

Auzex Resources Limited

ABN 74 106 444 606

Half Year Report ended 31 December 2010

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CORPORATE DIRECTORY**Directors**

Chris Baker
Non-Executive Chairman

John Lawton
Managing Director

Gregor Partington
Executive Director

Eugene Iliescu
Non-Executive Director

Paul Frederiks
Non-Executive Director

Company Secretary

Paul Frederiks FCPA FCIS FAICD

Registered office

Level 28, Waterfront Place
1 Eagle Street BRISBANE QLD 4000
Telephone: +617 3333 2722
Facsimile: +617 3303 0111

Corporate Postal Address

GPO Box 3249 BRISBANE QLD 4001

Internet

www.auzex.com
info@auzex.com

Share registry

Computershare Investor Services Pty Limited
GPO Box 523 BRISBANE QLD 4001
Telephone Australia: 1300 552 270
Telephone International: +617 3237 2100
Facsimile: +617 3229 9860

Auditor

Ernst & Young
Level 5, Waterfront Place
1 Eagle Street
BRISBANE QLD 4000

Solicitors

DLA Phillips Fox
Level 29, Waterfront Place
1 Eagle Street
BRISBANE QLD 4000

Securities exchange listing

Auzex Resources Limited shares are listed on the Australian Securities Exchange. The home branch is Brisbane, Ticker: AZX.

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

The names of the Directors of Auzex Resources Limited in office during the half-year and as at the date of this report are:

Chris Baker (Non-Executive Chairman)
 John Lawton (Managing Director)
 Gregor Partington (Executive Director)
 Eugene Iliescu (Non-executive Director)
 Paul Frederiks (Non-Executive Director)

All of the above named Directors acted as Directors of the Company for the whole of the half-year under review and up to the date of this report.

COMPANY SECRETARY

Paul Frederiks

CORPORATE STRUCTURE

Auzex Resources Limited is a company limited by shares, incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on 4 October 2005 under code AZX. Its registered office is Level 28, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000.

PRINCIPAL ACTIVITIES

Auzex Resources Limited is an active mineral exploration and development company with land holdings in West Australia, North Queensland, West Coast New Zealand and New England (NSW). The Company holds four significant targets: Bullabulling Gold, Khartoum Tin, Kingsgate Molybdenum-Silica-Bismuth, and Lyell Gold projects. The total number of tenements is 45 granted and 12 application licences, most of which are located at the Bullabulling project. All Bullabulling tenements are held 50% by Auzex; other Australian licences are 100% by Auzex, and in New Zealand its wholly owned subsidiary, Auzex Resources (NZ) Pty Ltd (Auzex NZ) holds a 58% interest in the West Coast New Zealand tenements with Auzex NZ being the operator.

During the half-year ended 31 December 2010, the Company's focus has been its 50% interest in the Bullabulling Gold Project in the Eastern Goldfields of WA which has commenced feasibility studies due for completion in December 2011.

REVIEW AND RESULTS OF OPERATIONS

The Group realised an operating profit after tax for the financial period as listed below:

	6 months ended 31 December 2010	6 months ended 31 December 2009
	\$	\$
Operating profit / (loss) after income tax expense	327,114	(268,771)
Net profit / (loss) attributable to members of Auzex Resources Limited	327,114	(268,771)
Earnings / (loss) per Share	(cents)	(cents)
Basic profit / (loss) per share	0.43	(0.68)
Diluted profit / (loss) per share	0.40	(0.68)

DIRECTORS' REPORT (Continued)**REVIEW AND RESULTS OF OPERATIONS (Continued)**

In the 6 months to December 2010, Auzex Resources has made considerable progress. The key achievements and progress made during the period were as follows:

- Completion of the acquisition of the Bullabulling Gold Project in joint venture with Central China Goldfields Plc (since renamed GGG Resources Plc), through a sale and purchase agreement with Jervois Mining and its subsidiary.
- Geological mapping and diamond drilling to determine the structure of Bullabulling mineralisation.
- A JORC compliant resource estimate of 1.98 Moz was established from a detailed assessment of the acquired database, an increase of 450% over the previous estimate of 430,000 oz.
- A resource drilling program of 18,000m to upgrade and increase this resource and provide an initial reserve estimate in mid 2011 is currently in progress. This work is focussed on a 2.5km section of a known 6.0km mineralised zone called the Bullabulling Trend.
- Metallurgical studies of primary mineralisation to determine plant design criteria are near completion.
- Preparations at Lyell project in New Zealand for a diamond drilling program during the 2010-2011 summer field season.

AUDITORS' INDEPENDENCE DECLARATION

The independence declaration of the Company's auditors is listed before the Independent Review Report of the half-year financial report and forms part of this report.

Signed in accordance with a resolution of the Directors.



C. Baker
Non-Executive Chairman
Brisbane, 11 March 2011

Auzex Resources Limited

ABN 74 106 444 606

Half Year Financial Report ended 31 December 2010

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STATEMENT OF COMPREHENSIVE INCOME**HALF YEAR ENDED 31 DECEMBER 2010**

	Note	Consolidated	
		6 months ended 31 December 2010 \$	6 months ended 31 December 2009 \$
Continuing Operations			
Interest Income		102,017	7,705
Exploration and Evaluation expenses		-	(239,854)
General & Administrative expenses		(885,125)	(36,622)
Total Expenses from Continuing Operations		(885,125)	(276,476)
Loss from Continuing Operations before Income Tax Expense	2	(783,108)	(268,771)
Income Tax Benefit attributable to Operating Loss		1,110,222	-
Profit / (Loss) from Continuing Operations after Income Tax Expense		327,114	(268,771)
Other Comprehensive Income			
Net Fair Value Gains on Available for Sale Asset (Net of Tax)		2,590,519	-
Net Gain/Loss on Foreign Currency Translation Reserve taken to equity		(21,835)	857
Other Comprehensive Income for the period		2,568,684	857
Total Comprehensive Income for the period attributable to the Owners		2,895,798	(267,914)
Basic profit / (loss) per share (cents per share)		0.43	(0.68)
Diluted profit / (loss) per share (cents per share)		0.40	(0.68)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION**AT 31 DECEMBER 2010**

		Consolidated	
		As at 31 December 2010 \$	As at 30 June 2010 \$
	Note		
ASSETS			
Current Assets			
Cash Assets	3	7,826,819	953,752
Receivables & Prepayments		2,561,016	966,263
Total Current Assets		10,387,835	1,920,015
Non Current Assets			
Property, Plant and Equipment		610,088	488,895
Deferred Exploration and Evaluation phase costs		11,473,973	10,267,904
Investment in Available for Sale Asset		4,745,634	1,044,893
Total Non Current Assets		16,829,695	11,801,692
TOTAL ASSETS		27,217,530	13,721,707
LIABILITIES			
Current Liabilities			
Payables		1,121,747	342,925
Provisions		60,638	44,581
Total Current Liabilities		1,182,385	387,506
Provisions		299,717	299,717
Total Non-Current Liabilities		299,717	299,717
TOTAL LIABILITIES		1,482,102	687,223
Net Assets		25,735,428	13,034,484
EQUITY			
Contributed Equity		29,846,412	20,097,938
Other Reserves		3,722,568	1,097,212
Accumulated Losses		(7,833,552)	(8,160,666)
TOTAL EQUITY		25,735,428	13,034,484

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS**HALF YEAR ENDED 31 DECEMBER 2010**

	Consolidated	
	6 months ended 31 December 2010 \$	6 months ended 31 December 2009 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(976,056)	(280,061)
GST Received	114,500	27,889
Interest received	52,006	10,601
Net cash flows (used in) / from operating activities	(809,550)	(241,571)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(144,731)	-
Payments for exploration and evaluation expenditure	(1,615,642)	(208,027)
Proceeds from JV share of Expenditure	695,890	-
Payment for Term Deposit Investments	(1,001,374)	-
Proceeds from sale of fixed assets	-	480
Net cash flow used in investing activities	(2,065,857)	(207,547)
Cash Flows from Financing Activities		
Proceeds from issue of shares	10,464,844	230,000
Costs of share Issue	(716,370)	(14,829)
Net cash flow from financing activities	9,748,474	215,171
Net (decrease) / increase in cash held	6,873,067	(233,947)
Add: Opening cash carried forward	953,752	741,180
Closing cash carried forward	7,826,819	507,234

The above statement of cash flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY**HALF YEAR ENDED 31 DECEMBER 2010**

	Consolidated			
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2009	17,871,967	(8,353,642)	703,654	10,221,979
Issue of Share Capital via placement	230,000	-	-	230,000
Transaction costs of placement	(14,832)	-	-	(14,832)
Exercise of listed options	2	-	-	2
Recognition of share option expense	-	-	20,629	20,629
Loss for the period	-	(268,770)	-	(268,770)
Other Comprehensive Income	-	-	857	857
Total Comprehensive Income for the period	-	(268,770)	857	(267,913)
At 31 December 2009	18,087,137	(8,622,412)	725,140	10,189,865

	Issued Capital \$	Accumulated Losses \$	Reserves	Total Equity \$
At 1 July 2010	20,097,938	(8,160,666)	1,097,212	13,034,484
Issue of Share Capital via placement	7,682,833	-	-	7,682,833
Transaction costs of placement	(475,610)	-	-	(475,610)
Issue of Share Capital via Rights Issue	2,799,211	-	-	2,799,211
Transaction costs of rights issue	(258,371)	-	-	(258,371)
Exercise of listed options	411	-	-	411
Recognition of share option expense	-	-	56,672	56,672
Profit for the period	-	327,114	-	327,114
Available for Sale Asset Reserve (net of tax)	-	-	2,590,519	2,590,519
Other Comprehensive Income/(loss)	-	-	(21,835)	(21,835)
Total Comprehensive Income for the period	-	327,114	2,568,684	2,895,798
At 31 December 2010	29,846,412	(7,833,552)	3,722,568	25,735,428

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

(A) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report has been prepared on a historical cost basis and is presented in Australian dollars. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report does not include all notes of the type normally included within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Auzex Resources Limited and its controlled entity during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010.

In providing the Directors' Declaration the Directors have relied on this undertaking for the purpose of satisfying that, at the date of the Directors' Declaration, there are reasonable grounds that the Company will be able to pay its debts as and when they fall due. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and/or the consolidated entity not continue as going concerns.

(B) Basis of Consolidation

The half-year consolidated financial statements are those of the consolidated entity comprising Auzex Resources Limited and its wholly owned subsidiary Auzex Resources (NZ) Pty Ltd.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(C) Changes in Accounting Policies

Amendments resulting from the Annual Improvements Project, Australian Accounting Standards and AASB Interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 2009-8 Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] effective 1 January 2010
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] effective 1 January 2010
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009
- AASB 2 Share-based Payment
- AASB 101 Presentation of Financial Statements
- AASB 117 Leases
- AASB 134 Interim Financial Reporting
- AASB 139 Financial Instruments: Recognition and Measurement

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. The Company has not elected to early adopt any other new standards or amendments that are issued but not yet effective.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

	Consolidated	
	6 months ended 31 December 2010 \$	6 months ended 31 December 2009 \$
NOTE 2 – EXPENSES AND LOSSES/(GAINS)		
Operating loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of property, plant and equipment	23,476	16,423
Foreign Exchange loss / (gain)	-	49
Loss from impairment of deferred exploration & evaluation assets	-	-
Option Valuation expense/(writeback)	56,672	20,629
	31 December 2010 \$	30 June 2010 \$
NOTE 3 – CASH ASSETS		
Cash at Bank	6,826,819	953,752
Term Deposits	1,000,000	-
	7,826,819	953,752

	Consolidated	
	6 months ended 31 December 2010	6 months ended 31 December 2009
NOTE 4 – EARNINGS PER SHARE		
Basic earnings/(loss) per share (cents per share)	0.43	(0.68)
Diluted earnings/(loss) per share (cents per share)	0.40	(0.68)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net Profit / (Loss)	327,114	(268,771)
Weighted average number of ordinary shares used in calculation of basic earnings per share	75,347,886	40,527,878
Weighted average number of ordinary shares used in calculation of diluted earnings per share	82,505,500	-

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 5 - SEGMENT INFORMATION

The operating segments are identified by management based on the nature of activity undertaken by the Company. Discreet financial information about the operating business is reported to the executive management team on at least a monthly basis. The Company operates in one operating business segment being the activity of multi metal exploration and development.

NOTE 6 - CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

NOTE 7 – INTEREST IN CONTROLLED ENTITY

Name of Entity	Country of Incorporation	Equity holding % as at 31/12/10	Equity holding % as at 30/6/10
Auzex Resources (NZ) Pty Ltd	Australia	100%	100%

In November 2006, Auzex Resources wholly owned subsidiary, Auzex Resources (NZ) Pty Ltd (Auzex NZ) entered into a Joint Venture Agreement with NZ Minerals Limited (NZML) over tenements held on the west coast of the South Island of New Zealand (Tenements). The key terms of the Agreement are as follows:

- NZML to fund NZ\$1.70 million expenditure to earn 50% interest in all Auzex NZ tenements;
- Auzex NZ retains management of all projects.

By June 2008, NZML had fully funded the NZ\$1.70 million expenditure and therefore had become entitled to a proportionate share 50% of the Tenements. Under the Joint Venture Agreement, the Tenements continue to be legally held and registered in the name of Auzex NZ but it now holds the Tenements on trust for itself and for NZML as tenants in common in the same proportions as their respective proportionate shares.

As at 31 December 2010, the participating interest of NZML has reduced to 42%.

NOTE 8 - SUBSEQUENT EVENTS

General Meeting of shareholders held on 4 March 2011

On 4 March 2011, a General Meeting of shareholders unanimously passed a resolution to ratify the issue of 6,705,407 shares that were issued via placement at an issue price of 55 cents on 30 November 2010.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Auzex Resources Limited, I state that

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) give a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

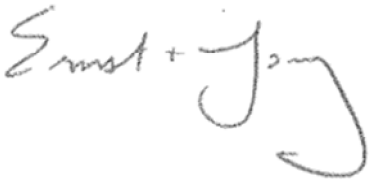
On behalf of the Board.



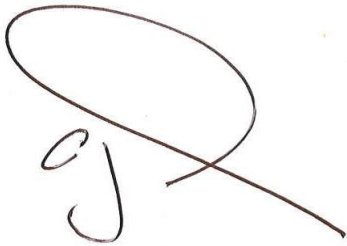
C. Baker
Non-Executive Chairman
Brisbane, 11 March 2011

Auditor's Independence Declaration to the Directors of Auzex Resources Limited

In relation to our review of the financial report of Auzex Resources Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Andrew Carrick', written in a cursive style.

Andrew Carrick
Partner
11 March 2011

To the members of Auzex Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Auzex Resources Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Auzex Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

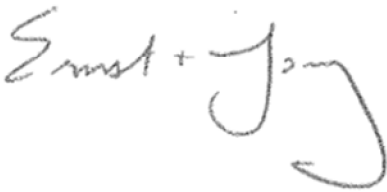
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

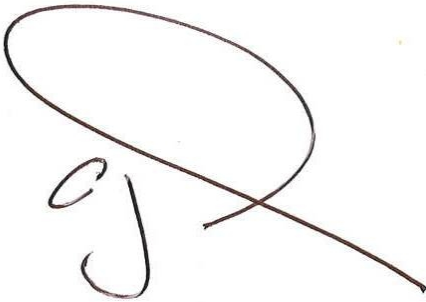
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Auzex Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Ernst + Young'.

Ernst & Young

A large, stylized handwritten signature in black ink, likely belonging to Andrew Carrick.

Andrew Carrick
Partner
Brisbane
11 March 2011