

Auzex Resources Limited

ABN 74 106 444 606

Half Year Report ended 31 December 2008

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CORPORATE DIRECTORY**Directors**

John Lawton
Executive Chairman

Eugene Iliescu
Managing Director

Gregor Partington
Non-Executive Director

Chris Baker
Non-Executive Director

Paul Frederiks
Non-Executive Director

Company Secretary

Paul Frederiks FCPA FCIS FAICD

Chief Geologist

Roger Mustard

Registered office

Level 28, Waterfront Place
1 Eagle Street BRISBANE QLD 4000
Telephone: +617 3303 0198
Facsimile: +617 3303 0196

Corporate Postal Address

GPO Box 3249 BRISBANE QLD 4001

Townsville Office

16 Chubb Street
Belgian Gardens TOWNSVILLE QLD 4810
Telephone: +617 4771 4884
Facsimile: +617 4771 4889

Townsville Postal Address

PO Box 406 BELGIAN GARDENS QLD 4810

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

Stock 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 2008.

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:

John Lawton (Executive Chairman)
 Eugene Iliescu (Managing Director)
 Gregor Partington (Executive Director)
 Chris Baker (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 except for Eugene Iliescu who was appointed Managing Director on 13 March 2009.

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 Stock 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 has been an active mineral exploration company with substantial land holdings in three project areas being New England (NSW), North Queensland and West Coast New Zealand. The Company is in the process of suspending its exploration activities to focus on the development of its key project assets. As a result, the total area of tenements to be retained will be reduced to approximately 1300km² contained within 9 granted and 3 application licences. All tenements in Australia are held 100% by Auzex. In New Zealand, its wholly owned subsidiary, Auzex Resources (NZ) Pty Ltd (Auzex NZ) holds a 50% interest in the West Coast New Zealand tenements with Auzex NZ being the operator.

The Company's focus has been on major gold, molybdenum, tin and tungsten deposits associated with granite. Its exploration strategy has delivered value to shareholders through the use of new spatial data modelling techniques applied to a new style of ore deposit. Auzex has identified those areas with the best chances of exploration success in Eastern Australia and New Zealand, and its exploration program over the last three years has discovered six significant targets: Kingsgate Molybdenum-Silica-Bismuth, Khartoum Tin, Kirwans Tungsten-Gold, Lyell Gold, Klondyke Gold and Running Brook Gold projects. The Company will endeavour to progress development of these properties during 2009 which may include joint ventures, private equity or outright sale.

REVIEW AND RESULTS OF OPERATIONS

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

| | 6 months ended 31 December 2008 | 6 months ended 31 December 2007 |
|-------------------------------------------------------------|------------------------------------|------------------------------------|
| | \$ | \$ |
| Operating loss after income tax expense | (3,836,610) | (506,201) |
| Net loss attributable to members of Auzex Resources Limited | (3,836,610) | (506,201) |
| Earnings / (loss) per Share | (cents) | (cents) |
| Basic and Diluted loss per share | 12.63 | 1.82 |

DIRECTORS' REPORT (Continued)

REVIEW AND RESULTS OF OPERATIONS (Continued)

In the 6 months to December 2008, Auzex Resources has made considerable progress. The key achievements and progress made during the period were as follows:

- The **Kingsgate molybdenum-silica-bismuth (Mo-SiO₂-Bi) project** Feasibility Study was completed in December 2008. The study was based on conventional open cut mining of molybdenum pipe deposits with flotation and hydrometallurgical processing conducted at a rate of 250,000tpa to extract high purity molybdenum, silica and bismuth products over a minimum five year project life. Results indicated the project is technically feasible, with robust and strongly favourable project economics at prevailing (December 2008) metal prices.
- Exploration at **Khartoum tin project** has confirmed the potential for a world-class deposit. Geological mapping and sampling of surface exposures over 70% of the tenement has established the presence of 107 greisen tin systems covering a cumulative area of approximately 50km². The project is ready for a major drilling program to establish a reportable resource.
- Field work over a large soil anomaly at the **Lyell gold project** in New Zealand, measuring 3000m x 200m in area, associated with the historic Alpine United gold mine (recorded production of 96,500oz gold) has been completed with a proposal for drilling currently being assessed by the Department of Conservation.
- The **Klondyke gold prospect** was initially recognised as a result of the Company's airborne magnetic survey, and mapping has confirmed the necessary geological characteristics associated with granite hosted gold mineralisation and the potential for a large tonnage deposit.
- Recent mapping at the **Running Brook gold prospect** has provided additional evidence of geological similarities with the successful Kidston gold mine located approximately 120km south of the prospect.

EVENTS SUBSEQUENT TO BALANCE DATE

On 2 February 2009, the Company released its quarterly activities report and announced that a decision had been made to focus on the Company's project assets at Kingsgate, Khartoum, Lyell, Running Brook and Klondyke and suspend exploration activities. As a consequence of that decision, exploration expenditure that had been capitalized on the Company's other exploration tenements has been impaired due to the cessation of exploration activities and relinquishments of those tenements are in process. The loss recorded from the impairment of these exploration & evaluation assets totals \$3,342,495.

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.

CORPORATE GOVERNANCE

The Directors recognise the need for the highest standards of corporate behaviour and accountability and therefore support and have adhered to the principles of Corporate Governance. The Company has a formally constituted audit committee chaired by Mr Chris Baker – a Non-executive Director.

Signed in accordance with a resolution of the Directors.



J. Lawton
Executive Chairman
Brisbane, 13 March 2009

Auzex Resources Limited

ABN 74 106 444 606

Half Year Financial Report ended 31 December 2008

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CONDENSED INCOME STATEMENT**HALF YEAR ENDED 31 DECEMBER 2008**

| | Note | Consolidated | |
|------------------------------------------------------------------------------------------|------|---------------------------------------------|---------------------------------------------|
| | | 6 months ended 31 December 2008 \$ | 6 months ended 31 December 2007 \$ |
| Other Income - Interest | | 16,810 | 91,124 |
| Exploration and Evaluation expenses | | (3,347,914) | (800) |
| General & Administrative expenses | | (505,506) | (596,525) |
| Total Expenses from Continuing Operations | | (3,853,420) | (597,325) |
| Loss from Continuing Operations before Income Tax Expense | 2 | (3,836,610) | (506,201) |
| Income Tax Benefit attributable to Operating Loss | | - | - |
| Loss from Continuing Operations after Income Tax Expense | | (3,836,610) | (506,201) |
| Earnings per share - basic and diluted earnings/(loss) per share (cents per share) | | (12.63) | (1.82) |

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

CONDENSED BALANCE SHEET**AT 31 DECEMBER 2008**

| | | Consolidated | |
|-------------------------------------------------|------|------------------------------|-----------------------|
| | | As at 31 December 2008 | As at 30 June 2008 |
| | | \$ | \$ |
| ASSETS | Note | | |
| Current Assets | | | |
| Cash Assets | 3 | 321,365 | 888,870 |
| Receivables & Prepayments | | 330,732 | 87,671 |
| Total Current Assets | | 652,097 | 976,541 |
| Non Current Assets | | | |
| Property, Plant and Equipment | | 92,098 | 119,315 |
| Deferred Exploration and Evaluation phase costs | | 9,835,307 | 12,103,396 |
| Total Non Current Assets | | 9,927,405 | 12,222,711 |
| TOTAL ASSETS | | 10,579,502 | 13,199,252 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | | 502,319 | 345,246 |
| Provisions | | 64,100 | 91,742 |
| Total Current Liabilities | | 566,419 | 436,988 |
| Provisions | | 104,617 | 84,717 |
| Total Non-Current Liabilities | | 104,617 | 84,717 |
| TOTAL LIABILITIES | | 671,036 | 521,705 |
| Net Assets | | 9,908,466 | 12,677,547 |
| EQUITY | | | |
| Contributed Equity | 4 | 16,574,895 | 15,444,882 |
| Other Reserves | | 630,233 | 692,717 |
| Accumulated Losses | | (7,296,662) | (3,460,052) |
| TOTAL EQUITY | | 9,908,466 | 12,677,547 |

The above condensed balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CASH FLOWS STATEMENT**HALF YEAR ENDED 31 DECEMBER 2008**

| | Consolidated | |
|------------------------------------------------------|------------------------------------------------|------------------------------------------------|
| | 6 months ended 31 December 2008 \$ | 6 months ended 31 December 2007 \$ |
| Cash Flows from Operating Activities | | |
| Payments to suppliers and employees | (716,603) | (479,409) |
| GST Received | 133,062 | 228,504 |
| Interest received | 16,854 | 108,396 |
| Net cash flows (used in) / from operating activities | (566,687) | (142,509) |
| Cash Flows from Investing Activities | | |
| Purchase of property, plant and equipment | (17,249) | (51,058) |
| Payments for exploration and evaluation expenditure | (1,113,582) | (2,563,664) |
| Net cash flow used in investing activities | (1,130,831) | (2,614,722) |
| Cash Flows from Financing Activities | | |
| Proceeds from issue of shares | 1,187,040 | 2,655,278 |
| Costs of share Issue | (57,027) | (82,992) |
| Net cash flow from financing activities | 1,130,013 | 2,572,286 |
| Net (decrease) / increase in cash held | (567,505) | (184,945) |
| Add: Opening cash carried forward | 888,870 | 4,250,548 |
| Closing cash carried forward | 321,365 | 4,065,603 |

The above condensed cash flow statement should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY**HALF YEAR ENDED 31 DECEMBER 2008**

| | Consolidated | | | |
|-------------------------------------------------------------------|-------------------------|-----------------------------|-------------------------|--------------------|
| | Issued Capital \$ | Accumulated Losses \$ | Other Reserves \$ | Total Equity \$ |
| At 1 July 2007 | 12,872,596 | (2,310,876) | 793,494 | 11,355,214 |
| Issue of Share Capital via Share Purchase Plan (SPP) | 2,655,278 | - | - | 2,655,278 |
| Transaction costs of SPP | (82,992) | - | - | (82,992) |
| Cost of share-based payment - recognition of share option expense | - | - | 42,619 | 42,619 |
| Foreign currency translation reserve | - | - | (27,493) | (27,493) |
| Loss for the period | - | (506,201) | - | (506,201) |
| At 31 December 2007 | 15,444,882 | (2,817,077) | 808,620 | 13,436,425 |

| | Issued Capital \$ | Accumulated Losses \$ | Other Reserves | Total Equity \$ |
|--------------------------------------------------------------------------------------------------|-------------------------|-----------------------------|-------------------|--------------------|
| At 1 July 2008 | 15,444,882 | (3,460,052) | 692,717 | 12,677,547 |
| Issue of Share Capital via placement | 30,000 | - | - | 30,000 |
| Issue of listed share options | 1,147,456 | - | - | 1,147,456 |
| Transaction costs of Options issue | (57,027) | - | - | (57,027) |
| Exercise of listed options | 9,584 | - | - | 9,584 |
| Cost / (reversal) of share-based payment - recognition / (derecognition) of share option expense | - | - | (109,977) | (109,977) |
| Foreign currency translation reserve | - | - | 47,493 | 47,493 |
| Loss for the period | - | (3,836,610) | - | (3,836,610) |
| At 31 December 2008 | 16,574,895 | (7,296,662) | 630,233 | 9,908,466 |

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 2008 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 2008 and considered together with any public announcements made by Auzex Resources Limited and its controlled entity during the half-year ended 31 December 2008 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 2008.

The consolidated entity incurred a net loss from continued operations after income tax for the period ended 31 December 2008 of \$3,836,610 (December 2007: 506,201). As at 31 December 2008, the Company had cash assets of \$321,365. The directors believe that it is appropriate to prepare the financial report on a going concern basis based the company's past success in raising funds through the issue of shares. The consolidated entity's ability to continue as a going concern and meet its debts as and when they fall due is dependent on the consolidated entity:

- obtaining additional funding in the near future and continuing to receive the support of the current shareholders and creditors;
- management of cash flows until further funding is secured and where necessary reduce overheads and negotiate extensions to tenement commitments.

Should the company and the consolidated entity not receive additional funds or achieve a reduction in historic cash burn rate, there is significant uncertainty whether the company and the consolidated entity will be able to continue as a going concern and be able to pay its debts as and when they fall due.

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

There have been no impacts upon the consolidated entity's financial statements from Australian Accounting Standards and Interpretations that have recently been amended and are effective from 1 July 2008.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

| | Consolidated | |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| | 6 months ended 31 December 2008 \$ | 6 months ended 31 December 2007 \$ |
| 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 | 44,569 | 45,733 |
| Foreign Exchange loss / (gain) | (597) | - |
| Loss from impairment of deferred exploration & evaluation assets | 3,342,495 | - |
| Option Valuation expense/(writeback) | (92,773) | (31,517) |

| | 31 December 2008 \$ | 30 June 2008 \$ |
|------------------------------|------------------------------------|----------------------------|
| NOTE 3 – CASH ASSETS | | |
| Cash on hand | 336 | 597 |
| Cash at Bank | 129,300 | 696,310 |
| Bank Bills & Term Deposits * | 191,729 | 191,963 |
| | 321,365 | 888,870 |

*As of 31 December 2008, the Company had a \$175,000 term deposit lodged with Westpac Banking Corporation which is used as security for bank guarantees issued to the NSW and QLD governments to secure tenement rehabilitation obligations.

| | Consolidated | |
|----------------------------------------------------------------------------|------------------------------------|-----------------------------|
| | As at 31 December 2008 \$ | As at 30 June 2008 \$ |
| NOTE 4 – CONTRIBUTED EQUITY | | |
| 30,534,783 Issued and fully paid ordinary shares (30/6/08 – 30,372,005) | 15,484,466 | 15,444,882 |
| Issue of options exercisable at 75 cents and expiring 31/10/2010 | 1,090,429 | - |
| | 16,574,895 | 15,444,882 |

| | | Number of Shares | Issue price | \$ |
|-------------------------------------------|----------------------------------------------|---------------------|----------------|-------------------|
| Movement in ordinary share capital | | | | |
| 30/06/08 | Balance beginning of financial period | 30,372,005 | | 15,444,882 |
| | Exercise of listed options | 12,778 | 0.75 | 9,584 |
| | Issue of shares | 150,000 | 0.20 | 30,000 |
| 31/12/08 | Balance end of financial period | 30,534,783 | - | 15,484,466 |

| | | Number of Options | Issue price | \$ |
|-----------------------------------------|----------------------------------------------|----------------------|----------------|------------------|
| Movement in listed share options | | | | |
| 30/06/08 | Balance beginning of financial period | - | | - |
| Sep 08 | Issue of listed options | 11,280,711 | 0.10 | 1,147,456 |
| | Transaction costs of listed options | - | - | (57,027) |
| | Exercise of listed options | (12,778) | - | - |
| 31/12/08 | Balance end of financial period | 11,267,933 | - | 1,090,429 |

| | Consolidated | |
|--------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| | 6 months ended 31 December 2008 | 6 months ended 31 December 2007 |
| NOTE 5 – EARNINGS PER SHARE | | |
| Basic and diluted earnings/(loss) per share (cents per share) | (12.63) | (1.82) |
| The following reflects the income and share data used in the calculations of basic and diluted earnings per share: | | |
| Net Loss | 3,836,610 | 506,201 |
| Weighted average number of ordinary shares used in calculation of basic earnings per share | 30,374,973 | 27,793,972 |

There were share options outstanding of 15,202,933 which are not dilutive (due to operating losses) and therefore have not been included in the calculation of diluted earnings per share.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 6 - SEGMENT INFORMATION

The Company operates in one geographical segment – namely Australasia. The Company operates in one industry segment, being the activity of exploration and development of mineral deposits. The Company is incorporated in Queensland and domiciled in Australia. The Company had 6 employees at 31 December 2008 (30 June 2008: 6 employees).

NOTE 7 - CONTINGENT ASSETS AND LIABILITIES

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

NOTE 8 – INTEREST IN SUBSIDIARY

| Name of Entity | Country of Incorporation | Equity holding % as at 31/12/08 | Equity holding % as at 30/6/08 |
|------------------------------|--------------------------|------------------------------------|-----------------------------------|
| 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 were that NZML was to fund NZ\$1.70 million expenditure to earn 50% interest in all Auzex NZ tenements and Auzex NZ was to retain management of all projects.

At 30 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, i.e. 50% for each party.

NOTE 9 - SUBSEQUENT EVENTS

On 2 February 2009, the Company released its quarterly activities report and announced that a decision had been made to focus on the Company's project assets at Kingsgate, Khartoum, Lyell, Running Brook and Klondyke and suspend exploration activities. As a consequence of that decision, exploration expenditure that had been capitalized on the Company's other exploration tenements has been impaired due to the cessation of exploration activities and relinquishments of those tenements are in process. The loss recorded from the impairment of these exploration & evaluation assets totals \$3,342,495.

On 13 March 2009, the Company announced that Mr Eugene Iliescu had been appointed Managing Director of the Company. Mr Iliescu has an excellent record in operations management and project development; most notably with Ross Mining in the Gold Ridge gold mine in the Solomon Islands, with Duke Energy in the development of the Bass Strait Tasmanian Natural Gas Pipeline, and the Geodynamics geothermal project in South Australia. He has held senior management positions in phosphate operations in Nauru and copper mines in the Middle East. He has been appointed to manage the progression of the Company from exploration to project development, seeking partners for the Kingsgate molybdenum-silica-bismuth Project in northern New South Wales, evaluation of the Khartoum tin Project and exploration of the Company's gold targets.

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 2008 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.

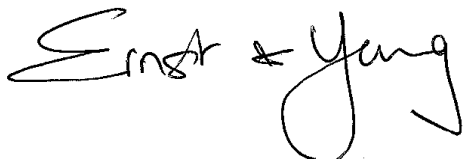


J. Lawton
Executive Chairman


Brisbane, 13 March 2009

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 2008, 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, stylized script.

Ernst and Young

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

Mike Meintjes
Partner
Date: 13 March 2009

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half - year financial report of Auzex Resources Ltd, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the period.

Director's responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half - year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half - year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 2008 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 Ltd 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.

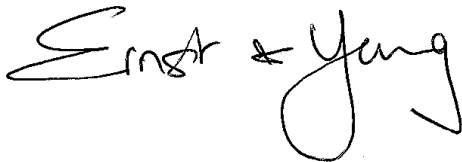
Conclusion

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

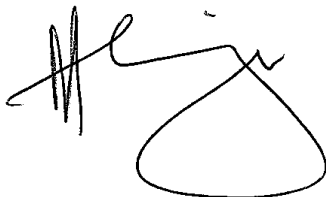
- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half - year period ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without further qualification to the audit opinion expressed above, we draw attention to Note 1 (A) in the financial report. As a result of the matters as set out in note 1 (A) there is significant uncertainty whether the consolidated entity will continue as going concern, and therefore whether it will realise the assets and extinguish liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized font.

Ernst and Young

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

Mike Meintjes
Partner
Brisbane
Date: 13 March 2009