoenix deposit contains three parallel moderately W-dipping lodes hosted by deformed and altered amphibolite at the contact with quartz-muscovite schist that is exposed in the east and south walls of the pit. Individual lodes can be traced for more than 600 m along strike and

have not been closed by drilling down dip. Mining in this area has been limited and there are numerous drilling intersections below the shallow pit that are greater than 5 g/t Au.

The lateral and down dip continuity of structures mapped along 6km strike length of the Bullabulling Shear Zone increases confidence in the continuity of gold mineralisation between and down dip of current drill sections. The structural setting explains the linear continuity within the 6 km Bullabulling Trend that is predicted to continue into areas outside and between the current pits into areas with limited drilling. The definition of higher grade shoots and an understanding of their geometry, continuity and formation will also allow a more precise estimation of the resources at Bullabulling. The study also confirms that the potential for additional resources to exist below the current pits at Bacchus and Phoenix in sub parallel lodes is high.

As previously reported seven diamond drill holes (totalling 1,432m) have been planned from the results of the structural study to intersect mineralised structures extending from Bacchus South pit to Phoenix pit (and at depth outside the current known resource), a distance of approximately 2.5 kilometres. All drillholes have the potential to intersect significant mineralisation outside the current resources and will be used to confirm historical drill results. A diamond drill rig and RC drill rig were mobilised to Bullabulling at the end of the quarter. Drilling has started with all RC precollars for the diamond drilling program completed. One diamond hole has been completed by the end of the quarter and geological logging and sampling of the core has commenced. The production rates of around 50-60m per day mean the program will be completed by the end of July, with results available for all holes in early to mid August.

#### **Khartoum tin project, NQ (Auzex 100%)**

The application to renew the Khartoum EPM 14797 has been successful and the tenement has been renewed for two years. Infill soil sampling (100x100m and 50mx50m) has been undertaken in the south east of the Khartoum tenement, following up base metal anomalies from previous soil sampling. Additional soil sampling was also undertaken on Chillagoe Formation sediments in the central south of the tenement.

#### **Lyell gold project, NZ (Auzex 58%)**

The Lyell exploration permit has been renewed for an additional five years by Crown Minerals. An agreement has been reached with the Department of Conservation (DoC) regarding approval for a six hole drilling program over the Lyell gold soil anomaly. This program will test

the coincident gold-arsenic soil geochemical anomaly at Lyell, which extends over a length of 3000m with a width of 200m. Historic production from the Alpine United mine in the area of the anomaly was 96,500oz gold.

For further information please check our website ([www.auzex.com](http://www.auzex.com)) or contact John Lawton (Managing Director) or Gregor Partington (Operations Director) on +617 3333 2722 or +614 4870 0987 respectively.

**Competent Person Statement**

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves 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. He has sufficient experience which 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 the report of the matters based on his information in the form and context in which it appears.*