

# Auzex Resources Limited

ABN 74 106 444 606

## Half Year Report ended 31 December 2011

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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 16, 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](http://www.auzex.com)  
[info@auzex.com](mailto: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**

Thomsons Lawyers  
Level 16, 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 2011.

### 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 16, 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 six significant projects: Bullabulling Gold, Khartoum Tin, Kingsgate Molybdenum-Silica-Bismuth, Runningbrook Gold, Seven Hills Gold 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 tenements are held 100% by Auzex, and in New Zealand its wholly owned subsidiary, Auzex Resources (NZ) Pty Ltd (Auzex NZ) holds a 65% interest in the West Coast New Zealand tenements with Auzex NZ being the operator.

During the half year ended 31 December 2011, 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 2012.

### REVIEW AND RESULTS OF OPERATIONS

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

	6 months ended 31 December 2011	6 months ended 31 December 2010
	\$	\$
Operating profit / (loss) after income tax expense	(7,572,744)	327,114
Net profit / (loss) attributable to members of Auzex Resources Limited	(7,572,744)	327,114
<b>Earnings / (loss) per Share</b>	<b>(cents)</b>	<b>(cents)</b>
Basic profit / (loss) per share	(0.07)	0.43
Diluted profit / (loss) per share	(0.07)	0.40

## DIRECTORS' REPORT (Continued)

### REVIEW AND RESULTS OF OPERATIONS (Continued)

In the 6 months to December 2011, Auzex Resources has made considerable progress. The key achievements and progress made during the period were as follows:

#### Corporate

- The Company announced the signing of a binding Heads of Agreement with GGG Resources plc ("GGG") to combine the Bullabulling Gold asset into a new entity called Bullabulling Gold Limited, through an all share merger. Bullabulling Gold Limited will be Australian domiciled and listed on ASX and AIM.
- Auzex and GGG announced the formation of a jointly managed operating company named BBG Management Pty Limited. In addition, the Merger Implementation Agreement, Shareholder Agreement and Management Agreement were signed and a new company called Bullabulling Gold Limited was incorporated.
- Non-Bullabulling assets demerged into Auzex Exploration Limited and distributed in-specie to Auzex Shareholders. The implementation date to transfer relevant assets into Auzex Exploration Limited was 6 January 2012.
- Significant transaction costs were incurred during the period associated with both the demerger of Auzex Exploration Limited from Auzex Resources Limited (AZX) and the merger of AZX with Bullabulling Gold Limited. These are summarised in note 2 and include legal fees, corporate advisory fees, Independent Experts fees, taxation advice and share registry, printing and postage costs associated with the various Scheme documents.
- Merger Scheme Booklet lodged with ASIC.
- Merger with GGG Resources plc to create Bullabulling Gold Limited on track.

#### Exploration and Development

- A new Bullabulling JORC compliant resource was announced being 78.84 Million tonnes at 1.03 g/t gold (2,603,000 ounces gold contained), using a 0.5 g/t gold cut-off. Of the 2.6 Million ounces of resource, 711,700 ounces are in the indicated category.
- Additional Prospecting Licences covering 8km<sup>2</sup> were acquired to extend the tenement coverage to the south along strike from the Bullabulling sequence. The Joint Venture now has a total of 131km<sup>2</sup> of ground under tenements.
- Scoping Study confirmed robust economics for Bullabulling Gold project with scope for significant capital and operating cost improvements.
- Pre-feasibility Study on Bullabulling commenced.
- Phase II drilling program at Bullabulling completed, better intersections include 1m at 27.7 g/t, 1m at 19.3 g/t, 17m at 3.37 g/t, 20m at 3.45 g/t, 17m at 3.37 g/t, 9m at 3.52 g/t, 14m at 2.51 g/t, 19m at 2.48 g/t, 10m at 2.48 g/t, 14m at 2.41 g/t, 14m at 2.40 g/t and 12m at 2.22 g/t.
- Approximately 62% of the intersections from the Phase II drilling were better than estimated in the current resource model, 31% are similar and only 7% were worse than predicted by the current resource estimate.
- Detailed air magnetic and seismic surveys completed over the project area to provide new 3D geological modelling for exploration drill targeting.
- An Independent Experts valuation of the Non-Bullabulling assets was prepared for the demerger of those assets to Auzex Exploration Limited and included in the Scheme Booklet dated 11 November which was mailed to all shareholders. The Independent Expert concluded that an asset based valuation of these assets was in the range of \$5.8m to \$7.5m and Directors subsequently resolved to impair these assets to a fair value of \$6.0m. As a consequence an impairment charge of \$4.8m was taken to Statement of Comprehensive Income and is shown as a loss from discontinued operations due to the demerger transaction subsequently being approved by shareholders.

**DIRECTORS' REPORT (Continued)****SIGNIFICANT AFTER BALANCE DATE EVENTS**

- On 11 January 2012 the Company announced it had completed Phase 2 of its infill drilling program on schedule at the Bullabulling Gold Project being for 425 holes drilled for a total of 74,452 metres.
- On 13 January 2012 the Company announced the revised exercise price for option holders as a result of the impact of the approved demerger of its non-Bullabulling assets into a new vehicle, Auzex Exploration Limited. The demerger of Auzex Exploration was considered and approved by Auzex Shareholders at shareholder meetings held on 16 December 2011 and was implemented on 6 January 2012. As a consequence, the capital of Auzex Resources was reduced by \$9,343,440 and shares in Auzex Exploration have now been issued to Auzex shareholders undertaken by way of an in specie distribution to Eligible Auzex Resources shareholders for shares in Auzex Exploration. The distribution was made on the basis of 1 Auzex Exploration share for every 6 Auzex Resources shares held at the record date of 30 December 2011. As a result of the return of capital by way of the in specie distribution, the exercise price of all outstanding Auzex Options was reduced in accordance with the terms and conditions of the options.
- On 20 January 2012 the Company provided an update on the merger proposal announced on 29 August 2011 between Auzex Resources and GGG Resources plc including a merger timetable.
- On 25 January 2012 the Company announced that the Bullabulling Joint Venture had executed an Option to Purchase Agreement to acquire 100% of the Geko Gold Project located approximately 17km north of the Bullabulling Gold Project near Coolgardie in the eastern goldfields of Western Australia.
- On 6 February 2012 the Company announced that it had entered into an underwriting agreement with BBY Limited to underwrite the listed 13 cent options due to expire on 13 February 2012.
- On 17 February 2012 the Company announced that the Queensland Supreme Court had approved the Scheme Booklet for the proposed merger by scheme of arrangement with Bullabulling Gold Limited (BBG) for despatch to Auzex shareholders. The Scheme meeting is scheduled for 22 March 2012 where shareholders will be asked to approve the proposed merger with BBG.
- On 29 February 2012 the Company announced that the results from the Phase Two infill drilling program had produced a new JORC global resource estimate of 3.2 Million ounces of gold (102.8 Mt at 0.96g/t Au at a 0.5g/t cut off. The total resource along the Bullabulling trend has increased by 800,000 ounces of gold and the indicated resource in the same area has increased by 1.4 million ounces of gold.
- On 6 March 2012 the Company announced that new gold mineralisation had been identified at Gibraltar from the initial exploration drilling which totalled 2,805m in 14 holes. Assay results of new higher grade intersections included 13m at 2.87g/t Au, 7m at 3.12g/t Au and 5m at 11.98g/t Au. Gibraltar has not included in the 3.2Moz Au resource announced on 29 February 2012.
- On 8 March 2012 the Company announced in conjunction GGG Resources Plc that Brett Lambert had been appointed Managing Director of Bullabulling Gold Limited effective on 1 May 2012 following completion of the merger of the two companies.

**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, 12 March 2012**

# Auzex Resources Limited

ABN 74 106 444 606

## Half Year Financial Report ended 31 December 2011

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**STATEMENT OF COMPREHENSIVE INCOME****HALF YEAR ENDED 31 DECEMBER 2011**

		<b>Consolidated</b>	
	<b>Note</b>	<b>6 months ended 31 December 2011 \$</b>	<b>6 months ended 31 December 2010 \$</b>
<b>Continuing operations</b>			
<b>Interest income</b>		<b>78,971</b>	<b>102,017</b>
General and administrative expenses		(2,503,304)	(885,125)
<b>Total expenses from Continuing Operations</b>		<b>(2,503,304)</b>	<b>(885,125)</b>
<b>Loss from continuing operations before tax</b>	<b>2</b>	<b>(2,424,333)</b>	<b>(783,108)</b>
Income tax benefit/(expense)		(328,531)	1,110,222
<b>Profit / (loss) from continuing operations</b>		<b>(2,752,864)</b>	<b>327,114</b>
<b>Discounted operations</b>			
Loss after tax from discontinued operations	<b>4</b>	(4,819,880)	-
<b>Profit/(loss) for the period</b>		<b>(7,572,744)</b>	<b>327,114</b>
<b>Other comprehensive income</b>			
Net fair value gain/(loss) on available for sale asset (net of tax)		(766,573)	2,590,519
Net loss on foreign currency translation reserve taken to equity (net of tax)		(25,172)	(21,835)
<b>Other comprehensive income for the period (net of tax)</b>		<b>(791,745)</b>	<b>2,568,684</b>
<b>Total comprehensive income for the period attributable to owners</b>		<b>(8,364,489)</b>	<b>2,895,798</b>
Earnings per share:			
Basic profit / (loss) per share (cents per share)		(0.07)	0.43
Diluted profit / (loss) per share (cents per share)		(0.07)	0.40
Earnings per share for continuing operations:			
Basic profit / (loss) per share (cents per share)		(0.03)	0.43
Diluted profit / (loss) per share (cents per share)		(0.03)	0.40

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

**STATEMENT OF FINANCIAL POSITION****AT 31 DECEMBER 2011**

		<b>Consolidated</b>	
		<b>As at 31 December 2011</b>	<b>As at 30 June 2011</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>	<b>Note</b>		
<b>Current assets</b>			
Cash and cash equivalents	3	2,517,823	3,774,502
Receivables and prepayments		3,166,564	3,079,170
		<b>5,684,387</b>	<b>6,853,672</b>
Assets classified as held for sale as part of Auzex Exploration Limited Demerger	4	9,548,703	-
<b>Total current assets</b>		<b>15,233,090</b>	<b>6,853,672</b>
<b>Non-current assets</b>			
Property, plant and equipment		409,735	543,040
Deferred exploration and evaluation costs		9,611,000	15,456,137
Investment in available for sale financial asset		-	2,475,298
<b>Total non-current assets</b>		<b>10,020,735</b>	<b>18,474,475</b>
<b>TOTAL ASSETS</b>		<b>25,253,825</b>	<b>25,328,147</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		3,214,026	2,804,604
Provisions		-	92,246
Capital reduction payable to shareholders as part of Auzex Exploration Limited Demerger	4	9,343,440	-
Liabilities directly associated with assets held for sale as part of Auzex Exploration Limited Demerger	4	205,263	-
<b>Total current liabilities</b>		<b>12,762,729</b>	<b>2,896,850</b>
<b>Non-current liabilities</b>			
Provisions		213,100	393,417
<b>Total non-current liabilities</b>		<b>213,100</b>	<b>393,417</b>
<b>TOTAL LIABILITIES</b>		<b>12,975,829</b>	<b>3,290,267</b>
<b>NET ASSETS</b>		<b>12,277,996</b>	<b>22,037,880</b>

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



**STATEMENT OF FINANCIAL POSITION (CONTINUED)****AT 31 DECEMBER 2011**

	Note	Consolidated	
		As at 31 December 2011	As at 30 June 2011
		\$	\$
<b>EQUITY</b>			
Contributed equity	6	28,490,417	30,038,612
Other reserves		1,539,766	2,178,711
Accumulated losses		(17,752,187)	(10,179,443)
<b>TOTAL EQUITY</b>		<b>12,277,996</b>	<b>22,037,880</b>

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

**STATEMENT OF CASH FLOWS****HALF YEAR ENDED 31 DECEMBER 2011**

	<b>Consolidated</b>	
	<b>6 months ended 31 December 2011 \$</b>	<b>6 months ended 31 December 2010 \$</b>
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers and employees	(3,642,278)	(976,056)
GST received	512,867	114,500
Interest received	122,242	52,006
Net cash flows (used in) / from operating activities	<b>(3,007,169)</b>	<b>(809,550)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(92,231)	(144,731)
Payments for exploration and evaluation expenditure	(10,541,058)	(1,615,642)
Proceeds from JV share of expenditure	6,617,879	695,890
Payment for term deposit investments	-	(1,001,374)
Proceeds from sale of fixed assets	55,655	-
Net cash flow used in investing activities	<b>(3,959,755)</b>	<b>(2,065,857)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	8,336,427	10,464,844
Costs of share Issue	(541,182)	(716,370)
Net cash flow from financing activities	<b>7,795,245</b>	<b>9,748,474</b>
Net (decrease) / increase in cash held	<b>828,321</b>	<b>6,873,067</b>
Add: Opening cash carried forward	3,774,502	953,752
<b>Closing cash carried forward</b>	<b>4,602,823</b>	<b>7,826,819</b>

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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 2011**

**Consolidated**

	<b>Issued Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Reserves \$</b>	<b>Total Equity \$</b>
<b>At 1 July 2011</b>	<b>30,038,612</b>	<b>(10,179,443)</b>	<b>2,178,711</b>	<b>22,037,880</b>
Issue of share capital via placement	3,426,980	-	-	3,426,980
Transaction costs of placement	(247,024)	-	-	(247,024)
Exercise of listed options	332,717	-	-	332,717
Issue of share capital via rights issue	4,576,730	-	-	4,576,730
Transaction costs of rights issue	(294,158)	-	-	(294,158)
Recognition of share option expense	-	-	152,800	152,800
Capital reduction payable to shareholders as part of Auzex Exploration Limited Demerger	(9,343,440)	-	-	(9,343,440)
Loss for the period	-	(7,572,744)	-	(7,572,744)
Available for sale asset reserve (net tax)	-	-	(766,573)	(766,573)
Other comprehensive income/(loss)	-	-	(25,172)	(25,172)
Total comprehensive income for the period	-	(7,572,744)	(791,745)	(8,364,489)
<b>At 31 December 2011</b>	<b>28,490,417</b>	<b>(17,752,187)</b>	<b>1,539,766</b>	<b>12,277,996</b>

**STATEMENT OF CHANGES IN EQUITY (CONTINUED)**  
**HALF YEAR ENDED 31 DECEMBER 2011**

	Consolidated			Total Equity \$
	Issued Capital \$	Accumulated Losses \$	Reserves \$	
<b>At 1 July 2010</b>	<b>20,097,938</b>	<b>(8,160,666)</b>	<b>1,097,212</b>	<b>13,034,484</b>
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 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
<b>At 31 December 2010</b>	<b>29,846,412</b>	<b>(7,833,552)</b>	<b>3,722,568</b>	<b>25,735,428</b>

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

### NOTE 1 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### (A) Corporate Information

The general purpose interim financial report financial report of Auzex Resources Limited (the Company) for the half-year ended 31 December 2011 was authorised in accordance with a resolution of the Directors on 12 March 2011. Auzex Resources Limited is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

#### (B) Basis of Preparation

This general purpose interim financial report for the half-year ended 31 December 2011 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 2011 and considered together with any public announcements made by Auzex Resources Limited and its controlled entity during the half-year ended 31 December 2011 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 2011.

#### (C) 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.

#### (D) Changes in Accounting Policies

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its half-year financial statements.

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****NOTE 1 – BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)****(E) Going Concern**

Subsequent to the implementation of the approved Scheme of Arrangement pursuant to which certain assets and liabilities of the Company are transferred or demerge to Auzex Exploration Limited ("AEL") on 6 January 2012, the Company is expected to have net current assets of approximately \$2.4 million. These funds are sufficient to meet the Company's expenditure commitments in respect of the Bullabulling Gold Project and general and administrative matters until the proposed completion of the merger between the Company and GGG Resource Plc (by Scheme of Arrangement) on 27 March 2012. At this time, the Company's ongoing expenditure commitments in respect of the Bullabulling Gold Project and general and administrative matters will be assumed by merged entity, Bullabulling Gold Limited. Consistent with the Scheme Booklet released to shareholders on 17 February 2012, the director's unanimously support the proposed merger.

In the event, the proposed merger is not completed on time or the Company's shareholders do not approved the proposed merger, the Company will be required to raise additional capital to fund its share of the development of the Bullabulling Gold Project. In such circumstances the Directors observe the Company has a strong history of capital raising. Additionally, if required, the Directors will carefully manage cash flows, including but not limited to, reducing overheads, negotiating extensions to tenement commitments, or diluting its interest in the Bullabulling Gold Project until such additional capital is secured.

Based on the above, the Directors have assessed there are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due. Consistent with this assessment, the half-year financial report for the period ended 31 December 2011 has been prepared on a going concern basis. As such, 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 not continue as going concern.

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

	Consolidated	
	6 months ended 31 December 2011 \$	6 months ended 31 December 2010 \$
<b>NOTE 2 – EXPENSES AND LOSSES/(GAINS)</b>		
Operating loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of property, plant and equipment	46,941	23,476
Foreign exchange loss / (gain)	679	-
Option Valuation expense	152,800	56,672
Merger and demerger costs	1,459,531	-

	Consolidated	
	31 December 2011 \$	30 June 2011 \$
<b>NOTE 3 – CASH AND CASH EQUIVALENTS</b>		
For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprised of the following:		
Cash at bank	92,823	1,774,502
Term deposits	2,425,000	2,000,000
<b>Total cash and term deposits</b>	<b>2,517,823</b>	<b>3,774,502</b>
Cash and term deposits attributed to assets held for sale as part of Auzex Exploration Limited Demerger	2,085,000	-
<b>Total cash and cash equivalents</b>	<b>4,602,823</b>	<b>3,774,502</b>

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

	Consolidated	
	31 December 2011 \$	30 June 2011 \$
<b>NOTE 4 – ASSETS HELD FOR SALE</b>		
<p>On 21 December 2011, the Demerger of Auzex Exploration Limited ("AEL") by Scheme of Arrangement ("the Scheme") became effective. Under the Scheme, shareholders of the Company at 6.00pm Brisbane time on 30 December 2011 will receive 1 AEL share for every 6 Auzex Resources Limited shares they own.</p> <p>As part of the approved demerger the following assets and liabilities will be transferred by way of a capital reduction from the Company to AEL. The transfer date under the Scheme was 6 January 2012.</p>		
<b>Assets classified as held for sale as part of AEL demerger</b>		
Cash and term deposits	2,085,000	-
Property, plant and equipment	83,509	-
Deferred exploration and evaluation costs	6,000,000	-
Investment available for sale financial assets	1,380,194	-
<b>Total assets classified as held for sale as part of AEL demerger</b>	<b>9,548,703</b>	<b>-</b>
<b>Liabilities directly associated with assets held for sale as part of AEL demerger</b>		
Provisions	205,263	-
<b>Total liabilities directly associated with assets held for sale as part of AEL demerger</b>	<b>205,263</b>	<b>-</b>
<b>Net asset classified as held for sale as part of AEL demerger</b>	<b>9,343,440</b>	<b>-</b>
<b>Capital reduction payable to shareholders as part of AEL demerger</b>	<b>9,343,440</b>	<b>-</b>



**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**

	Consolidated	
	6 months ended 31 December 2011	6 months ended 31 December 2010
<b>NOTE 4 – ASSETS HELD FOR SALE (continued)</b>		
The loss for the period attributable to the assets classified as held for sale:		
Write-off exploration and evaluation expenses to be disposed of as part of the AEL demerger (net of tax)	(4,819,880)	-
<b>Loss after tax from discontinued operations</b>	<b>(4,819,880)</b>	<b>-</b>
Loss per share from discontinued operations:		
Basic earnings/(loss) per share (cents per share)	(0.04)	0.00
Diluted earnings/(loss) per share (cents per share)	(0.04)	0.00
<b>NOTE 5 – EARNINGS PER SHARE</b>		
Earnings per share:		
Basic earnings/(loss) per share (cents per share)	(0.07)	0.43
Diluted earnings/(loss) per share (cents per share)	(0.07)	0.40
Earnings per share from continuing operations:		
Basic earnings/(loss) per share (cents per share)	(0.03)	0.43
Diluted earnings/(loss) per share (cents per share)	(0.03)	0.40
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit/(loss) from continuing operations	2,752,864	327,114
(Loss) from discontinued operations	4,819,880	-
<b>Net profit / (loss)</b>	<b>(7,572,744)</b>	<b>327,114</b>
Weighted average number of ordinary shares used in calculation of basic earnings per share	103,012,033	75,347,886
Weighted average number of ordinary shares used in calculation of diluted earnings per share	103,012,033**	82,505,500

\*\* At 31 December 2011 and for the period ended on that date, share options of 9,466,939 are not dilutive and therefore have not been included in the calculation of diluted earnings per share.

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

	Consolidated	
	31 December 2011	30 June 2011
	\$	\$
<b>NOTE 6 – CONTRIBUTED EQUITY</b>		
Issued and Fully Paid Capital		
130,206,267 (2011 – 95,193,881) fully paid ordinary shares	<b>28,470,417</b>	<b>30,038,612</b>

		Number of Shares	Issue price \$ per share	\$
<b>Movement in ordinary share capital:</b>				
<b>30/06/10</b>	<b>Balance end of financial year</b>	<b>51,015,097</b>		<b>20,097,938</b>
Jul 10	Placement	7,652,264	\$0.12	918,272
Aug 10	Rights Issue – 1 for 3	23,326,762	\$0.12	2,799,211
Dec 10	Placements	12,299,201	\$0.55	6,764,561
Feb 11	Exercise of unlisted Director options	250,000	\$0.20	50,000
Feb 11	Exercise of unlisted Director options	250,000	\$0.25	62,500
Sep-Jun	Exercise of listed options	400,559	\$0.20	80,111
	Share capital raising expenses	-	-	(733,981)
<b>30/06/11</b>	<b>Balance end of financial year</b>	<b>95,193,883</b>		<b>30,038,612</b>
Oct 11	Placement	14,279,082	\$0.24	3,426,980
Dec 11	Rights Issue – 1 for 5	19,069,710	\$0.24	4,576,730
Jul - Dec	Exercise of listed options	1,663,592	\$0.20	332,717
Dec 11	Capital reduction as part of Auzex Exploration Limited demerger	-	-	(9,343,440)
	Share capital raising expenses	-	-	(541,182)
<b>31/12/11</b>	<b>Balance end of period</b>	<b>130,206,267</b>		<b>28,490,417</b>

### NOTE 7 - 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 8 - CONTINGENT ASSETS AND LIABILITIES

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

## NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

### NOTE 9 – INTEREST IN CONTROLLED ENTITY

Name of Entity	Country of Incorporation	Equity holding % as at 31/12/11	Equity holding % as at 30/6/11
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 2011, the participating interest of NZML has reduced to 35%.

### NOTE 10 - SUBSEQUENT EVENTS

On 11 January 2012 the Company announced it had completed Phase 2 of its infill drilling program on schedule at the Bullabulling Gold Project being for 425 holes drilled for a total of 74,452 metres.

On 13 January 2012 the Company announced the revised exercise price for option holders as a result of the impact of the approved demerger of its non-Bullabulling assets into a new vehicle, Auzex Exploration Limited. The demerger of Auzex Exploration was considered and approved by Auzex Shareholders at shareholder meetings held on 16 December 2011 and was implemented on 6 January 2012. As a consequence, the capital of Auzex Resources was reduced by \$9,343,440 and shares in Auzex Exploration have now been issued to Auzex shareholders undertaken by way of an in specie distribution to Eligible Auzex Resources shareholders for shares in Auzex Exploration. The distribution was made on the basis of 1 Auzex Exploration share for every 6 Auzex Resources shares held at the record date of 30 December 2011. As a result of the return of capital by way of the in specie distribution, the exercise price of all outstanding Auzex Options was reduced in accordance with the terms and conditions of the options.

On 20 January 2012 the Company provided an update on the merger proposal announced on 29 August 2011 between Auzex Resources and GGG Resources plc including a merger timetable.

On 25 January 2012 the Company announced that the Bullabulling Joint Venture had executed an Option to Purchase Agreement to acquire 100% of the Geko Gold Project located approximately 17km north of the Bullabulling Gold Project near Coolgardie in the eastern goldfields of Western Australia.

On 6 February 2012 the Company announced that it had entered into an underwriting agreement with BBY Limited to underwrite the listed 13 cent options due to expire on 13 February 2012.

On 17 February 2012 the Company announced that the Queensland Supreme Court had approved the Scheme Booklet for the proposed merger by scheme of arrangement with Bullabulling Gold Limited (BBG) for despatch to Auzex shareholders. The Scheme meeting was scheduled for 22 March 2012 where shareholders will be asked to approve the proposed merger with BBG.

On 29 February 2012 the Company announced that the results from the Phase Two infill drilling program had produced a new JORC global resource estimate of 3.2 Million ounces of gold (102.8 Mt at 0.96g/t Au at a 0.5g/t cut off. The total resource along the Bullabulling trend has increased by 800,000 ounces of gold and the indicated resource in the same area has increased by 1.4 million ounces of gold.

**NOTE 10 - SUBSEQUENT EVENTS (continued)**

On 6 March 2012 the Company announced that new gold mineralisation had been identified at Gibraltar from the initial exploration drilling which totalled 2,805m in 14 holes. Assay results of new higher grade intersections included 13m at 2.87g/t A, 7m at 3.12g/t Au and 5m at 11.98g/t Au. Gibraltar has not included in the 3.2Moz Au resource announced on 29 February 2012.

On 8 March 2012 the Company announced in conjunction GGG Resources Plc that Brett Lambert had been appointed Managing Director of Bullabulling Gold Limited effective on 1 May 2012 following completion of the merger of the two companies.

**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 2011 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.

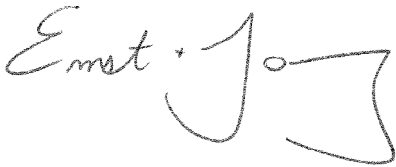
On behalf of the Board.



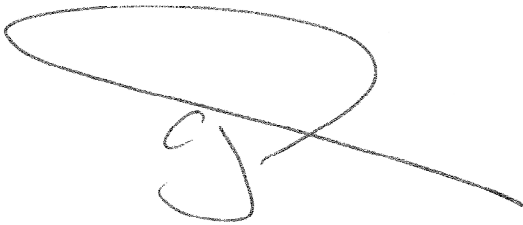
**C. Baker**  
**Non-Executive Chairman**  
**Brisbane, 12 March 2012**

## 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 2011, 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'.

Ernst & Young

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

Andrew Carrick  
Partner  
12 March 2012

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 2011, 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 2011 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 period, 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.

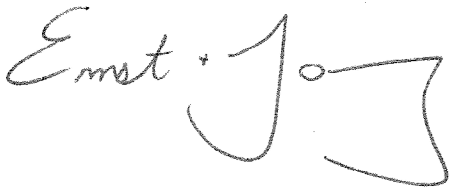
### Independence

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.

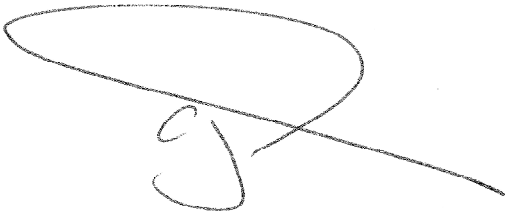
## Conclusion

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 2011 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' followed by a stylized signature.

Ernst & Young

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

Andrew Carrick  
Partner  
Brisbane  
12 March 2012