auzex RESOURCES LIMITED ABN 74 106 444 606

EPM14797 Khartoum Project

Partial Relinquishment Report

For the period 13 January 2013 to 12 January 2014

Compiled by: Kenex Pty Ltd
Tenement Holder: Auzex Resources Limited (100%)
Report Date: July 2014

EXECUTIVE SUMMARY

EPM 14797 is located 13 km north of the Mount Garnet township in North Queensland. Mount Garnet is about 105 kilometres south-west of Cairns and 350 kilometres north-west of Townsville (see Figure 1).

During the term of the permit, work undertaken included prospectivity analysis, mapping, rock chip sampling, and soil sampling (Niton).

Evaluation of the tenements in order to reduce the areas and focus exploration efforts identified the relinquished blocks as lower priority areas

Keywords: granites, geophysics, gold, tin

Table of Contents

LIST OF FIGURES AND TABLES

Digital Appendix List

Appendix1 Soil Data
Appendix2 Niton Soil Data
Appendix3 Rock Data

INTRODUCTION

1.1 Tenure Information

EPM 14797 was initially granted on 13 January 2006. The recent relinquishment consists of the offer to surrender the 10 blocks listed below.

1.2 Blocks and Sub-blocks

BIM	Block	Sub-blocks
TOWN	1238	W, Y
TOWN	1309	S, Y, Z
TOWN	1310	C, D, H, J, V

Table 1: EPM 14797 Relinquished sub-blocks June 2014

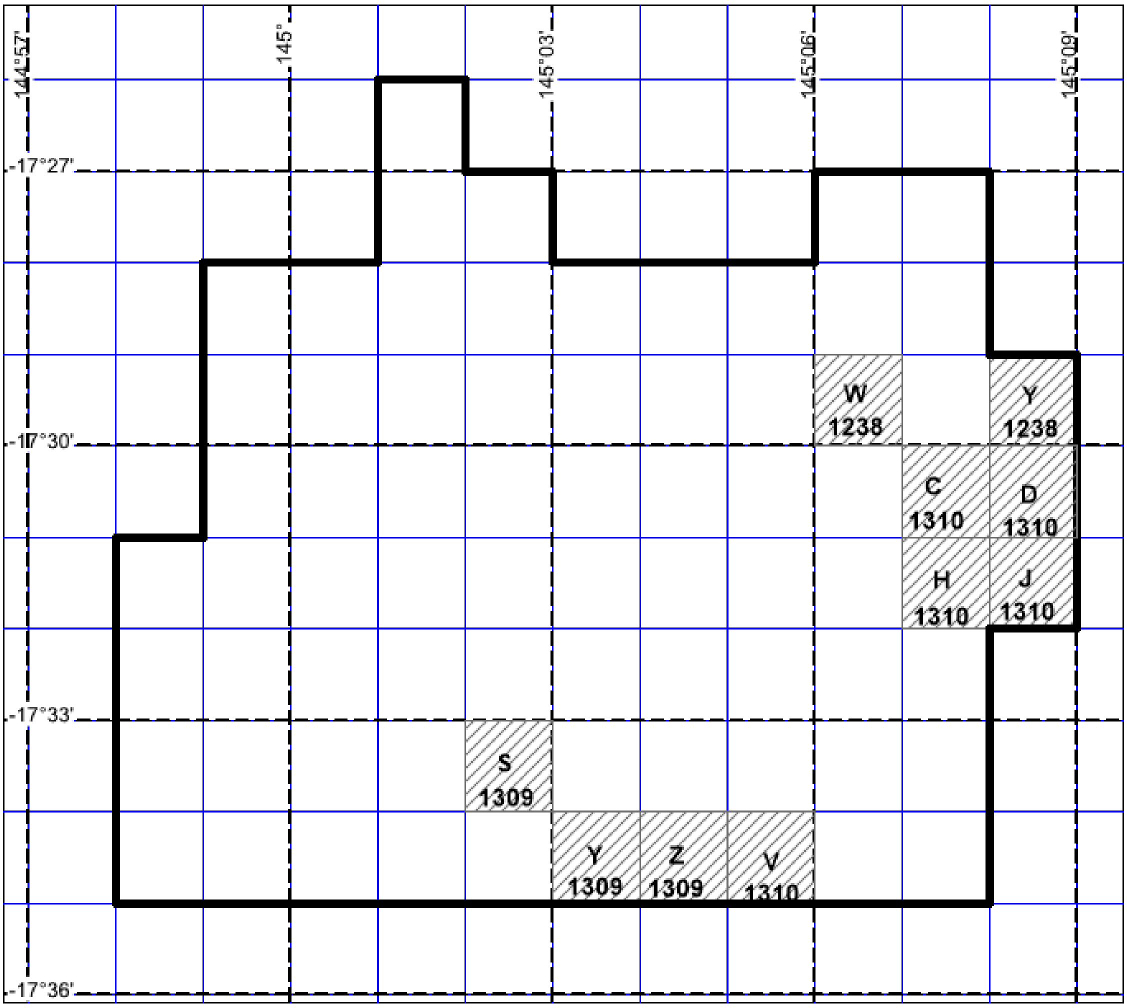

Figure 3 Blocks and sub blocks for EPM 14797 showing hatched relinquished blocks.

1.3 Location and Access

EPM 14797 is located 13 km north of the Mount Garnet township in North Queensland. Mount Garnet is about 105 kilometres south-west of Cairns and 350 kilometres north-west of Townsville (see Figure 1).
Access from Mt Garnet is via well maintained gravel roads and station tracks to the south eastern and western edges of the permit via the abandoned mining settlements of Brownsville and Gurrumba respectively; and then rough station and former mining access tracks to Auzex prospect areas. Alternative access to the north of the tenement is via the formed gravel Herberton-Petford road which passes through Irvinebank and Emuford or the sealed Mareeba-Dimbulah-Chillagoe road which passes Petford.

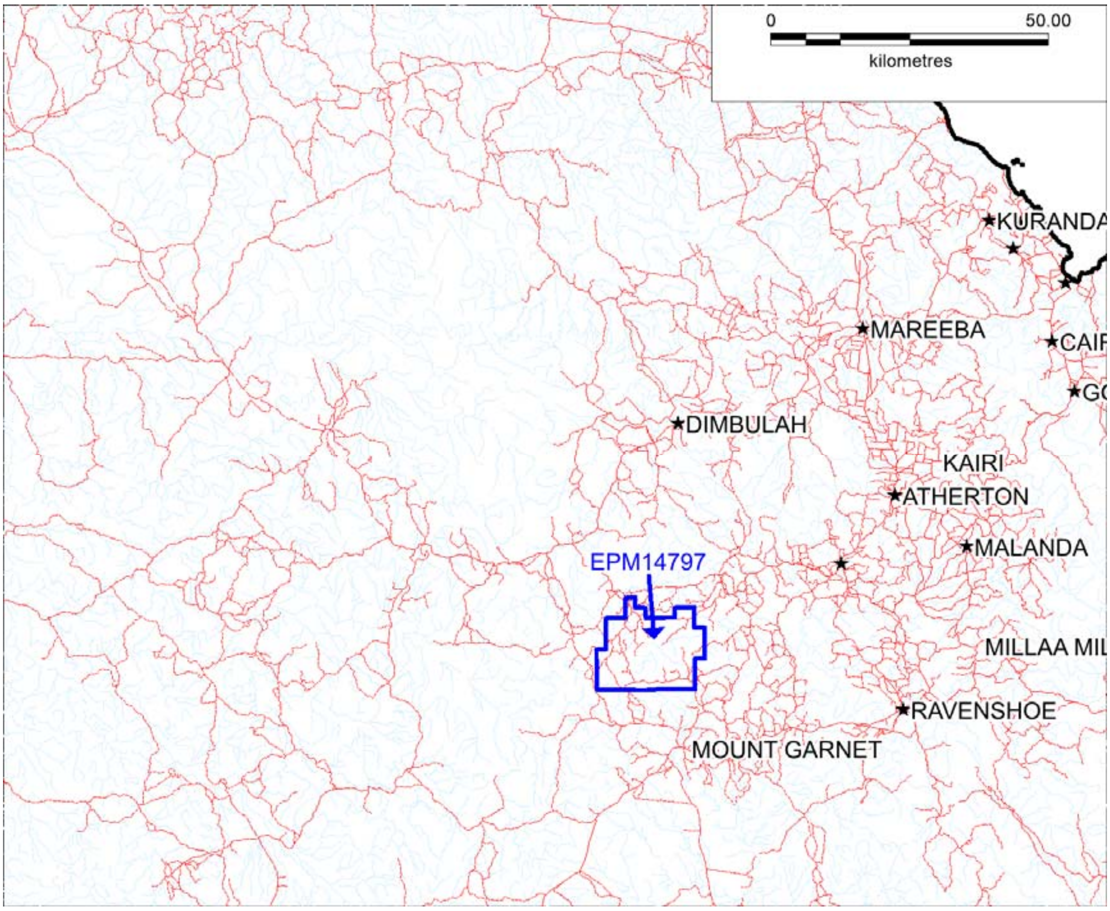

Figure 4 Location of the main tenement area

2 Work Completed on Relinquished Area

During the term of the permit, work undertaken on the relinquished areas included niton soil sampling, stream sediment sampling, rock chip sampling and soil sampling.

2.1 Soil sampling

Soil sampling locations on the relinquished area from the relinquished area are shown on figure 3 below and included as digital data.

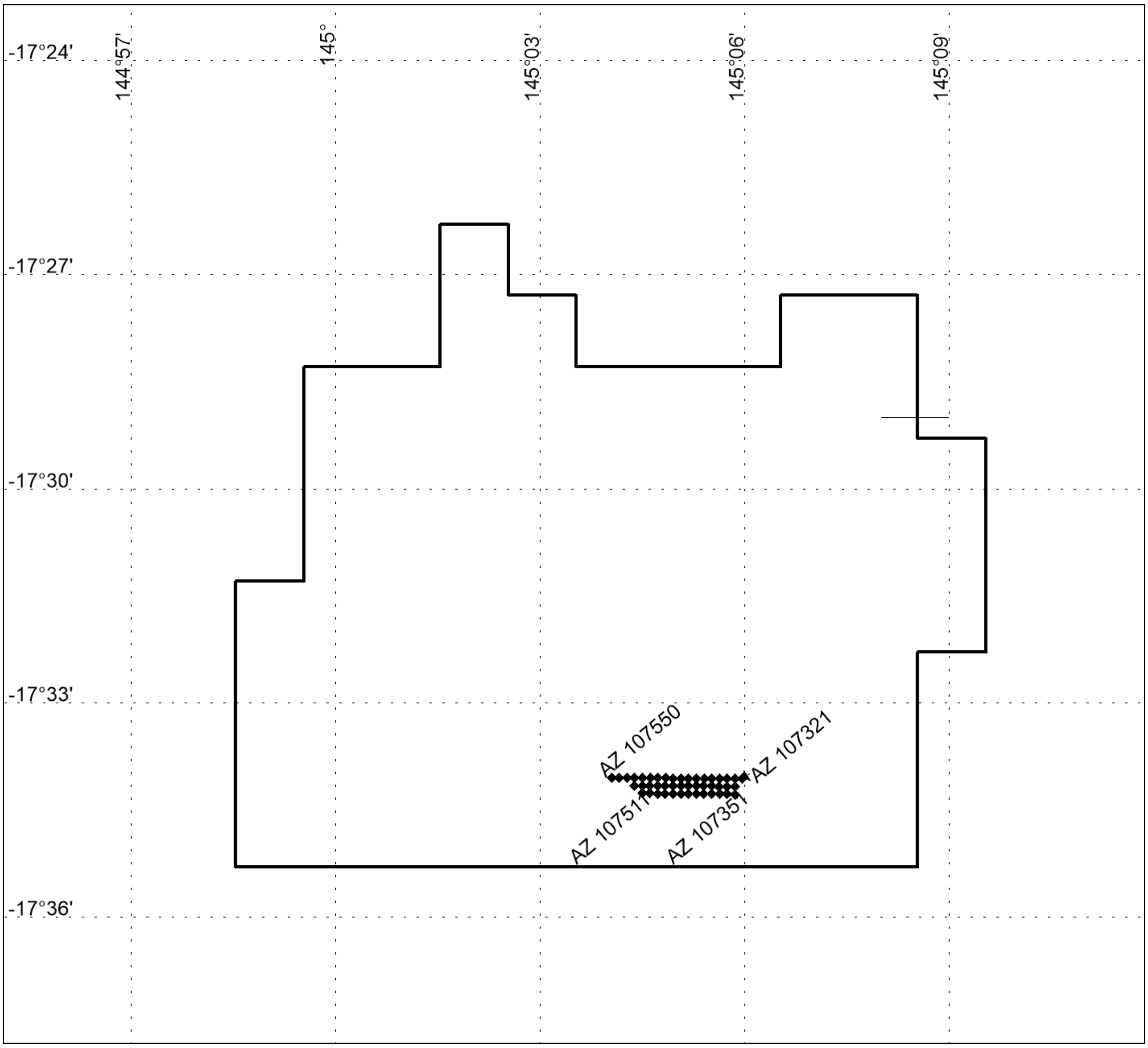

Figure 5 Soil Sample Locations on Relinquished Area

2.2 Niton Soil Sampling

In order to reduce costs, a program of soil samples was analysed with a handheld XRF. These samples cannot be compared with laboratory assayed samples, but can show patterns. The Niton soil sample locations from the relinquished area are shown on Figure 4 below and included as digital data.

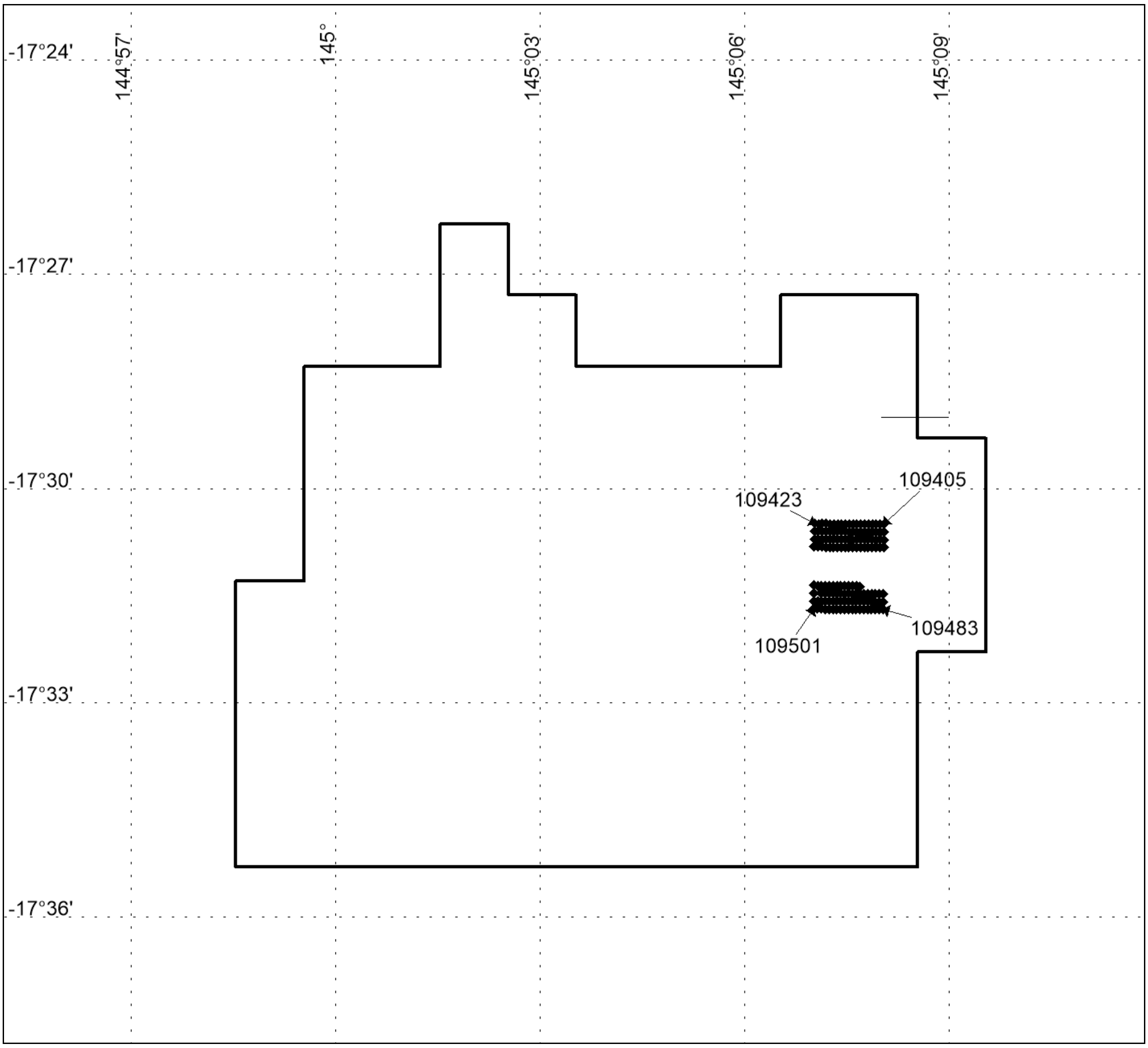

Figure 4: Niton Soil Sample Locations

2.3 Rock Chip Sampling

The rock chip sample locations from the relinquished area are shown on Figure 5 below in blue and included as digital data.

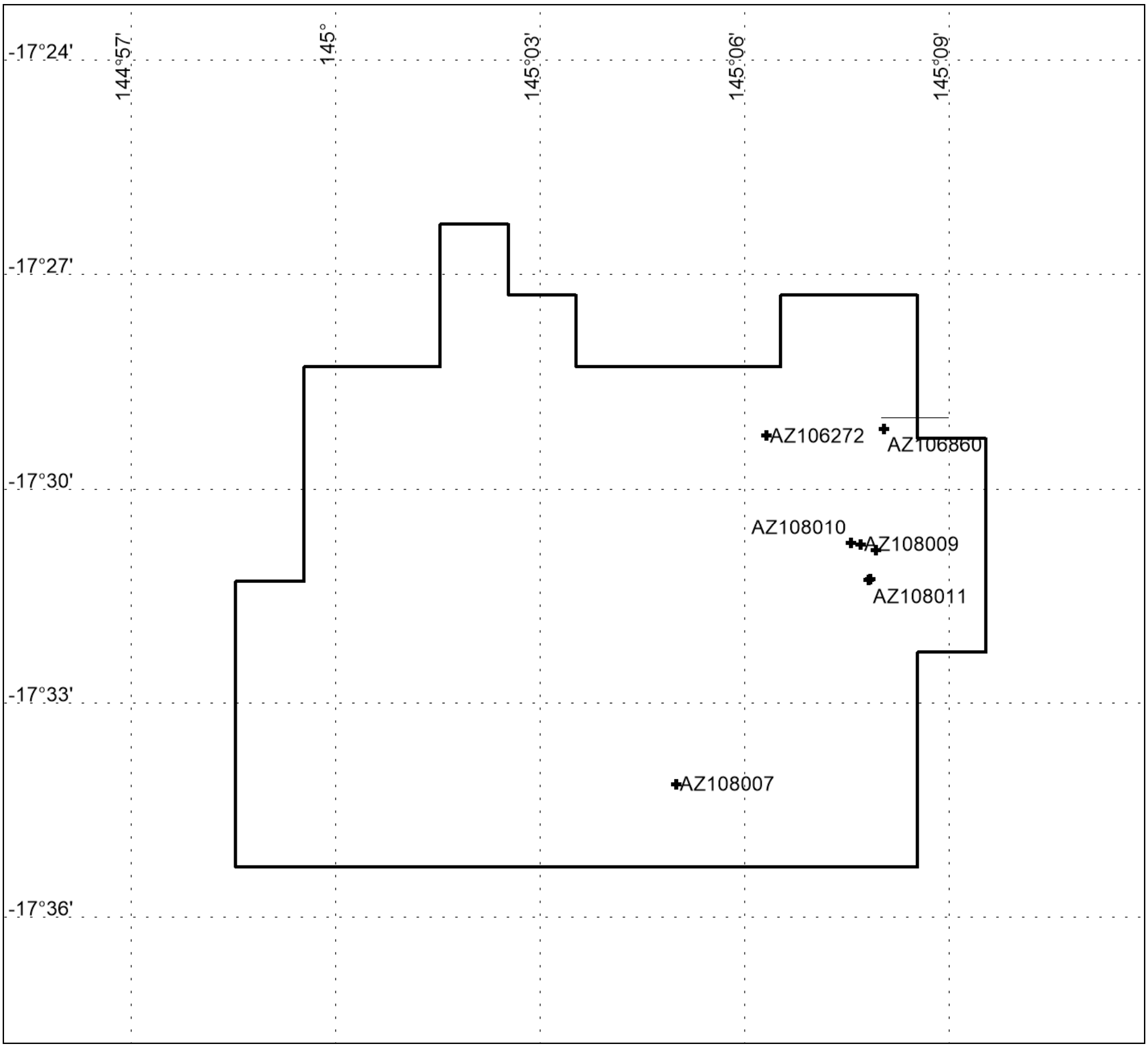

Figure 5: Rock Chip sample locations

2.4 Spatial Analysis

A statistical spatial analysis of the relevant predictive maps for Intrusion Related Sn-W mineral system was undertaken. It has provided a better understanding of the mineral system that is relevant to exploration in the Khartoum area.

2.4.1 Predictive variables

As a first step in the spatial correlation calculations, a 50 by 50 metre grid was generated over the project area. The size of the grid was chosen to represent the minimum scale that the data should be viewed at. Known deposit locations in the study area were selected as a training data set. A unit cell grid of 1.0 km2 was used for the model calculations, which represents the expected area covered by an economic deposit and for this study area gives a prior probability of 0.0304. The prior probability is the chance of randomly finding a deposit for each 1.0 km cell of the grid before any additional evidence for mineralisation is applied. Data compiled prior to the prospectivity modelling stage were modelled and reclassified in accordance with the mineralisation model described above.

Predictive maps were created from the basic geological information in the GIS using spatial modelling techniques such as buffering, intersections, interpolation using inverse distance weighting or density algorithms. Statistical analyses of all geochemical data was undertaken to reclassify regional rock and soil data sets into background and anomalous populations. These themes were then used to calculate spatial correlation statistics between the data themes and the training data sets. The spatial analysis of the selected predictive maps was carried out using the weights of evidence technique developed by Bonham-Carter of the Canadian Geological Survey, using the Spatial Data Modeller extension developed for ESRI's ArcGIS 10.1 GIS software. Most of the data types were reclassified to produce classified predictive maps, which in the case of continuous data like geochemical data were further reclassified using the posterior probability values into binary predictive maps. Predictive maps like geology were reclassified into broad groups as multi-class predictive maps

The following relationships were tested:

Source

- Spatial relationship to medium to fine grained granites.
- Spatial relationship to I type granites.
- Spatial relationship to fractionated granites.
- Spatial relationship to biotite rich granites.
- Spatial relationship to late stage granite phases.
- Spatial relationship to oxidised granites
- Spatial relationship to Mioroitic cavities
- Spatial relationship dykes

Transport

- Spatial relationship to faults
- Spatial relationship to 2nd,order and 3rd,order faults
- Spatial relationship to crustal faults
- Spatial relationship to fault orientations
- Spatial relationship to fault density
- Spatial relationship to fractures and joints
- Spatial relationship to cross cutting fracture zones
- Spatial relationship to veins and stockworks

<u>Trap</u>

- Spatial relationship to greisenisation.
- Spatial relationship to granite-metasediment contact.
- Spatial relationship to structure density and complexity.
- Spatial relationship to fractures related to the granite intrusion.
- Spatial relationship to a particular structural orientation.
- Spatial relationship to chemical reactivity of lithologies
- Spatial relationship to competency of lithologies
- Spatial relationship to fault fold intersections
- Spatial relationship to fault jogs
- Spatial relationship to fault splays
- Spatial relationship to fault bends
- Spatial relationship to granite roof contacts.
- Spatial relationship to rock reactivity contrasts.
- Spatial relationship to reactive host rock litholgies.
- Spatial relationship to Illite, muscovite and quartz rock alteration.
- Spatial relationship to anomalous Sn-W geochemistry.

<u>Deposition</u>

- Spatial relationship to alluvial tin
- Spatial relationship to tin density rock, soil and stream sediment geochemistry.
- Spatial relationship to tungsten density rock, soil and stream sediment geochemistry.
- Spatial relationship to molybdenum rock, soil and stream sediment geochemistry.
- Spatial relationship to copper density rock, soil and stream sediment geochemistry.

The spatial correlation results for each predictive map used in the final prospectivity map for the Khartoum model are summarised in Table 2.

Spatial Variable	Explanation	Variable	Area km^2	Units	Training Points	W+	Ws+	W-	Ws-	C	Cs	Stud C
Source												
Cupolas/Buried Granites	Localised source of metals and fluids	Buffer 3.5 km	2161.67	2161.67	100	0.44	0.10	-1.09	0.24	1.52	0.26	5.90
Dykes 800 m buffer	Localised source of metals and fluids	Buffer 800 m	865.71	865.71	52	0.71	0.14	-0.34	0.12	1.05	0.19	5.54
Transport/Trap												
Structural features within cupolas	Localised transport pathways for metals and fluids		2114.33	2114.33	90	0.35	0.11	-0.67	0.19	1.02	0.22	4.65
Faults	Regional transport pathways for metals and fluids	Buffer 250 m	470.77	470.77	38	1.03	0.17	-0.27	0.11	1.30	0.20	6.37
Oxidised granite bodies	Evidence for transport through granitic bodies		760.97	760.97	37	0.89	0.17	-3.13	1.00	4.02	1.01	3.96
Deposition												
Magnetic Highs	Indicate alteration		2719.72	2719.72	102	0.22	0.10	-0.81	0.25	1.03	0.27	3.79
Illite Alt in Granites	Illite alteration in granite		750.78	750.78	25	0.50	0.20	-0.56	0.28	1.06	0.35	3.08
Drillhole/rock Sn	Metal deposition in host rock	Threshold 19.4 ppm	572.25	572.25	106	0.33	0.11	-3.43	1.00	3.77	1.01	3.74
Drillhole/rock W	Metal deposition in host rock	Threshold 11 ppm	146.71	146.71	29	0.79	0.21	-1.83	0.58	2.62	0.62	4.24
High Gravitational Slope	Boundaries of igneous intrusive fluid/heat sources	Buffer 300 m	597.87	597.87	52	1.11	0.15	-0.42	0.12	1.54	0.19	8.04
Hodgkinson Formation	Local deposit rock type for mineralisation of this age		640.94	640.94	77	1.47	0.12	-0.89	0.16	2.37	0.20	11.91

Table 2 Spatial Variable Summary

2.5 Prospectivity Modelling

A 2D prospectivity study using the Weights of Evidence technique was carried out using the predictive maps described above and listed in Table . The predictive maps were constrained by the mineral system model for intrusion related Sn-W and optimised using the Weights of Evidence spatial analysis. One prospectivity map was developed for the study area using the weights of evidence technique. The results for the relinquished area is shown on Figure 6.

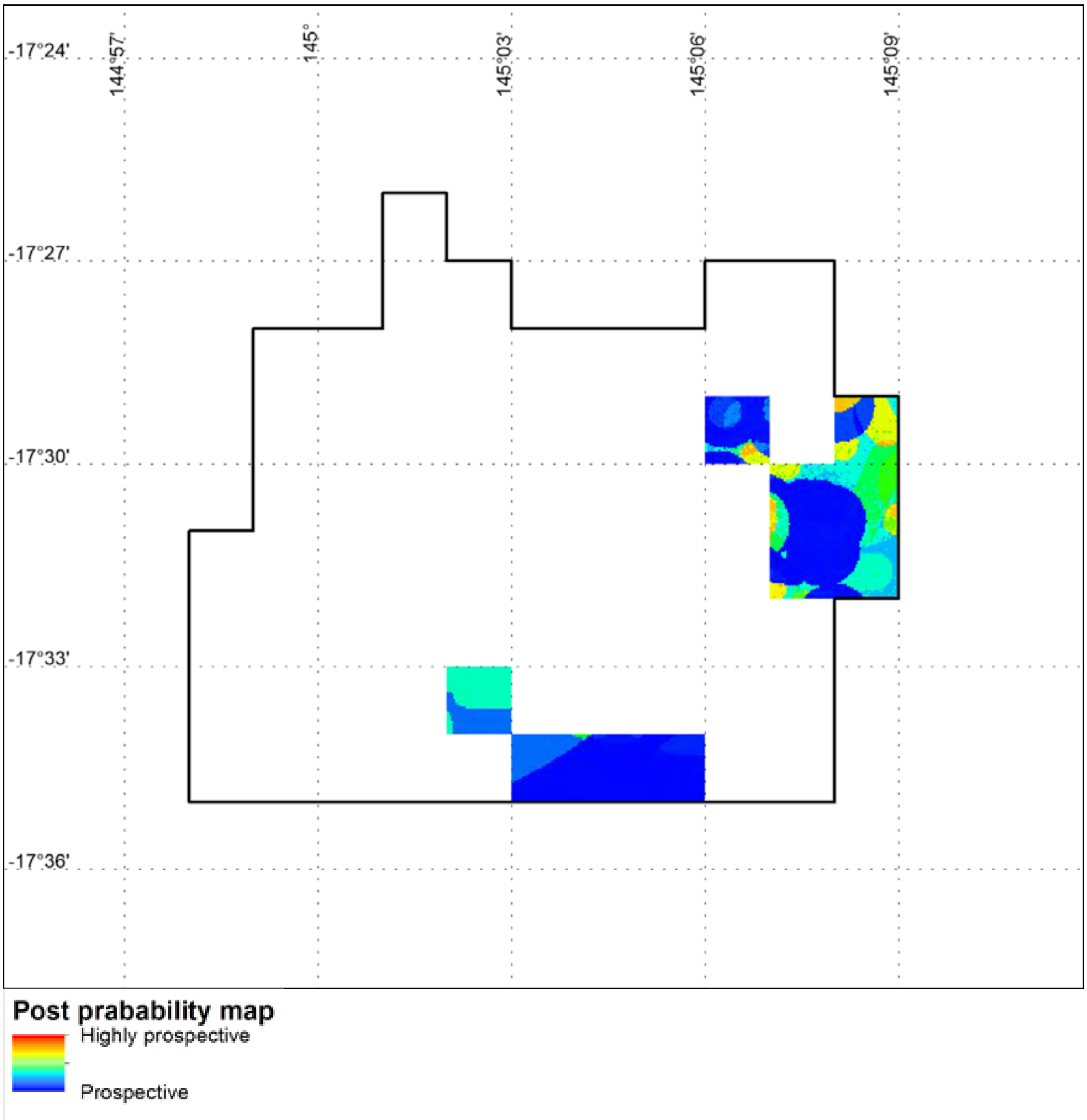

Figure 6 Prospectivity Analysis results on Relinquished area

3 Reason for Relinquishment

A re-evaluation of the mineral potential and prospectivity of North Queensland tenements was undertaken to determine if suitable areas merit reapplication for retention or relinquishment.

During the term of the permit reconnaissance undertaken in the relinquished blocks of the tenement identified it as less prospective ground. Based on the recently completed prospectivity mapping exercise, there is less evidence for potential mineralisation within the relinquished portion of the tenement.

Because of the downgraded prospectivity, a decision has been made to relinquish the selected sub-blocks of the tenement.