auzex RESOURCES LIMITED

Final Report

Collaborative Drilling Initiative: Khartoum Project
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EXECUTIVE SUMMARY

Khartoum EPM 14797 is located in the northeast of the Georgetown Region, approximately 13 kilometers north of Mount Garnet township in North-Queensland. The tenement is owned 100% by Auzex Resources Ltd and was granted on the 13th January 2006 for two year tenure.

Carboniferous – Permian granitoids of the O'Briens Creek Super Suite (Elizabeth Creek Granite) along with lesser volcanic equivalents dominate the geology of the exploration permit. The intrusives host a range of Mo, Bi, Au, Ag, W and Sn deposits.

Previous mapping and soil sampling initially identified a 9km by 3km zone of highly anomalous tin geochemistry. Results from the reconnaissance exploration were sufficiently encouraging for a detailed soil sampling program to be carried out, which identified fifteen highly anomalous areas, mainly for tin, that had values up to 1.8% tin in soils. The (Great) Boulder-Ahmets-Khan prospects, 7-8km south of Emuford, produced the strongest anomalies.

Exploration in 2007 initially focused on prospecting and mapping in the Boulder-Ahmets-Khan areas. Almost all rock-chip samples containing high-grade tin were collected from zones of greisen altered granitoid. 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 of approximately 50m) and exposed as prominent topographical features.

Rock chip channel sampling was completed over 12 selected greisen bodies to assess potential grade and widths of tin mineralisation in the near surface. Results were very encouraging with six of the ten pipes sampled averaging greater than 0.1% tin, including 35m at 0.38% Sn.

A submission was put to Department of Mines and Energy for a grant under the Collaborative Drilling Initiative to test the potential for low grade high tonnage tin deposit. The main targets were depth extensions to outcropping Sn mineralised greisen "pipes". In addition drill-testing was planned of several blind conceptual targets either based on elevated Sn in soil geochemistry or interpreted projections of mapped greisen-altered structures.

Auzex was successful in obtaining a grant for half the direct drilling costs (totaling $56,250) for a 1,500m RC drill proposal. Drill holes planned previously for the Smart Exploration drill proposal were modified to take into account the revised geology mapped and the rugged topography. Thirteen holes were proposed, refined further; based on results from rock chip channel sampling across greisen pipes, to a 10-hole drill program.

An abbreviated six-hole drilling program, possible in the period immediately before the 2007-8 wet season, after late arrival of a rig in early December 2007, targeted the most prospective greisens in the Boulder-Ahmets prospect. Tin mineralisation was intersected in all six holes over a 2,500m strike extent. Mineralisation has been 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. Total direct drilling costs totaled $88,880.

The drilling results indicate that larger greisen bodies are pipe-like in geometry and economic Sn grades extend to at least 100m vertical depth and compare well with the surface sample results. This suggests that surface channel sampling will be a cheap and effective way of delineating mineralisation for future resource drilling.

Numerous similar zones of greisen mineralisation have been mapped in the area, which along with several tin soil anomalies within the larger 3km by 9km area, provide numerous new targets for future resource drilling. The size and grade of tin mineralisation mapped on the surface and

intersected at depth to date is very exciting and could lead to arguably the most significant new tin discovery for many years.

1 Introduction

The Khartoum EPM 14797 tenement is located 13 km north of Mount Garnet township in North Queensland. Work to-date has mainly focused on the western part of the tenement where a mapping program and a soil sampling survey consisting of 1649 samples have been completed.

The prospect comprises 178 historical workings most of which have targeted hard-rock tin or tungsten.

A total of 15 highly prospective areas have been determined by the exploration work to-date. The (Great) Boulder-Ahmets-Khan prospects, 7-8km south of Emuford, produced the strongest Sn anomalies related to pods and linear zones of greisen altered granite.

A submission was put to Department of Mines and Energy for a grant under the Collaborative Drilling Initiative to test the potential for low grade, high tonnage tin deposit with up to 15 drill holes. The main targets were depth extensions to outcropping Sn mineralised greisen “pipes”. In addition drill-testing was planned of several blind conceptual targets either base on elevated Sn in soil geochemistry or interpreted projections of mapped greisen-altered veins.

This report summarises the preliminary work leading to targeting Sn mineralised greisen system at Boulder-Ahmets and results of subsequent drill-testing under the Collaborative Drilling Initiative.

1.1 Tenure Information

The Khartoum EPM application was lodged with the Queensland Department of Mines and Energy on the 22 September 2004 and subsequently granted as Exploration Permit for Minerals Number EPM 14797 on 13 January 2006 for a period of two years. Annual expenditure commitments and sub-blocks reductions were set by the Department at:

Year 1 - $ 45,000	full retention 75 sub-blocks
Year 2 - $ 65,000	full retention 75 sub-blocks

1.2 Blocks and Sub-blocks

The Khartoum EPM 14797 consists of 75 sub-blocks within the Townsville 1:1,000,000 Block Identification Map as shown in Figure 1

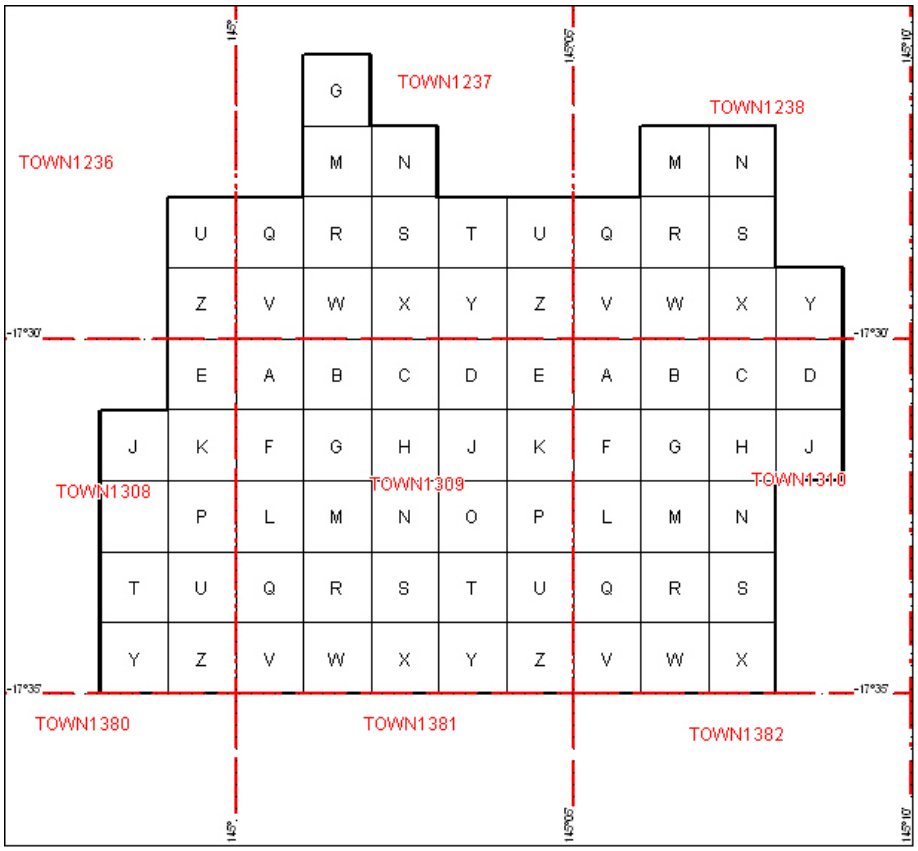

Figure 1. Block and sub-block identification of EPM 14797

1.3 Location and Access

The Khartoum EPM 14797 tenement is located 13 km north of Mount Garnet which is located on the Kennedy Highway at the southern edge of the Atherton Tableland. Mount Garnet is about 105 kilometers south-west of Cairns and 350 kilometers north-west of Townsville.

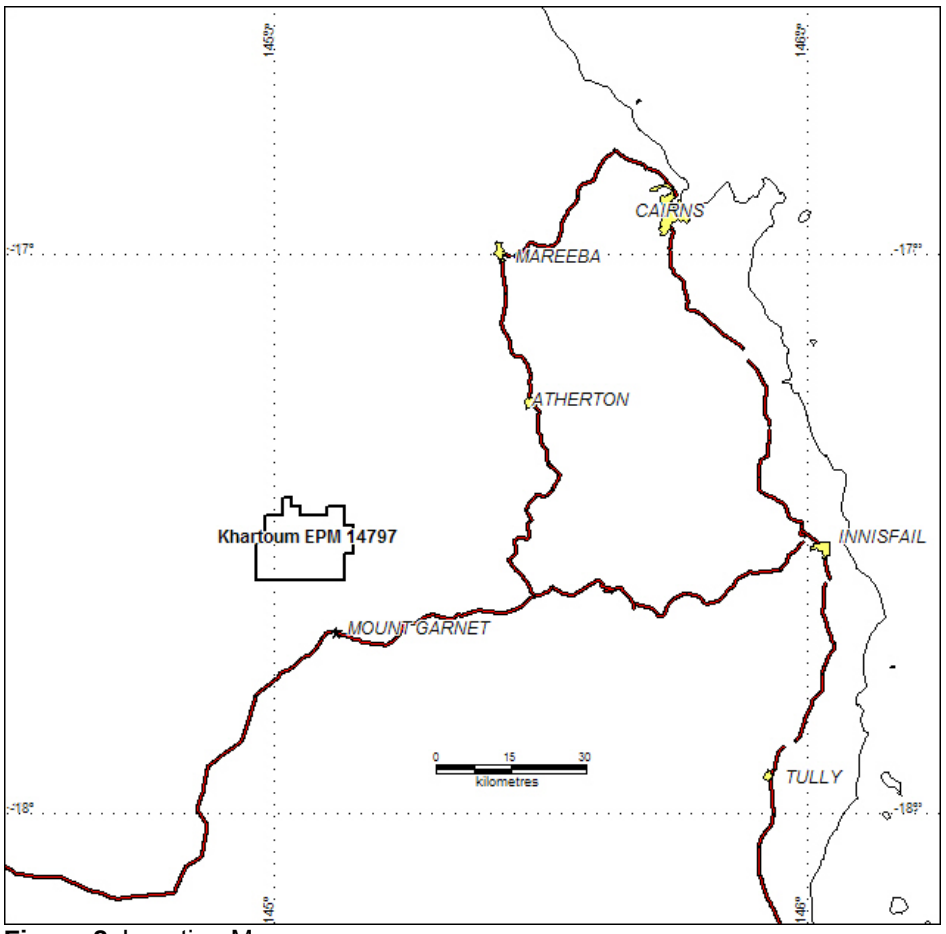

Figure 2. Location Map

2 Geology and Mineralisation

Late Carboniferous – Early Permian granites from the O'Briens Creek Supersuite make up 75% of the Khartoum Project area and locally intrude arenaceous units of the Silurian Hodgkinson Formation which are exposed along the northern edge of the exploration permit. Mineral occurrences associated with the O'Briens Creek Supersuite contain a wide range of metals that include Au, Mo, Sn, W, Cu and Bi (see Fig 3).

In the south of the tenement area there is a volcanic sequence (Nanyeta Volcanics) of rhyolitic to andesitic composition and has been interpreted as co-magmatic with the O'Brien Creek Supersuite. Adjacent and to the west of the volcanics is a narrow north-west trending exposure of Silurian Chillagoe Formation.

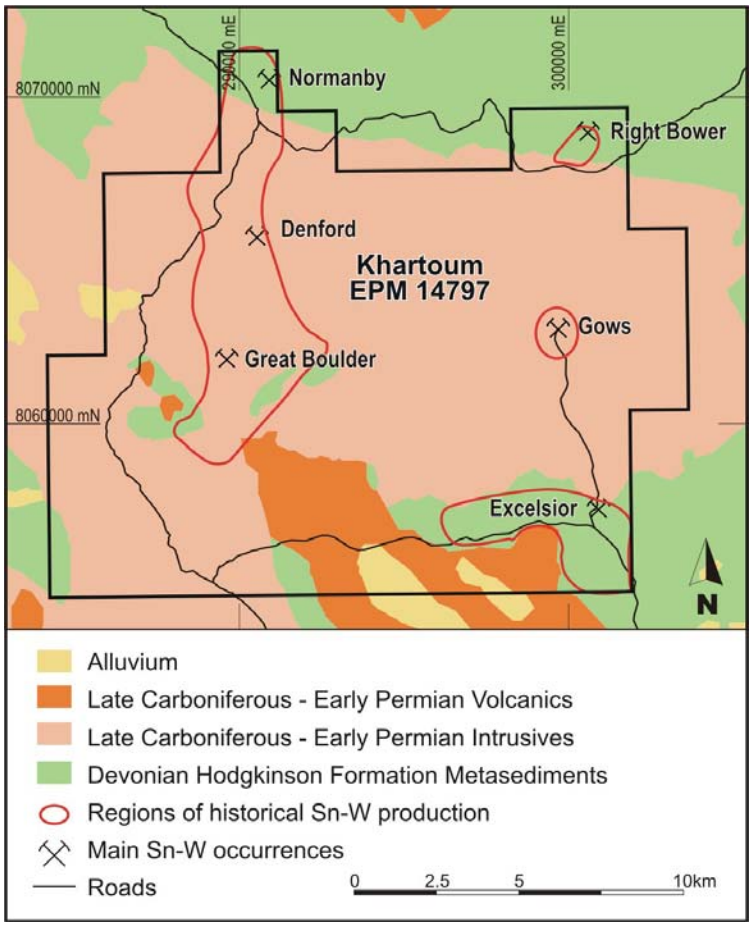

Figure 3. Khartoum Project Schematic Geology

Mapping has identified the following geology in the area within 2km of the abandoned Great Boulder Mine (Boulder-Ahmets-Khan prospects) approximately 7-8km south of Emuford: The area is dominated by a massive, buff-coloured, inequigranular, medium- to coarse-grained, biotite granite belonging to Emuford Granite. This is cut by dykes and occasional sills of fine-grained, equigranular biotite granite. Compositionally these units are very similar and no significant temporal gap is inferred. Rare dark grey, feldspar-porphyritic, amygdaloidal, andesite dykes cut the other two units. These late dykes are unaltered and most likely post-mineral.

The bulk of the Boulder-Ahmets area varies from unaltered to weakly sericite altered. Locally, sericite alteration increases in the vicinity of greisen zones (see below) and major fault-fracture zones. Small (<0.01km^2), discrete strong greisen altered zones occur throughout the Boulder-Ahmets and Khan prospects (Figure 4). Almost all rock-chips containing high-grade tin were collected from within these zones, partly reflected in the tin-in-soil data. Greisen alteration zones occur in 3 main structural styles or types:

Type 1 - As 5-50cm fracture selvedge zones. These selvedges are relatively planar and continuous features, with dominantly flat-lying to shallow dips.

Type 2 - Steeply-dipping ≤15m wide planar alteration zones. These zones all have a dominant NW trend (± local bends/kinks up to 30°) and are traceable for up to 1km.

Type 3 - Larger alteration zones form prominent topographical features throughout the Boulder-Ahmets area. The geometries of these zones are interpreted as sub-vertical

'pipes' with average width of ~50m and average aspect ratio of 2.3. The dominant long-axis is NW trending.

The Boulder-Ahmets prospect has a protracted structural history, with interpreted pre-, syn- and post-mineralisation brittle to brittle-ductile faulting. At the prospect scale, the greisen zones appear to follow a set of sub-parallel NW trending faults (commonly focusing type-2 greisen zones) with an interpreted WNW dilational link-structure along which most of the type 3 greisen zones seem to be developed. This may infer a sinistral syn-mineralisation movement along the NW fault system. This is supported by locally developed groove-lineations and kinematic indicators which indicate a sinistral (dominant), west-side-up oblique movement. Fault and fracture measurements taken within the granite host rock also identify the NW trending set, however the dominant set is a broad grouping of steeply dipping, E-W to NE-SW striking structures. These structures have been observed sinistrally offsetting type-1 greisen zones by up to 50cm, but no major offsets are apparent.

Quartz veining and infill is relatively minor at Khartoum. The earliest and volumetrically dominant quartz phase consists of milky, coarsely crystalline, often vuggy quartz. It occurs exclusively in association with the greisen alteration, both as veins (occasional to rare) and as partial void-fill where dissolution of primary quartz has occurred. Locally the void-fill process evolves into a continuum of textures, culminating in a quartz-matrix-supported breccia with angular greisen-altered clasts. Two late phases of quartz also occur in the southwest of the field area, where they are associated with a zone of northeast trending greisen.

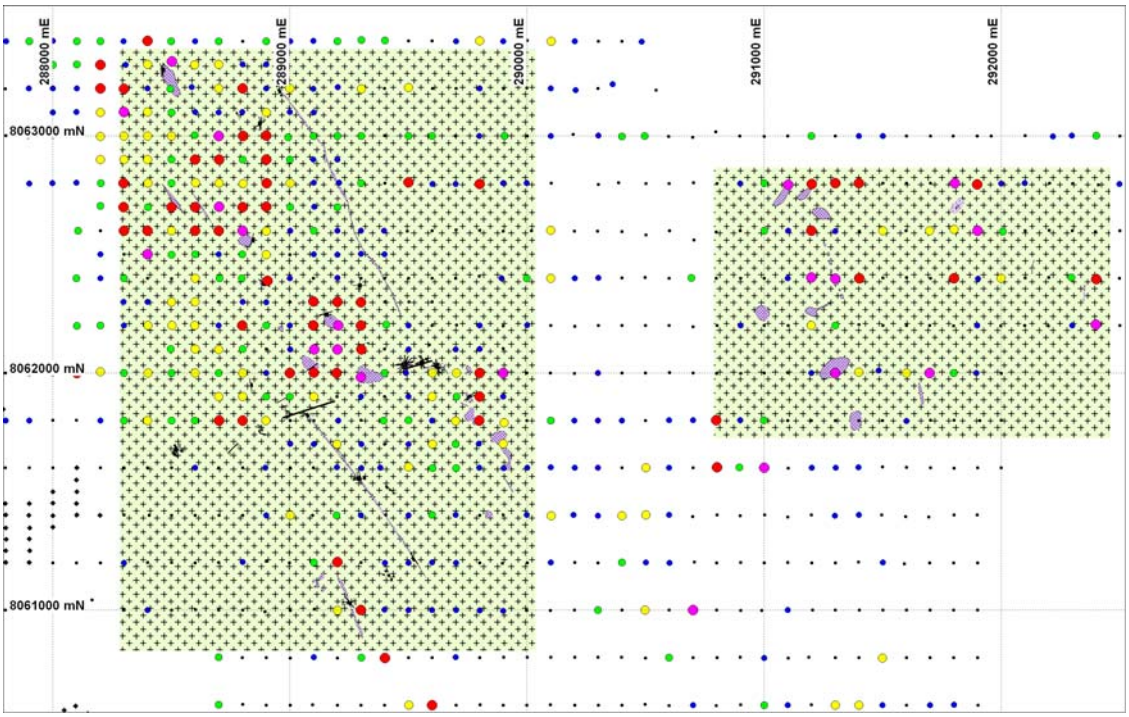

Figure 4. Geology of Boulder Ahmets and Khan areas with thematic Sn geochemistry. Green dots indicate medium to coarse grained granite of Carboniferous Emuford Granite with purple polygons showing mapped greisen

3 Geochemistry

Grid-based soil sampling (n=1649) was undertaken over a 10 x 4 km area from Great Boulder to the Emuford/Normanby. 15 discrete Sn in soil anomalies were defined. Of total rocks n= 361, 45 grab samples were collected across the Boulder-Ahmets and Khans areas from quartz veins and greisened granite during reconnaissance mapping of soil anomalies.

Sampling results appeared to confirm previous work that, overall, Boulder-Ahmets remains the most prospective of the soil anomalies. While results from Khans prospect were not as high, the area does have outcropping greisen zones of a similar (if not larger) scale to Boulder-Ahmets (Fig. 3). Most of the samples were below detection limits for Au (0.001ppm) with none >0.1ppm Au.

Character sampling was conducted across 12 greisen alteration zones in the Boulder-Ahmets and Khans area during August, 2007 to assess potential grade and widths of tin mineralisation in the near surface. 1kg grab samples were taken every metre and then composited into 5m intervals. Most samples were of sub crop, therefore when averaged out over the entire pipe the sampling was presumed to be close to representative of the bulk-rock grade. Results were positive, with 6 of the 10 pipes sampled averaging over 1000ppm Sn (>0.1%) (see Fig 5). Most of the samples were below detection limits for Au (0.001ppm) with none >0.1ppm Au.

The pipes also contain anomalous Ag, As, Bi, Cu, In, Pb and W. Importantly, there were numerous significant assays for indium (In) up to 88ppm. Indium is usually associated with sphalerite in tin systems.

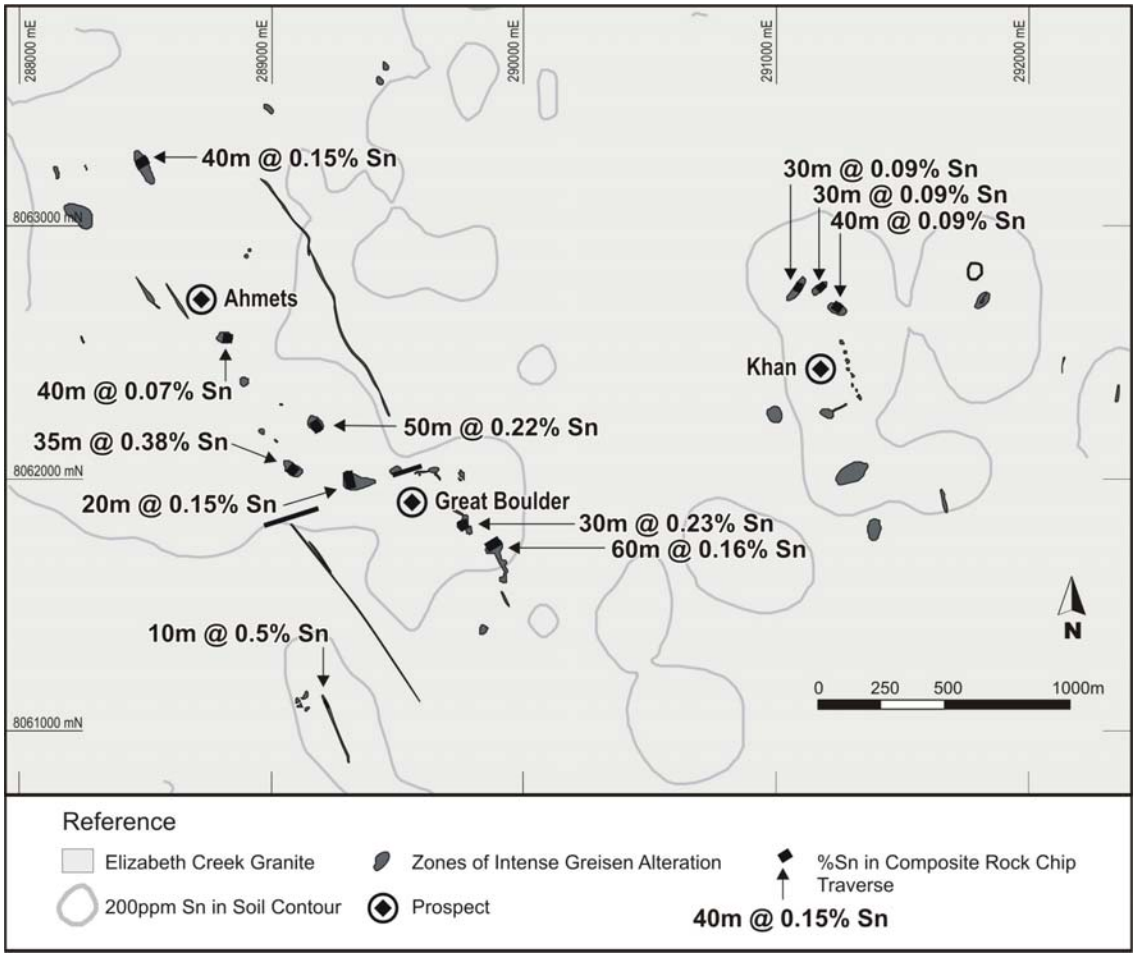

Figure 5. Boulder-Ahmets and Khan Prospects. Summary of composite Sn in rock chip geochemistry

4 Drilling

4.1 Target and Deposit Model

The target is a large tonnage Sn system associated with greisen and sheeted veining. The deposit model is described as an eastern Australian Paleozoic Sn deposit by Blevin (1978), characterised by:

- Massive greisen and stockwork (underexplored in Australia).
- Target 50-100MT >0.5% Sn
- Sn as cassiterite- a mineralogically simple ore
- Hosted in fractionated granite

4.2 Drilling Proposal

A total of 9 RC holes and 1 HQ diamond hole, for a total of 1335m (1185m RC, 150m DD) were originally proposed to test the Boulder-Ahmets Prospect, the largest of the 15 separate geochemical anomalies defined at Khartoum. Most holes were designed to test down-dip continuations of outcropping massive greisen bodies with lower priority drill-targets including 'type-2' structurally controlled greisen, geochemical (soil) anomalies and some conceptual targets. Holes were also designed to drill out of greisen and finish in unmineralised granite, however, the uncertainty over pipe geometry meant that some hole designs needed to be adjusted as drilling progressed. Due to time constraints imposed by the imminent onset of the wet season, each drill hole was given a priority rating to determine the order in which the holes were drilled and potentially, which were to be deferred to a later program. As it transpired wet weather made access too difficult into the original proposed diamond hole site and the proposed RC hole to its immediate southeast. Proposals targeting soil anomalies and Type 2 linear greisens were deferred.

Downer EDI were contracted to undertake the work with a UDR650 track-mounted rig operating a 300psi-900 cfm compressor to drive a 4 7/8 inch hammer. The rig became available from early December 2007 (delayed from planned September commencement).

4.3 Drilling Results

Six holes; 5 RC and 1 combined RC/HQ/NQ core hole (5.8m RC precollar) were drilled for a combined total of 528m comprising 383.8m of reverse circulation and 144.2 diamond core split between 71.4m HQ and 72.8m NQ (see Table 1 for collar details). The program took approximately 11 days from 7-18 December 2007 and was necessarily abbreviated due to heavy rains creating access difficulties and the onset of Christmas. The full depth of each hole was sampled at 1m intervals for 384 RC and 144 core samples. Samples were submitted to ALS (Townsville, Brisbane) and assayed for Au by Au-AA21, Ag, As, Bi, Cu, In, Pb and Zn by ME-MS62s and Mo and Sn by XRF005.

Lithologies intersected were somewhat variable with fine to coarse grained biotite granite predominating but with a significant mix of microgranite bodies of variable widths. Drill holes BARC07-01 and 03 targeting the Type-3 greisens with better composite results penetrated greisen with what appeared to be more simple pipe-like geometries with steeply inward-tapering margins, sharp boundaries with intensely sericite-silica altered cores. Greisen pipes targeted by BARC07-02 and BARC07-04 have more diffuse or intermittent greisen alteration with indications of a westerly dip as seen in some of the mapped linear greisen zones.

Tin assay results for the RC component are encouraging with several wide intervals from 24 to 34m of significant mineralisation between 0.14% and 0.26% Sn intersected in three RC drill holes: BARC07-01, 03 and 04 targeting Type-3 outcropping greisen. Two drill holes: BARC07-02 and BARC07-06 (drilled under the Adelaide workings) returned high grade tin from over relatively

thin 3m widths, average grades ranging from 0.24% to 1.22% Sn (see Table 2 and Appendix with sections showing downhole results for holes with best results).

The single core hole BARD07-05, which targeted a NW trending 80m x 50m lenticular greisen with the best rock chip composite tin assays of 35m at 0.38% Sn, returned 104m at 0.21% Sn from 12m. Two 1m intervals have grades of +1% Sn: 1.76% Sn from 13-14m and 1.1% Sn from 102-103m. This hole had to be drilled parallel to the long axis of the greisen body as the steep slope disallowed a more preferable collar site and orientation perpendicular to the long axis. Nevertheless the grade is considered to be representative of the body in general and is highly encouraging.

Comparative results between tin in composite rock chips and downhole tin grades showed reasonable correlations with 25m at 0.15% Sn in BARC07-01 compared to 40m at 0.14% in surface composite sampling whereas BARC07-03 intersected a 34m width at 0.26% which was broader and higher grade than the projected surface expression where rock chip composites averaged 0.08% Sn over 50m with a best interval of 20m at 0.14% Sn. There was no comparative composite sampling for the Type-3 greisen targeted by BARC07-04 which returned 24m at 0.14% Sn from 33m (2 rock chip grabs from a small digging averaged 1.2% Sn). In the case of the core hole BARD07-5, in comparisons between surface and downhole tin results, grades are lower, albeit still of significance, and widths are as predicted. Figure 6 shows significant tin drill intercepts in plan and comparative composite Sn rock chip results.

Elevated zinc (Zn) and indium (In) results are associated with the tin mineralisation in several holes including BARD07-05 with 104m at 0.15% Zn and 11.33ppm In from 12m; and BARC07-01 with 25m at 2391ppm Zn from 39m and 5.9ppm In.

Hole	Easting	Northing	RL	Az	Dip	Depth (m)
BARC07-01	288465.2	8063248	834	60	-55	84
BARC07-02	288758.5	8062507	794	45	-50	126
BARC07-03	289265.1	8061925	735	35	-50	150
BARC07-04	288242.9	8063027	857	60	-55	96
BARD07-05	289046	8062091	760	142	-50	150
BARC07-06	289209.5	8061055	741	70	-60	72

Table 1: Boulder-Ahmets Sn Prospect Drillhole Collar Details

HoleID	From (m)	To (m)	Ag ppm	Cu ppm	In ppm	Pb ppm	Zn ppm	Sn %	Interval
BARC07-01	39	64	3.93	371	5.90	729	2391	0.15	25
BARC07-01	70	72	0.25	33	3.09	19	1132	0.13	2
BARC07-02	44	47	0.32	18	0.61	59	226	1.22	3
BARC07-03	82	86	0.65	71	1.18	76	112	0.11	4
BARC07-03	99	133	1.52	343	3.25	42	263	0.26	34
BARC07-04	29	53	3.83	559	2.48	316	261	0.14	24
BARD07-05	12	116	2.96	371	11.33	327	1501	0.21	104
BARC07-06	39	42	0.47	161	4.48	70	634	0.24	3

Table 2: Detailed intersections using a 0.08 % Sn cut off with a minimum width of 2m and internal dilution of 4m.

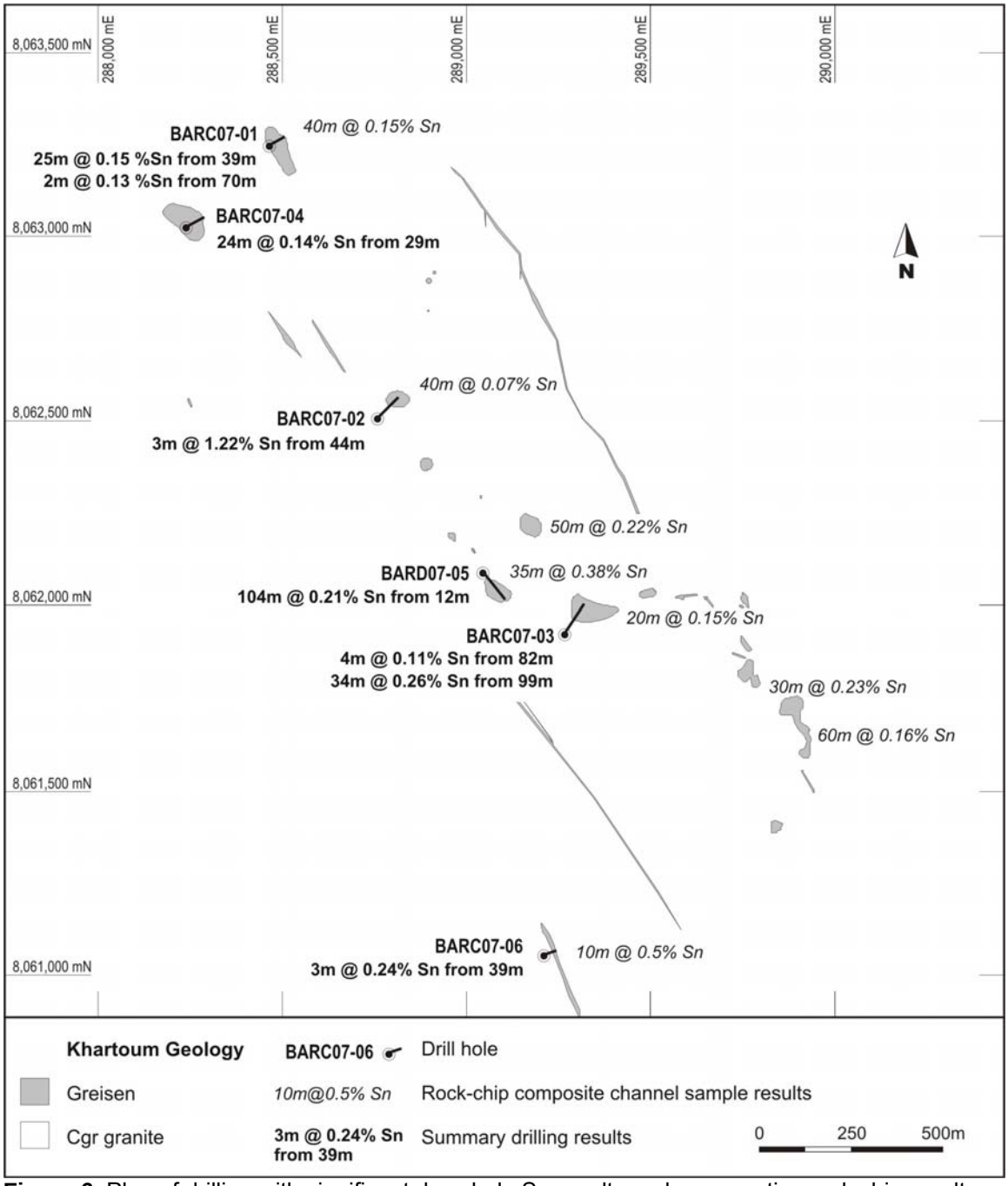

Figure 6. Plan of drilling with significant downhole Sn results and comparative rock chip results

5 Discussion

The drilling results indicate that larger greisen bodies are pipe-like in geometry and economic Sn grades extend to at least 100m vertical depth and compare well with the surface sample results. This suggests that surface channel sampling will be a cheap and effective way of delineating mineralisation for future resource drilling. Numerous similar zones of massive and sheeted greisen mineralisation have been mapped in the area, which along with several tin soil anomalies within the larger 3km by 9km area; provide numerous new targets for future resource drilling. The size and grade of tin mineralisation mapped on the surface and intersected at depth to date is very exciting and could lead to a significant new tin discovery.

6 Recommendations

Recommended follow-up exploration is summarised below:
(a) Metallurgical test-work of mineralised core.
(b) Grab and composite rock chip sampling of mapped greisen zones.
(c) Drill-testing of mineralized greisen and other targets as defined by rock-chip sampling. 5000-10000m of drilling is envisaged with the bulk being RC drilling and a small component of diamond drilling including completion and extension to drilling of targets left from the December 2007 drilling

References

Blevin P. (1978) Paleozoic Tin and Tungsten deposits in eastern Australia. AGSO Journal of Australian Geology and Geophysics. 14(4): 75-79.

Appendix Data Files:

Excel Files
BARD07-05.xls
BARC07-drilling.xls

Text Files
EPM 14797 BARC_2007 downhole assays.txt
EPM 14797 BARC_2007 drill hole logs.txt
EPM 14797 BARC_2007_drill collars.txt
EPM 14797 DDH BARD07-05 down hole sample assays.txt
EPM 14797 DDH BARD07-05 down hole surveys.txt
EPM 14797 DDH BARD07-05 drill collar.txt

JPEG Sections
Section BARC07-01.jpg
Section BARC07-03.jpg
Section BARC07-04.jpg
Section BARD07-05.jpg