



**Breakaway
Research**

5th September 2011

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Company Information

ASX Code	AQR
Share Price A\$	0.23
Ord Shares	147.3m
Options	2.2m
Market Cap A\$	33.3m
Cash A\$	3.2m
Total Debt	-

Source: Aussie Q Resources

Directors

Chairman	Thomas Mann
Executive Director	John Goody
Non-executive Director	Sydney Griff
Non-executive Director	Richard Haren
Non-executive Director	Edgar Newman

Source: Aussie Q Resources

Substantial Share Holders

Goody Investments Pty Ltd	20.2%
Washington H Soul Patterson	9.6%
SLG Australia Pty Ltd	7.6%
Regal Funds Management Pty Ltd	2.77%

Source: Aussie Q Resources

Company Details

Address	Lvl 1 27-29 Crombie Ave53 Bundall QLD 4217
Phone	+617 5574 3830
Web	www.aussieqresources.com

Source: Aussie Q Resources

2 Year Price Chart



Source: Bloomberg

Aussie Q Resources (AQR)

Large copper/molybdenum resource in the advanced assessment stage

Recommendation: Speculative BUY

Key Points

- **JORC Resource increased by 240% to 242Mt @ 604ppm MoEq**
- **High grade outcropping area of 85Mt at 808ppmMoEq provides potential for early cash flow**
- **Resource extensional drilling underway at Rawbelle**
- **Tenure well supported by surrounding infrastructure**
- **JV with SLW Minerals provides cost free exploration**
- **Copper and molybdenum outlook remain robust**

Aussie Q Resources is an advanced copper-molybdenum exploration company with a significant resource identified at the Rawbelle project in south eastern Queensland. The company has now embarked on a scoping study including metallurgical test work to assess the Greater Whitewash deposit.

Aussie Q is also in an active drill campaign aimed at delineating further resources to augment the large 242Mt JORC Indicated and Inferred Resource already identified. Further potential exists via a joint venture signed with SLW Minerals, which aims to jointly explore additional targets to the south at no financial cost to Aussie Q.

Company Overview

Aussie Q (ASX: AQR) is a molybdenum and copper exploration company focused on delineating further high grade zones of mineralisation to compliment the substantial resources already identified at the Greater Whitewash deposit.

The 'Greater Whitewash' deposit is the company's primary asset and is located in south-eastern Queensland near the town of Monto. The Whitewash project lies along a 5km strike and hosts a 242Mt JORC resource @ 604ppm MoEq, with over 76% of the resource in the Indicated category.

The company is currently undertaking a 10,000m drilling campaign targeting highly prospective areas within Greater Whitewash as well as highly prospective satellites in the surrounding area. Scoping and metallurgical studies also underway and are expected to be completed by year end.

Aussie Q recently signed a A\$4m funding agreement with Hong Kong based SLW Minerals to jointly explore the nearby and prospective Kildare and Oakey Creek targets. This JV provides leverage to potential exploration success in these prospective tenements at no cost to Aussie Q.



Investment Review

Earlier this year, Aussie Q announced an upgraded JORC Resource on the primary 'Greater Whitewash' project located at the Rawbelle group of tenements in south eastern Queensland.

242Mt @ 604ppm MoEq

The upgraded 242Mt @ 604ppm MoEq resource contains 138.4 million pounds of molybdenum, 283kt of copper, 12 million ounces of silver and a further 21 million pounds of tungsten, which has an in-ground value in excess of US\$7bn at current commodity prices. The deposit runs north-south along a 5km strike and has a width of 1km in some areas.

75% in the Indicated category

The current 242Mt resource (~76% in the Indicated category) appears to be limited only by the extent of the current drill program, as mineralisation is open at depth and along strike. Of particular interest to Breakaway is the area between Whitewash South and Windmill Hill, which has had limited drilling to date. SRK Consulting has indicated the likelihood of further mineralisation being identified in this area, potentially linking Whitewash South and Windmill Hill.

Juicy Fruit South shows signs of a duplication of Whitewash mineralisation

To the west of the Greater Whitewash Deposit, the 'Juicy Fruit South' target is also of particular interest to Breakaway as it is the most intense conductive target with in the area. Drilling and IP surveys undertaken by Aussie Q to date have indicated a duplication of the Whitewash mineralisation. Upcoming drilling of this target will aim to test the extent and grade of this highly prospective area.

10,000m drilling program underway

With a possible 25 year mine life and 242Mt JORC resource already identified, the company has now shifted its priority to identifying additional high grade zones within Greater Whitewash. To this end, Aussie Q has a 10,000m drill program underway with first assays expected in late October 2011.

High grade zone provide early cash flow potential

Aussie Q is also currently undertaking metallurgical test work and scoping level studies over the Greater Whitewash project. The scoping study will focus on the high grade core of 85Mt @ 808ppm MoEq which outcrops at surface. This zone has the potential to provide significant early cash flow from open pit operations over the first 8-10 years of the mine production. It is anticipated metallurgical test work and the scoping study will be completed before the end of CY2011.

Supporting infrastructure

The Rawbelle project is well supported by local infrastructure. High voltage power lines and sealed highways run through the tenure. The nearby town of Monto has a skilled labour force and lies just 150km by rail from the deep-water port of Gladstone.

JV provides exploration potential with no capital outlay.

Additional opportunity for Aussie Q lies within the newly created JV with SLW Minerals Corporation (AQR, 35%, SLW, 65%) which aims to jointly explore a highly prospective area ~13km to the south of Greater Whitewash. Under the terms of the JV, SLW will contribute up to A\$4 million to fund exploration and AQR will contribute tenure. An initial 15 hole drilling program has already identified strong copper and molybdenum mineralisation similar to that of Whitewash.

The current 242Mt resource is significant and could potentially support a mine life in excess of 20 years mining at a nominal 10Mtpa. Additional drilling of the nearby high priority targets may extend this resource with the potential of identifying further 'high grade pockets' which would continue to support the overall economic robustness of the project.



Indicative Value

For indicative purposes only, Breakaway Research has attempted to highlight the future revenue the Greater Whitewash project may be capable of delivering once in production.

The table below sets out the current commodity prices (as of writing) for the 3 dominant metals and relevant grade of that metal within the 85Mt high grade core.

Metal content and approximate value per tonne of ore

Current metal value/tonne ore is US\$ 28.35

Metal	Price US \$/t	Grade ppm	Price US\$/ppm	Metal Value per tonne of ore
Mo	32,000	366	0.03	\$ 11.71
Cu	9,800	1417	0.01	\$ 13.89
Ag/Oz	41	2.09 g/t	1.32/g	\$ 2.76
MoEq grade		886		\$ 28.35

Source: Breakaway Research

Breakaway estimate the total 'value' of metal per tonne of ore is approximately US\$28.35.

To take our analysis a step further, Breakaway has gathered the US/\$ cash costs/tonne for a number of other molybdenum producers and emerging producers.

Peer project production and cash costs

Peer operating costs ~US\$ 10/t

Project	Company	Location	Mt	Mo ppm	MoEq ppm	Production	Cash Cost/t
Endako	Thompson Cr Holdings	BC Canada	311	460	460	10m	\$7.20
Thompson Creek	Thompson Cr Holdings	BC Canada	212	715	715	10m	\$6.76
Ruby Creek	Adanac Moly Corp	BC Canada	150.8	600	600	7.3m	\$10.93
Spinifex Ridge Cu, Mo	Moly Mines (ASX MOL)	WA Australia	652	500	700	10m	\$9.40
Mt Hope	Idaho Mines	Nevada USA	920	700	700	15m	\$6.30

Source: Aussie Q and Breakaway

Robust earning potential

Breakaway assume Aussie Q is able start up a 10Mtpa processing plant, achieve an 85% recovery rate on the moly, copper and silver contained and achieve a production cash cost of US\$10/t. Under these assumptions, Aussie Q would be able to generate an **EBITDA of ~156m p.a.** (((\$28.35-US\$10) x 85% x 10Mtpa).

A note on Breakaway's 'indicative value'

Aussie Q is currently undertaking scoping level studies which provide a more accurate indication on the overall economic viability of the project. The estimated EBITDA represented above takes no account of initial plant CapEx and makes no assumption as to how this may be financed. It also does not take into account the contained tungsten, titanium or sulphur which may also prove to be economic.

The robust \$156m p.a EBITDA does however highlight the potential earning capacity of the company on the back of large tonnage throughput and emphasises the need for further investigation.

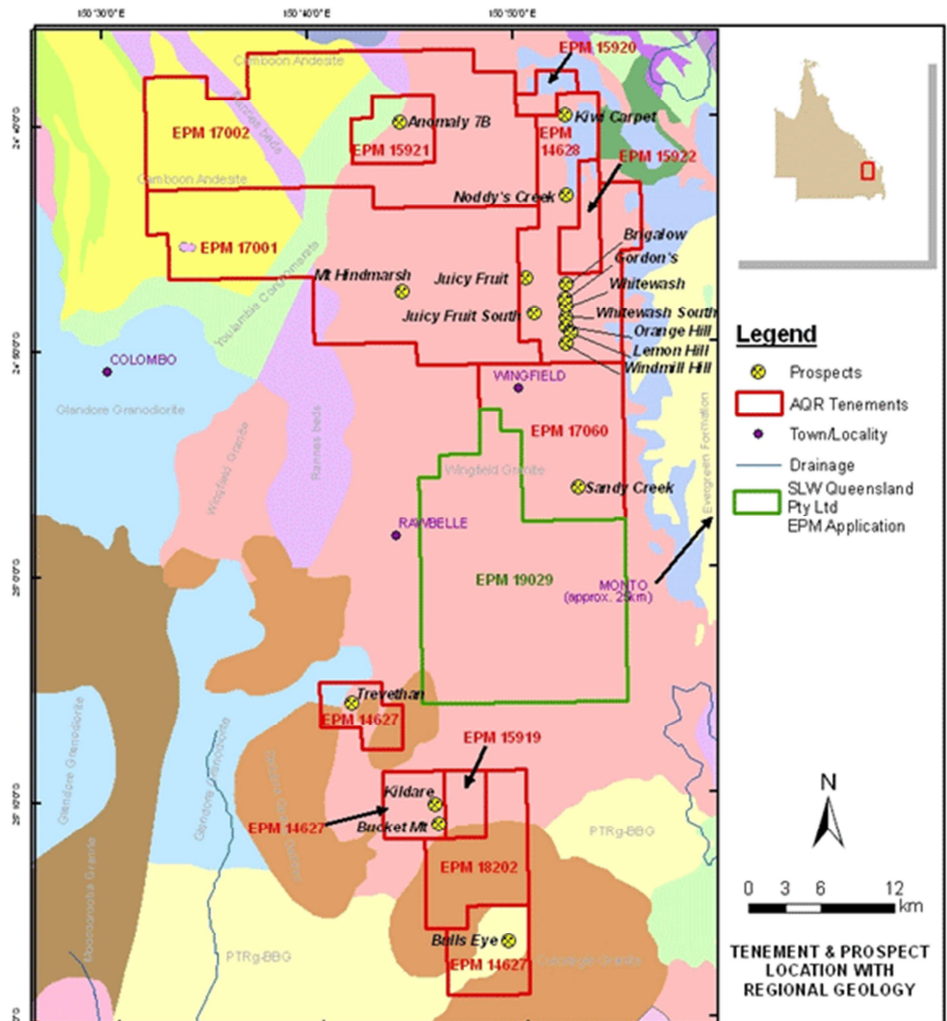
Project Review

Rawbelle

Aussie Q's Rawbelle tenements are located approximately 30km west of the town of Monto in south eastern Queensland. The area is prospective for molybdenum, copper, silver and tungsten and encompass 1 development project, 5 advanced exploration projects and a further 9 exploration prospects.

Rawbelle – Project Tenements

Aussie Q holds over 1200km² in tenure



Source: Aussie Q Resources

The principal project at Mt Rawbelle is the 'Greater Whitewash Project' and sits within EPM14628. Recent drilling increased the molybdenum equivalent (MoEq) JORC resource by 240% to 242Mt @ 604ppm MoEq, with approximately 76% in the indicated category.

The deposit is considered to be a porphyry molybdenum system with multi-directional quartz sheet veining. The majority of the Mo and Cu is contained within Molybdenite and Chalcopyrite.



Greater Whitewash Project – Resource @ 425ppm MoEq cut-off

76% of resource in 'Indicated' category

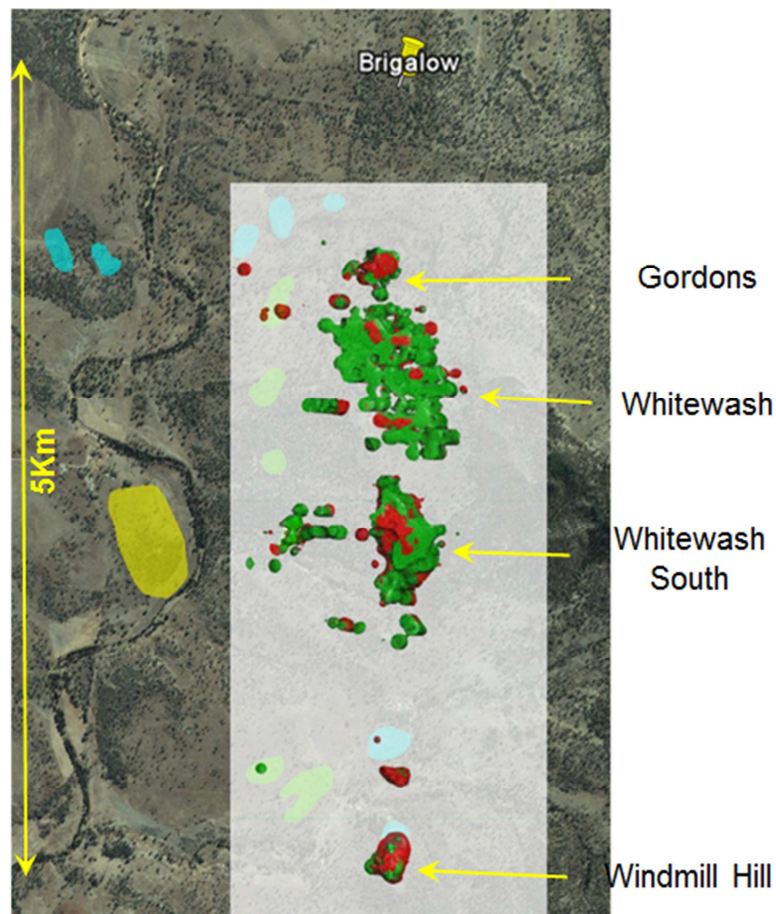
JORC Resource (@ 425ppm cut-off)	Mt	MoEq ppm	Mo ppm	Cu ppm	Ag Ppm
Indicated	185	615	263	1189	1.55
(Including)	10	941	436	1688	2.03
Inferred	56	596	239	1123	1.54
Total	242	604	258	1173	1.54
(Including)	10	939	431	0.17	2.02

Source: SRK Consulting

The Greater Whitewash Project includes the resources at Whitewash, Gordon's, Whitewash South, Whitewash Southwest and Windmill Hill. The strike length of the resource extends 5km (north-south) and has a width in some areas of approximately 1km.

Strike length extends 5km

Likelihood of additional mineralisation between Whitewash South and Windmill Hill



Source: Aussie Q Resources

Over 200 holes for 62,000m have been completed to date in determining the current resource. Aussie Q states mineralisation in open at depth, along strike and across strike in many places. It is anticipated further drilling will be completed to fully define the extents of the 'Greater Resource' however the existing JORC Resource is already sufficient for a +20 year mine life

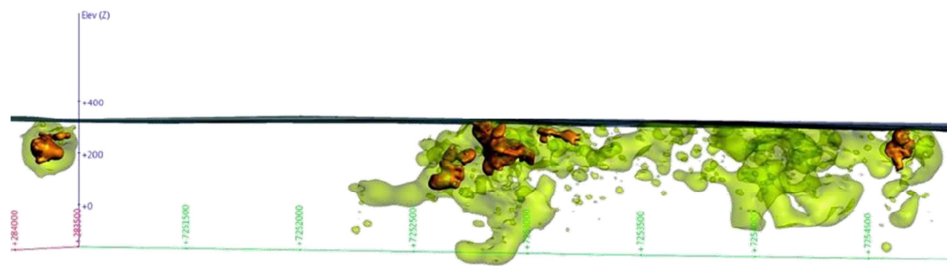
SRK Consulting has indicated there is a strong likelihood for similar mineralisation between Whitewash South and Windmill Hill. The few isolated holes that have been drilled in the area suggest mineralisation of interest is present. Follow up drilling will target this area in due course.



Contained within the 242Mt resource are higher grade zones. These high grade zones represent **10Mt @ 939ppm MoEq** and outcrop in three locations.

Long Section Looking West: Grade model showing the >500ppm MoEq domain in orange

High grade zones outcrop in 3 locations



Source: SRK Consulting

The high grade, relatively shallow zones (beginning from surface) provide Aussie Q with the potential for early cash flow through low strip, open pit mining.

Investors should not underestimate the size of the total 242Mt resource. Assuming a production rate of 10Mtpa, the greater Whitewash project could potentially support a mine life of 24 years.

Greater Whitewash Project – Contained Metal @ 425ppm MoEq cut-off

Contained Metal (@ 425ppm cut-off)	Mo lb	Cu t	Ag oz
Indicated	108,533,294	220,403	9,220,589
(Including)	9,891,887	17,599	67,349
Inferred	29,941,538	63,201	2,792,268
Total	138,880,000	284,000	12,046,000

Source: Aussie Q Resources

Note: The MoEq formula has been provided by SRK Consulting and is based on metal prices at the time of reporting the JORC resource. As this is a poly metallic deposit the Mo equivalent grade will change as the relative prices of the metals change

The formula is $MoEq = Mo + Cu/3.8 + Ag*28.8$ and assumes equal process recoveries of 85% for all three elements and metal prices of:

If one uses the relative metal prices on the 1st September 2011 the Mo Equivalent figure is 242mt @ 661 ppm Mo Equivalent. This should be viewed alongside the average of the 6 North American Molybdenum projects shown on pg 3 in this document.

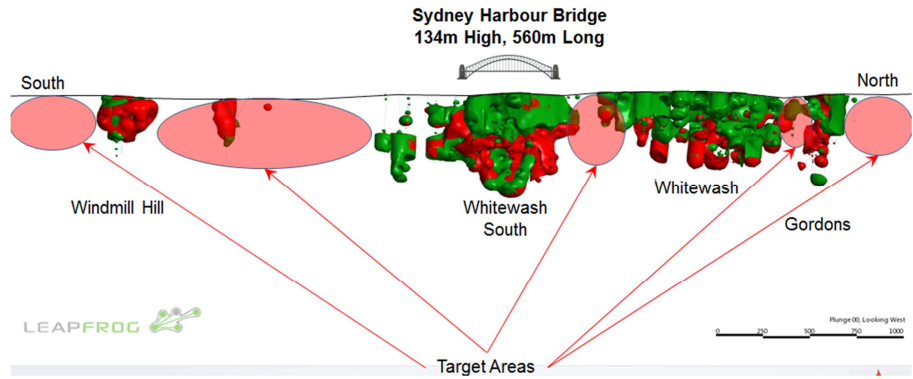
Drilling campaign may identify further high grade zones

Further Resource Extension Drilling

The current 242Mt JORC resource remains open in all directions. SRK has indicated there is particular potential for further mineralisation to be identified between Whitewash South and Windmill Hill. Current drilling over the resource has been completed on 100m x 100m spacing. Aussie Q now has a 10,000m drilling program set to commence in September 2011 targeting nearby potential high grade zones that have not yet been modelled in the current resource.



Greater Whitewash: Highlighted target areas



Source: Aussie Q Resources

On completion of drilling in the target areas highlighted above, Aussie Q has a resource target of 500Mt which would give them a 50 year mine life at a conceptual 10Mtpa throughput. Alternatively, production could potentially be increased to 20Mt for the same +20 year mine life.

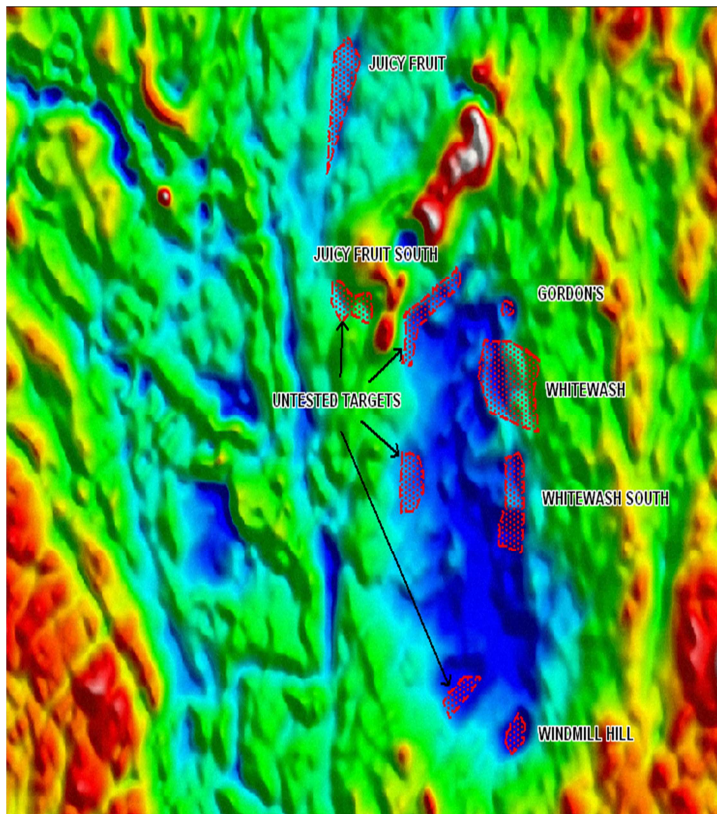
Additional Targets

Aussie Q has identified a number of high priority targets which have been highlighted through geochemistry, geophysics and drilling.

The area with most potential runs north-south on the eastern and western margin of a significant magnetic low. Most work to date has been carried out on the eastern margin however drilling, rock chip sampling and soil sampling demonstrate a potential reoccurrence of the mineralisation already identified on the eastern margin of the magnetic low.

Geophysical Magnetic Survey: Greater Whitewash area

Additional potential on the western margin of magnetic low



Source: Aussie Q Resources



The 5 most advanced exploration projects outside of the Greater Whitewash area are:

- Kiwi Carpet 20 Drill Holes
- Juicy Fruit 7 Drill Holes
- Noddy's Creek 4 Drill Holes
- Anomaly 7B 3 Drill Holes
- Kildare (SLWQ) 3 Drill Holes

Kiwi Carpet:

Located approximately 15km to the north of Whitewash, this target is primarily prospective for copper mineralisation within a broad porphyry system. From the initial drilling completed, Aussie Q has intercepted similar grades to that of Whitewash.

Juicy Fruit

Juicy Fruit lies approximately 2km NW of the greater Whitewash Project. Drilling undertaken by Aussie Q has intersected Mo-bearing sheeted quartz veins in all holes. Highlights include hole 08JF00525 which intersected 25m @ 423ppm Mo and 0.11% Cu and hole 08JF001 which intersected 6 mineralised zones with an aggregate intersection of 15m.

Advanced exploration provides further potential for resource upgrade

Noddy's Creek

Noddy's Creek is situated approximately 6km north of Whitewash. Reconnaissance work has located quartz vein float containing chalcopyrite and pyrite which yielded 15/g gold, 115g/t silver, 0.17% Copper, 0.42% Lead, 70ppm Arsenic and 390ppm molybdenum.

Anomaly 7B

Anomaly 7B is located on the northern margin of the Auburn Complex, 45km northwest of Monto. The prospect originally identified anomalous copper through geochemical sampling undertaken by CRA Exploration in 1962. Additional geochemical sampling undertaken in the area by Aussie Q identified a contiguous extension of 'Anomaly 7B' which yielded high levels of zinc. This contiguous anomaly has now been called 'Anomaly 7B West'.

Joint Venture with SLW Minerals (AQR 35% - SLW 65%)

Earlier this year, AQR signed an agreement with Hong Kong based SLW Minerals to jointly explore the Kildare and Oakey Creek copper/molybdenum prospects in central Queensland. Under the terms of the JV, AQR will contribute EPM's 14627, 15919, and 18202 while SLW will contribute up to A\$4 million to fund exploration with AQR as the sole exploration manager. An initial 15 holes already drilled at Kildare has identified strong molybdenum/copper mineralisation similar to that of Whitewash.

JV agreement provides exploration upside with no capital outlay

The new JV company (SLW Queensland) has now applied for an additional licence at Oakey Creek to complement the existing tenure held by the JV.



Fundamentals of Molybdenum

Molybdenum has an atomic number of 42 and sits within group 6 of the periodic table. Molybdenum commonly occurs in nature as the mineral molybdenite (MoS_2) and is found as veins in quartz rock. It is however a relatively rare mineral with an abundance of $10^{-4}\%$. It was originally discovered by Scheele in 1778 but for the next 100 years served no real purpose. The first major use came during World-War-I when additions of molybdenum produced steels with excellent toughness and strength for use as tank armour and in air craft engines.

USES

Molybdenum is mainly used as an alloying element in steel, cast iron and super alloys to increase the hardenability, strength, toughness and corrosion resistance. Initially it was primarily used in the lamp industry, however it is now an increasingly important material in a wide range of applications.

Molybdenum is most commonly used in steel production

Application	Examples of Use
Lamp and lighting industries	Support wires, sealing ribbons, dimming caps
Electronic and semiconductor industries	Semiconductor base plates, control grids, traveling-wave tube components
High temperature and vacuum furnace	Heating elements, thermal radiation shields, furnace ware
Glass and ceramics	Glass-melting electrodes, installations in glass production tanks
Casting technology and metal workings	Hot-galvanizing equipment, die casting moulds, isothermal forging
Coatings	Spray wire, evaporation boats
Nuclear	Furnace parts and charging equipment for sintering UO_2
Medicine	Rotating X-ray anodes, collimators

Source: Ullmans encyclopaedia

Molybdenum is resistant to corrosion by most glasses and is therefore used as an electrode material in electric glass-melting furnaces. Glass produced in such furnaces is of better quality than that produced in fuel-fired furnaces and the process is more acceptable environmentally.

Moly is resistant to heat and corrosion.

SUBSTITUTES

There is little substitution for molybdenum in its major application as an alloying element in steels and cast irons. Indeed, because of the availability and versatility of molybdenum, industry has sought to develop new materials which benefit from the alloying properties of the metal. Potential substitutes for molybdenum include chromium, vanadium, niobium, and boron in alloy steels; tungsten in tool steels; graphite, tungsten, and tantalum for refractory materials in high-temperature electric furnaces.



Supply and Demand for Molybdenum

The table below highlights countries with known molybdenum production and known Reserves. Aussie Q's resource does not yet fall into the Reserves category and as such is not yet represented in the table below.

World Mine Production and Reserves

Country	Mine Production (t)		Reserves kt
	2009	2010	
Armenia	4,150	4,500	200
Canada	8,840	9,100	200
Chile	34,900	39,000	1,100
China	93,500	94,000	4,300
Iran	3,700	3,700	50
Kazakhstan	380	400	130
Kyrgyzstan	250	250	100
Mongolia	3,000	3,000	160
Mexico	7,800	8,000	130
Peru	12,300	12,000	450
Russia	3,800	3,800	250
United States	47,800	56,000	2,700
Uzbekistan	550	550	60
Total	220,970	234,300	9,830

Source: USGS

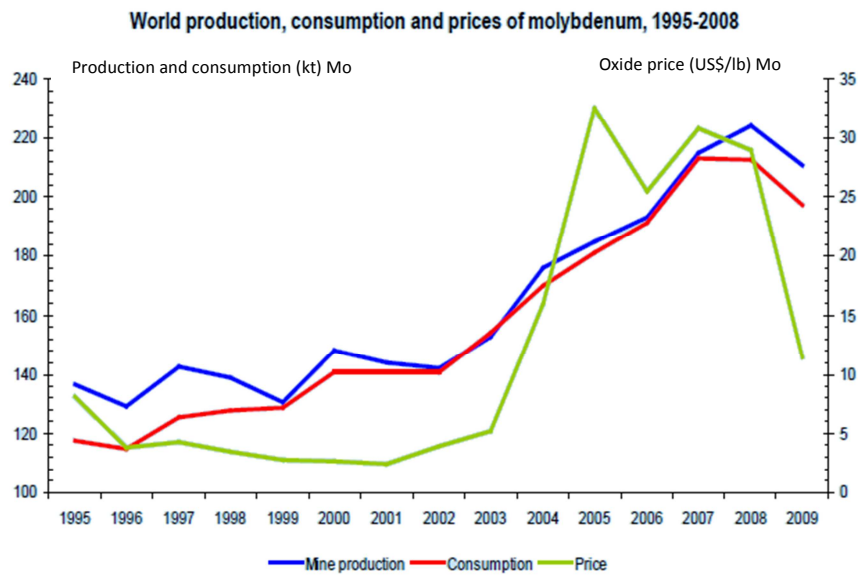
China dominates world production

Total world production for 2010 was 234kt of Mo which at current prices has a value of in excess of US\$7bn.

Nuclear industry relies heavily on Molybdenum

Every new nuclear power plant requires approximately 400,000lbs of molybdenum for the reactors and piping within the power plants. According to the World Nuclear Association, there are currently 60 nuclear reactors under construction at the moment. Just this one area of the industry will require ~24 million pounds of molybdenum without taking into account upgrades of current working nuclear power stations.

From the table above, it is clear China is a dominant player in the molybdenum market, producing almost double that of its closest challenger. Adding further pressure to the molybdenum market, China's Ministry of Land and Resources is planning to classify molybdenum as a national resource and limit export output this year. This adds molybdenum to a growing list of restricted exports already comprising of gold and rare earths.



Source: Roskill

Downturn in Moly price linked to GFC

Between August 2008 and March 2009, molybdenum prices, responding to the global economic downturn, fell from US\$34/lb Mo to US\$8/lb Mo. This followed a four year period when supply limitations and growing demand sustained an average price of ~US\$30/lb Mo. Through 2011 and 2012, market volatility is likely to continue but thereafter, consumer demand for molybdenum in steel for process and power plants, as well as in the oil and gas industry, is likely to keep the market tight.

The recovery in the molybdenum price is evident in the chart below:

15 year molybdenum price chart

Mo prices recovering



Source: Infomine.com

Breakaway maintain a positive outlook on the molybdenum price as our view is closely aligned with that of overall steel production, which should also remain robust. Cutbacks of major molybdenum suppliers and continued strength in the Chinese economy, coupled with impending export restrictions, are central to our view that Mo prices will continue to appreciate.



Directors

Chairman & Non Exec Director

Thomas Mann has over 30 years' experience in financial markets and global trade having established a global trading corporation with offices in North America and the Asia-Pacific. Mr. Mann has been actively involved in capital raising and strategic development initiatives for public and private companies.

Executive Director Exploration

John Goody has over 42 years of experience in the mining industry and has been responsible for the development of various projects throughout Australia, Papua New Guinea, Vanuatu, Philippines, China and Chile.

Non-Executive Director

Richard Haren has First Class Honours Degree in Physics and a PhD in Exploration Geophysics from the University of New South Wales. He is a corporate member of the Australasian Institute of Mining and Metallurgy, the Society of Exploration Geophysicists and the Australian Society of Exploration Geophysicists. Dr. Haren has over 20 years of project management experience involving numerous industries including minerals exploration and mining finance. Dr. Haren has consulted to a variety of public and private companies in Australia, Asia, Africa, the C.I.S. North and South America involving exploration and mining.

Non-Executive Director

Edgar Newman has over 33 years' experience in the mining and exploration industry. He has held positions as chemist and manager of an analytical services laboratory as well as being involved in feasibility studies, design, construction and commissioning of several mining and processing operations in Australia and Papua New Guinea.

Non-Executive Director

Sydney Griff has over 40 years' experience in the mining and resources sector in Australia and abroad. He has been involved in the corporate and operational development of a range of successfully developed ASX listed companies.



Analyst Verification

We, Gavin Wendt and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may receive consultancy fees and commissions on sale and purchase of the shares of Aussie Q and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

Disclaimer

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