

Auzex Resources Limited
ABN 74 106 444 606

2009 Financial Report

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Contents	Page
Directors' report	2
Auditor independence declaration	12
Corporate governance statement	13
Income Statement	19
Balance Sheet	20
Cash Flow Statement	21
Statement of Changes in Equity	22
Notes to the financial statements	24
Directors' declaration	48
Independent audit report to the members	49

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2009. The names and details of the Directors of Auzex Resources Limited (Auzex) in office at any time during or since the end of the financial year are:

Name & Qualifications	Age	Experience
<p>John Lawton B.Sc.(App.Sci.), MAusIMM MAICD <i>Executive Chairman</i></p>	<p>60</p>	<p>John Lawton is a founding director of Auzex and has been continuously associated with the minerals industry for 37 years, predominantly within and throughout Australia. During that time he has been directly involved with most aspects of the industry from exploration and development, to corporate management.</p> <p>John was a co-founder and executive director of Ross Mining NL throughout its existence from incorporation in 1986 to merger in 2000. Ross developed and operated seven gold mines in central Queensland, New South Wales and Solomon Islands, and had a reputation for innovative low-cost production from low-grade deposits.</p> <p>Between 1972 and 1986, John was involved as an exploration geologist throughout Australia for a range of commodities including gold, copper, lead, zinc, tin, tantalite and uranium. John is also Managing Director of Peninsula Goldfields Pty Ltd.</p>
<p>Eugene Iliescu Eng Surveying, Cert. GradDipSocSc, & Dip OH&S. <i>Managing Director</i></p> <p>(Appointed 13 March 2009)</p>	<p>55</p>	<p>Eugene has extensive experience 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 held the position of MD for Ronphos's phosphate operations in Nauru, held senior management positions in Petrogas and a copper mine in the Middle East. Prior to the current appointment Eugene provided consultancy services in the resource sector servicing Australia, Pacific and Middle East companies.</p> <p>Eugene is currently a Non-Executive Director of Kenex Pty Ltd.</p>
<p>Gregor Partington Ph.D, MAusIMM <i>Executive Director</i></p>	<p>51</p>	<p>Dr Gregor Partington is another founding director of Auzex and is also the Managing Director of his own company, Kenex Knowledge Systems Ltd, based in New Zealand and Western Australia, focusing on creating business opportunities in the spatial world.</p> <p>Greg has 27 years experience in the exploration industry in Australia, Pacific Islands and Melanesia where he worked as the exploration manager for Northern Gold and General Manager, exploration for Ross Mining NL. He also has seven years experience in developing earth science GIS databases, recently developing and managing the Epithermal and Mesothermal Gold Projects for Crown Minerals (a division of the New Zealand Ministry of Economic Development) and the Institute of Geological and Nuclear Sciences in New Zealand.</p> <p>Greg has expertise in mineral exploration, structural geology, database development and management, spatial analysis of data using Geographic Information Systems (GIS), and business management. He has focussed on gold exploration, but has experience in tin-tantalum deposits and platinum exploration.</p>

DIRECTORS' REPORT (Continued)

Name & Qualifications	Age	Experience
<p>Chris Baker B.Sc. (Hons), MBA, FAusIMM, IOD <i>Non-Executive Director</i></p>	55	<p>Chris holds a BSc (Hons) in Mineral Technology (1976), and an MBA (1994) from Otago University. He is a member of the Institute of Directors (NZ), and a Fellow of the Australasian Institute of Mining and Metallurgy.</p> <p>He is a Director of Saunders Unsworth Ltd, a Wellington based consultancy specialising in the management of public policy issues for its clients. Chris is currently advising and assisting large Corporates and industry sectors in NZ and Australia in the areas of energy, mining, climate change, corporate strategy and Government relations.</p> <p>Chris is Chairman of the Coal Association of New Zealand and is on the Board of the Canberra based fossil fuel technology research organisation, the CO2 CRC. In this role Chris represents a New Zealand government and industry partnership led by the Foundation for Research Science and Technology and established to advance Carbon Capture and Storage research for New Zealand.</p>
<p>Paul Frederiks B.Bus. (Acc), FCPA, FCIS, FAICD <i>Non-executive Director and Company Secretary</i></p>	48	<p>Paul Frederiks has extensive experience in public company financial and secretarial management with more than 26 years experience in the Australian resources sector.</p> <p>He held the position of Company Secretary and Chief Financial Officer of Ross Mining NL for over eight years until 2000. He also has expertise in ASX listed public company reporting, financial modelling and forecasting, treasury management and hedging, project financing and corporate governance.</p> <p>Paul established his own consultancy in 2000 providing company financial and secretarial services to both listed and unlisted public companies. He was Company Secretary of Billabong International Limited from 2000 to 2004 and assisted Billabong in its successful float on the Australian Securities Exchange in August 2000. He is currently Company Secretary of the listed company Geodynamics Limited, a non-executive Director of the listed company China Steel Australia Limited (from Jan 2008) and a non-executive director of Smiths Aerospace Australia Pty Ltd.</p>

All of the above named Directors acted as Directors of the Company for the whole of the financial year under review and up to the date of this report except for Eugene Iliescu who was appointed Managing Director on 13 March 2009.

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.

DIRECTORS' REPORT (Continued)

PRINCIPAL ACTIVITIES

Auzex Resources Limited has been an active mineral exploration company with substantial land holdings in New England (NSW), North Queensland and West Coast New Zealand. The Company suspended its exploration activities at the end of 2008 to focus on the development of its key project assets. As a result, the total area of tenements has been 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 specific 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 2010 which may include joint ventures, private equity or outright sale.

REVIEW AND RESULTS OF OPERATIONS

The Group realised an operating loss before tax for the financial year as set out below:

	2009 \$	2008 \$
Operating loss before income tax expense	(4,893,590)	(1,149,176)
Net loss attributable to members of Auzex Resources Limited	(4,893,590)	(1,149,176)
Earnings per Share	(cents)	(cents)
Basic and diluted loss per share	(15.3)	(4.0)

In the 12 months to June 2009, Auzex 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 mineralisation 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 December 2008 metal prices.
- Exploration at the **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 tin bearing greisens orebodies covering a cumulative area of approximately 50km². After initial positive drilling results, 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 an application 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.
- Earlier drilling and 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.

EMPLOYEES

The Group had three full time employees as at 30 June 2009 (2008: six employees).

DIRECTORS' REPORT (Continued)**DIVIDEND**

The Directors do not propose to recommend the payment of a dividend in respect of the year ended 30 June 2009.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares of Auzex Resources Limited were:

Director	Quoted Fully paid Ordinary Shares	Quoted Options over Ordinary Shares	Unquoted Options over Ordinary Shares
J. Lawton	6,936,128	-	500,000
E. Iliescu	534,995	-	1,000,000
G. Partington	1,290,464	384,615	500,000
C. Baker	150,317	30,158	250,000
P. Frederiks	460,055	127,778	250,000

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- Shareholders' contributed equity increased from \$15,444,882 to \$17,871,967, an increase of \$2,427,085. The movement was predominantly as a result of the capital raising arising from a rights issue of listed options in September 2008 and a Share Purchase Plan and placement completed in May 2009.
- Total deferred exploration and evaluation expenditure capitalised decreased from \$12,103,396 to \$9,601,846 as a result of the rationalisation and relinquishment of non-core tenements in NSW, Queensland and New Zealand.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to year end, New Zealand Minerals Limited (NZML) has expressed an intention to have its interest in the New Zealand tenements diluted. The Company believes that with effect from the date of this report the participating interest of NZML has reduced to approximately 42%.

Other than the matter referred to above, there has not arisen between 30 June 2009 and the date of this report any item, transaction or event of a relevant and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors believe that prevailing market conditions will make it difficult to raise funds for exploration during the 2010 financial year. Consequently, management's efforts will continue to be focussed on attracting investors for developing individual projects, with the Kingsgate molybdenum-silica-bismuth project and the Khartoum tin project considered to be attractive to foreign investment. The Group has also a number of high calibre molybdenum, gold, tungsten and tin exploration targets in the process of being assessed for their economic potential.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

Auzex Resources Limited is committed to the effective environmental management of all its exploration activities. The Group recognises that its field exploration is a temporary land use, and is associated with a range of potential environmental impacts. Prior to commencement of operations, site planning must recognise these potential impacts and lead to the development of effective strategies for their control. During operations, the successful implementation of these strategies is a principal objective of site management. Following decommissioning, the site must be left in a safe and stable state, with all disturbed land successfully rehabilitated to an agreed standard. The Company has an Environmental Policy in place that explains the site requirements to achieve these objectives including operating in accordance with a site environmental management plan and identification and management of environmental risk and liability. The Company's activities are subject to compliance with various laws including State and Commonwealth laws relating to the protection of the environment and aboriginal culture and heritage, native title and exploration for minerals. At the time of writing, the Group was not in breach of any environmental regulations regarding any field work undertaken on its exploration tenements.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited)

This remuneration report outlines the director and Executive remuneration arrangements of the Company and the group in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report, key management personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the group, directly and indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent and group receiving the highest remuneration. For the purposes of this report, the term 'executive' encompasses the Executive Chairman, Managing Director, Non-Executive Director and Company Secretary of the parent and group.

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive salaries to attract high calibre executives;
- Links executive rewards to shareholder value through the issue of share options;
- Establishes appropriate performance hurdles under its share option scheme through key corporate milestones that are integral to the Company successfully completing its business plan.

The Board collectively develops and assesses the remuneration policy and practices of the Directors, Executive Chairman (EC) and Senior Executives who report directly to the EC.

Such assessment will incorporate the development of remuneration policies and practices which will enable the Company to attract and retain executives who will create value for shareholders. Executives will be fairly and responsibly rewarded having regard to the performance of the Company, the performance of the executive and the general market environment.

The Board undertakes its own self evaluation annually and considers attributes such as the qualitative and quantitative nature of the review, and the mix between total Board review and individual Director review.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-executive Director and Senior Executive remuneration is separate and distinct.

Non-executive Director Remuneration

Objective - The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure - The Constitution of Auzex and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held in July 2005 when shareholders approved an aggregate remuneration of \$100,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process. The amounts are set at a level that compensates the Directors for their significant time commitment in overseeing the progression of the Group's business plan.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited) (Continued)

Non-executive Director Remuneration (continued)

Each Non-executive Director receives a fee for being a Director of the Company. No additional committee fees are paid to any Director. The current fee structure is to pay Non-executive Directors a base annual remuneration of \$32,000 p.a. There are no retirement benefits offered to Non-executive Directors other than statutory superannuation which is in addition to these amounts.

The Non-Executive Directors' were granted share options in the Company prior to its listing as a performance incentive to share in the success of Auzex Resources Limited due to the modest nature of Directors fees. The performance incentives are based on significant rising share price hurdles for each tranche of options granted. The first tranche has an exercise price of 75 cents and the second tranche has an exercise price of \$1.00 as compared to the effective price of shares at the time of issue being 50 cents.

Non-executive independent Directors are also encouraged by the Board to hold shares in the Company. It is considered good governance for Directors to have a stake in the Company on whose Board he or she sits. The remuneration of Non-executive Directors for the period ending 30 June 2009 is detailed in Table 1 of this report.

Executive Director and Senior Management Remuneration

Objective - The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward Executives for Company, business division and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure - The Executive Directors' and key Executives' emoluments are structured to retain and motivate Executives by offering a competitive base salary together with performance incentives through share options which allow Executives to share in the success of Auzex Resources Limited. The performance incentives are based on significant rising share price hurdles for each tranche of options granted. For example for all options issued to Key Management Personnel prior to the listing of the Company, the first tranche has an exercise price of 75 cents and the second tranche has an exercise price of \$1.00 as compared to the effective price of shares at the time of issue being 50 cents.

The Company's Executive Chairman and Managing Director remuneration packages are formalised in service agreements.

Remuneration consists of the following key elements:

- Fixed Remuneration – Base salary and superannuation;
- Variable Remuneration – Share Options.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. The Board has access to external advice independent of management.

Due to the uncertainty of the future growth projections of the Company, Senior Executives receive their fixed (primary) remuneration in cash. The fixed remuneration component of the 5 most highly remunerated Senior Managers (only one such individual at 30 June 2009) is detailed in Table 2 of this report.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited) (Continued)

Variable Remuneration

Objective - The objective of the Auzex Resources Option Plan is to retain, motivate and reward senior Executives and staff in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure – Variable remuneration is delivered to executives in the form of share options. The Company uses a Total Shareholder Return (TSR) as the performance hurdle for the Auzex Resources Option Plan as outlined below. The use of a TSR based hurdle is currently market best practice as it ensures an alignment between comparative shareholder return and reward for executives. The Board considers at this stage in the Company's development, that share price growth itself is an adequate measure of TSR. A performance hurdle against profit is considered inappropriate as the Company is not generating revenue and will not do so until a project is advanced to a production phase. Due to the long lead times in resource development, the Company considers that shareholder wealth in its current phase is created through share price growth.

The Company's vesting criteria and performance hurdles for the issue of new options to employees (since 2007) are as follows:

As to one half, on the first anniversary of the date of grant. The exercise price is 25% uplifted from the share price at date of grant meaning that the share price has to achieve a price 25% higher than the price at the date of grant before the option can be exercised. The employee will have 24 months after the first anniversary in which to exercise the options.

As to one half, on the second anniversary of the date of grant. The exercise price is 50% uplifted from the share price at date of grant meaning that the share price has to achieve a price 50% higher than the price at the date of grant before the option can be exercised. The employee will have 24 months after the second anniversary in which to exercise the options.

For the Managing Director, the vesting criteria as approved by shareholders in May 2009 is as follows:

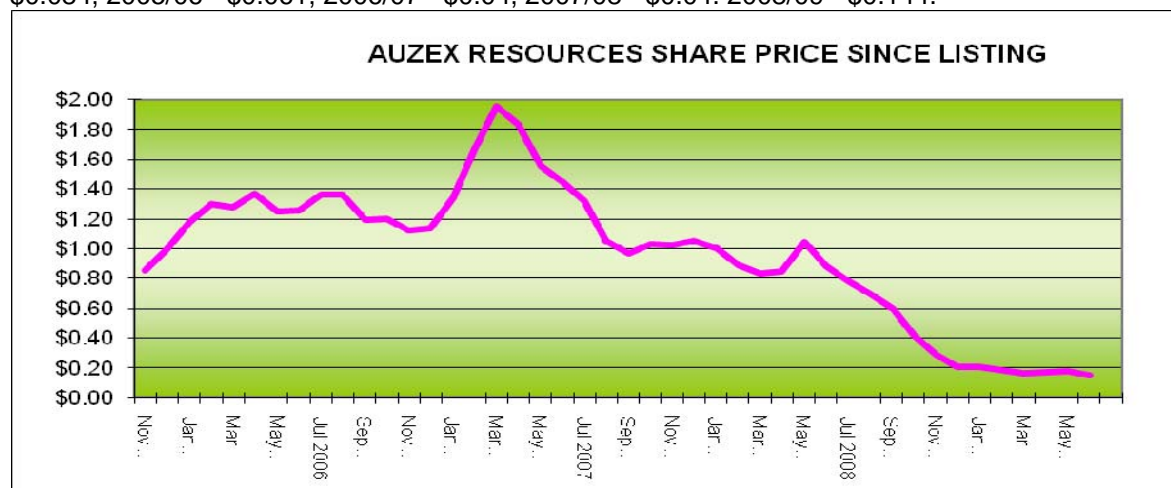
As to one half, the options vest at an exercise price of 15 cents per share on 30 September 2009 and have an expiry date of 31 March 2010;

As to one quarter, the options vest at an exercise price of 20 cents per share on 30 September 2009 and have an expiry date of 31 March 2011;

As to one quarter, the options vest at an exercise price of 25 cents per share on 30 September 2009 and have an expiry date of 31 March 2011.

Relationship of rewards to performance

As discussed earlier, the Board considers at this stage in the Company's development, that share price growth itself is an adequate measure of TSR. Directors consider that the aforementioned performance hurdles under the Option Plan are fully aligned to TSR as the time based vesting criteria are inextricably aligned to TSR. The graph shows the performance of the Company as measured by its share price and therefore by definition its TSR. The loss per share for the last four years was as follows: 2004/05 - \$0.084, 2005/06 - \$0.061, 2006/07 - \$0.04, 2007/08 - \$0.04. 2008/09 - \$0.144.



DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited) (Continued)

Hedging of shares and options risk

Currently no director or officer uses hedging instruments to limit their exposure to risk on either shares or options in the Company. The Company's policy is that the use of such hedging instruments is prohibited.

Employment Contracts

The Company's remuneration packages for the Executive Chairman and certain Executives are formalised in service agreements.

The Executive Chairman has a permanent employment contract with the Company to perform the role of Executive Chairman subject to an annual remuneration review. Under that contract, John Lawton is entitled to receive annual remuneration of \$240,000. In June 2009, Directors unanimously resolved to cut all salaries by 50% until global financial conditions improved and as such, the Executive Chairman is being paid a current annual remuneration of \$120,000 per annum.

The Executive Chairman may terminate the agreement by one month's written notice if there is a change of control of Auzex and the Executive Chairman forms the reasonable opinion that he will not be able to implement his strategy or plans for the development of the Company or its projects. If the agreement is terminated by the Executive Chairman in either of those circumstances, the Company must pay the Executive Chairman, in addition to any period of notice (or in lieu of notice), the equivalent of seven months' salary. Otherwise, the Executive Chairman may terminate the agreement by six months' written notice. The Company may at any time terminate the employment of the Executive Chairman by paying twelve months salary or by giving twelve months notice.

The Managing Director has a permanent employment contract with the Company to perform the role of Managing Director subject to an annual remuneration review. Under that contract, Eugene Iliescu is entitled to receive annual remuneration of \$200,000. In June 2009, Directors unanimously resolved to cut all salaries by 50% until global financial conditions improved and as such, the Managing Director is being paid a current annual remuneration of \$100,000 per annum.

The Managing Director may terminate the agreement by one month's written notice if there is a change of control of Auzex and the Managing Director forms the reasonable opinion that he will not be able to implement his strategy or plans for the development of the Company or its projects. If the agreement is terminated by the Managing Director in those circumstances, the Company must pay the Managing Director, in addition to any period of notice (or in lieu of notice), the equivalent of one month's salary for each year of employment or pro rata thereof. Otherwise, the Managing Director may terminate the agreement by six weeks written notice. The Company may at any time terminate the employment of the Managing Director by paying two months salary provided the Managing Director has been employed by the Company for no less than 12 months or by giving six weeks notice.

The Chief Geologist has permanent employment contract with the Company subject to an annual remuneration review. Under that contract the Chief Geologist is entitled to receive annual remuneration of \$150,000. In June 2009, Directors unanimously resolved to cut all salaries by 50% until global financial conditions improved and as such, the Chief Geologist is being paid a current annual remuneration of \$75,000 per annum. Either party may terminate the agreement at any time by giving six weeks' notice or, in the case of the Company, with immediate effect by paying the executive three months' remuneration. In addition the Company may terminate the executive's employment at any time for misconduct or non-performance.

The Company Secretary operates a consultancy business providing Company Secretarial and Accounting services (see profile in Director's Report). He does not have an executive management role in the Company but takes responsibility for producing the financial accounts, managing cash flows and provides a governance overview and general counsel to the Company. His consultancy is paid for services on normal commercial terms.

DIRECTORS' REPORT (Continued)**REMUNERATION REPORT (Audited) (Continued)****Table 1 – Directors' Remuneration for the year ended 30 June 2009**

		Short Term			Post Employment	Share based payment	Total
		Salary & Consulting Fees	Directors Fees	Non Monetary benefits	Super-annuation	Options (amortised cost)	
Directors							
J. Lawton	2009	220,183	-	-	19,817	-	240,000
Executive Chairman	2008	211,009	-	-	18,991	1,701	231,701
E. Iliescu	2009	55,045	-	-	4,955	3,251	63,251
Executive Director	2008	-	-	-	-	-	-
G. Partington**	2009	60,000	21,333	-	-	-	81,333
Executive Director	2008	165,100	-	-	-	1,701	166,801
C. Baker*	2009	-	32,000	-	-	-	32,000
Non-executive Director	2008	21,323	29,083	-	-	850	51,256
P. Frederiks*	2009	56,116	32,000	-	-	-	88,116
Non-executive Director and Company Secretary	2008	70,849	27,542	-	1,541	850	100,782
Totals	2009	391,344	85,333	-	24,772	3,251	504,700
	2008	468,281	56,625	-	20,532	5,102	550,540

* Consulting fees were paid to these two non-executive directors for the provision of professional services on an arms length basis.

** Became a Non-Executive Director effective 1 November 2008.

Table 2 - Remuneration of the named executives who receive the highest remuneration for the year ended 30 June 2009

		Short Term		Post Employment	Share based payment	Total
		Salary & Consulting Fees	Bonus	Superannuation	Options (amortised cost)	
R. Mustard	2009	118,103	-	9,373	-	127,476
	2008	130,734	-	11,766	1,701	144,201
B. O'Donovan	2009	26,763	-	923	-	27,686
	2008	100,000	20,000	9,000	7,897	136,897
Totals	2009	144,866	-	10,296	-	155,162
	2008	230,734	20,000	20,766	9,598	281,098

Options granted as part of remuneration for the year ended 30 June 2009

There were no options granted to any of the named executives above during the year.

DIRECTORS' REPORT (Continued)**SHARE OPTIONS****Unissued shares**

As at the date of this report, there were 4,000,000 unissued ordinary shares under options (2008 – 3,935,000). Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. The options are unlisted, issued for nil consideration and have a term of five years. There were 1,000,000 share options granted during the financial year ended 30 June 2009 (2008 – nil).

Shares issued as a result of the exercise of options

There were no options exercised during the financial year (2008 – Nil) or since the end of the financial year.

DIRECTORS' MEETINGS

During the period there were eleven Directors' meetings held. The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial period are as follows:

	Directors' Meetings		Audit Committee Meetings	
	Number held whilst in office	Number Attended	Number held whilst in office	Number Attended
J. Lawton	11	11	2	2
E. Iliescu	3	3	1	1
G. Partington	11	11	2	2
C. Baker	11	10	2	2
P. Frederiks	11	11	2	2

The Company has an Audit Committee comprising all Directors which meets specifically as required.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received a declaration from the auditor of Auzex Resources Limited which is listed immediately after this report and forms part of this Directors' report.

The Company did not receive any non-audit services from the entity's auditor, Ernst & Young during the year.

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's Corporate Governance Statement is printed immediately following this Directors' Report.

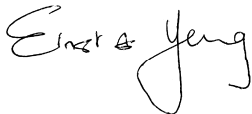
Signed in accordance with a resolution of the Directors.



J. Lawton
Chairman
Brisbane, 11 September 2009

Auditor Independence Declaration to the Directors of Auzex Resources Limited

In relation to our audit of the financial report of Auzex Resources Limited for the financial year ended 30 June 2009, 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 cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Mike Meintjes'.

Mike Meintjes
Partner
Brisbane
11 September 2009

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Auzex Resources Limited is responsible for the corporate governance of the Company and is committed to achieving and demonstrating high standards of corporate governance.

Auzex Resources Limited's Corporate Governance Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations" as revised in August 2007 the Principles of which are as follows:

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

This Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

Auzex Resources Limited's corporate governance practices were in place throughout the year ended 30 June 2009. The Company has chosen to early adopt the revised Principles as recommended by the Council. For further information on corporate policies adopted by Auzex Resources Limited, please refer to the Corporate Governance Tab under "About Auzex Resources" on our website located at www.auzex.com.

For 2009, the Company's reporting against the Principles is as follows:

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of Board and management.

The Board operates in accordance with the following principles and guidelines.

- The Board does comprise Directors with an appropriate range of qualifications and expertise.
- The terms and conditions of the appointment of Non-Executive Directors are set out in a letter of appointment. The appointment letter covers the following matters:
 - the level of remuneration;
 - the tenure of appointment;
 - the expectation of the Board in relation to attendance and preparation for all Board meetings;
 - the Directors code of conduct;
 - the procedures dealing with conflicts of interest; and
 - the availability of independent advice - The Board has agreed a procedure for Directors to take independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.
- The Board meets as often as required to attend to the affairs of the Company and follow meeting guidelines set down to ensure all Directors are made aware of, and have available to them all necessary information enabling them to participate in an informed discussion of all agenda items.

The Board is responsible for the direction and supervision of the Company's business on behalf of the shareholders, by whom they are elected and to whom they are accountable. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability. The Board draws on relevant corporate governance best practice principles to assist it to contribute to the performance of the Company.

CORPORATE GOVERNANCE (Continued)

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (continued)

The primary functions of the Board include responsibility for:

- Approving objectives, goals and strategic direction for management;
- Monitoring financial performance including adopting annual budgets and approving the Company's financial statements;
- Ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- Selecting, appointing and reviewing the performance of the Executive Chairman and reviewing the performance of senior operational management;
- Ensuring significant business risks are identified and appropriately managed; and
- Reporting to shareholders on performance.

The Company's Executive Director's performance and remuneration is reviewed annually by the Non-executive Directors. The performance criteria against which Directors and Executives are assessed is aligned with the financial and non-financial objectives of Auzex Resources Limited. Further details of the process for evaluating performance is set out in the Remuneration Report.

The Board may determine from time to time to establish specific purpose sub-committees to deal with specific issues. All matters determined by committees are submitted to the full Board as recommendations for Board decision. Minutes of committee meetings are tabled at the immediately subsequent Board meeting.

2. STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

SKILLS, EXPERIENCE AND EXPERTISE OF DIRECTORS

The Directors in office at the date of this statement are:

Name	Position	Independent	Term in Office	Expertise
John Lawton	Executive Chairman	No	5.9 years	Management and Resource Development
Eugene Iliescu	Managing Director	No	0.5 years	Management and Resource Development
Greg Partington	Non-Executive Director	No	5.9 years	Mineral Exploration, structural geology, database development & management
Chris Baker	Non-Executive Director	Yes	4.0 years	Finance, Governance and Management
Paul Frederiks	Non-Executive Director	No	4.0 years	Finance, Governance and Management

INDEPENDENT DIRECTORS

Directors of Auzex Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

CORPORATE GOVERNANCE (Continued)

2. STRUCTURE THE BOARD TO ADD VALUE (continued)

In accordance with the definition of independence above, and the materiality thresholds set, the Directors as marked in the previous table are considered to be independent. Therefore there are three Non-Executive Directors, one of whom is deemed independent, and two Executive Directors, neither of whom are deemed independent. One Non-Executive Director who is not deemed independent is also the Company Secretary and provides accounting services to the Company.

Due to the Company's size, requirements and resources, the Board considers that the existing skill mix of the Directors is highly appropriate. For this reason ASX Recommendations 2.1 (A majority of the Board should be independent Directors), 2.2 (The Chair should be an Independent Director), and 2.4 (The Board should establish a nomination committee) have not been adopted. Further details of the members of the Board including their experience and expertise is set out in the Directors' Report.

NON-EXECUTIVE DIRECTORS

The three Non-Executive Directors periodically meet for a period of time, without the presence of management, to discuss the operation of the Board and a range of other matters including those relating to Remuneration and Directors Nominations. Relevant matters arising from these meetings are shared with the full Board.

TERM OF OFFICE

The Company's constitution specifies that all Directors (with the exception of the Executive Chairman) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, it is the intention that all Directors will complete a structured self evaluation questionnaire that aimed to evaluate the performance of the Board as a whole on an annual basis. These responses are collated and subsequently discussed by the Board to improve the functional operations of the Board. The Executive Chairman meets privately with each Director as appropriate to discuss their individual performance. The Executive Chairman's performance is reviewed by the Board.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making

The Company supports and has adopted the Code of Conduct published by The Australian Institute of Company Directors in 2005. This code recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics and its commitment to ensuring compliance with the insider trading laws.

The insider trading provisions of the Corporations Act have been drawn to the attention of all Directors and executives and it has been agreed that this will be a continuing policy on a regular basis. Directors have all entered into agreements to notify the Company within three days of any dealing in the Company's securities and it is an employment condition that all executives notify the Company within three days of any dealing in the Company's securities.

The Code of Conduct and Securities Trading policy are available on the Company's website.

CORPORATE GOVERNANCE (Continued)

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The Board has adopted an Audit Committee Charter to ensure the truthful and factual presentation of the Company's financial position. Audit Committee meetings will be held periodically throughout the year. It is the policy of the Board that the members of the committee shall be a minimum of two Non-executive Directors. The Audit Committee will be chaired by a Non-executive Director other than the Chairman of the Board.

The main functions of the committee will be to:

- Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- Review the scope and results of internal, external and compliance audits;
- Maintain open lines of communication between the Board and external auditors and the Company's compliance officers;
- Review and report to the Board on the annual report, the half-year financial report and all other financial information published by the Company or released to the market;
- Assess the adequacy of the Company's internal controls and make informed decisions regarding compliance policies, practices and disclosures;
- Ensure effective deployment of risk management processes;
- Nominate the external auditors and review the terms of their engagement, the scope and quality of the audit and the auditor's independence;
- Review the level of non-audit services provided by the external auditors and ensure that it does not adversely impact on auditor independence.

The Chairman of the Audit Committee reviews the performance of the committee with members and reports annually to the Board. Due to the small size of the Board, the Board considers it appropriate that all Directors sit on the Audit Committee which as discussed is separately chaired by a Non-executive Director. For this reason ASX Recommendation 4.2 (Structure the Audit Committee so that it consists of only Non-executive Directors, a majority of Independent Directors, an Independent Chairperson and at least three members) has not been adopted in regard to the first two points.

The members of the Audit Committee during the year were:

Chris Baker (Chairman)
John Lawton
Eugene Iliescu
Greg Partington
Paul Frederiks

Each of the Committee members are financially literate in terms of ASX's Corporate Governance Guidelines (i.e. able to read and understand financial statements), have an understanding of the industry in which the Company operates and Paul Frederiks has financial expertise in terms of ASX's Corporate Governance Guidelines.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to the Directors' Report.

CORPORATE GOVERNANCE (Continued)

5. MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

The Board has adopted a Listing Rule 3.1 Compliance Policy, which has been designed to ensure compliance with the ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The aims of this policy are to:

- assess new information and co-ordinate any disclosure or releases to ASX, or any advice required in relation to that information, in a timely manner;
- provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations;
- report to the Board on continuous disclosure matters; and
- ensure that employees, consultants, associated entities and advisers of the Company understand the obligations to bring material information to the attention of the Company Secretary.

The Executive Chairman has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. The Company Secretary is responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules.

The Company rigorously polices its continuous disclosure responsibilities to ensure a fully informed market at all times.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are provided with all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- The Annual Report, which will be distributed to all shareholders (unless shareholders specifically indicate otherwise);
- Quarterly Reports to all shareholders (to be issued within four weeks of the end of the quarter);
- The Annual General Meeting, and other meetings called to obtain approval for Board action as appropriate; and
- The Company's Corporate Internet site at www.auzex.com. This web site is actively maintained and includes all market announcements, research reports from analysts, briefings to shareholders, full texts of notices of meeting and explanatory material and compliance reports such as the quarterly cash flow report and Annual Report.

Shareholders are actively encouraged to become "online shareholders" by registering electronically with the Company to receive an email notification of announcements as they are made. The Company endeavours to respond to all shareholder queries on a prompt and courteous basis.

All information disclosed to the ASX is immediately posted on the Company's website as soon as it is disclosed to the ASX.

CORPORATE GOVERNANCE (Continued)

7. RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

The Company is committed to having a culture of risk management and has established a risk management system that supports a pro-active approach to managing risk and to exploiting opportunity at all levels.

Management, through the Executive Chairman and Managing Director, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit Committee on the Company's key risks and the extent to which it believes these risks are being managed. This is performed on a six monthly basis or more frequently as required by the Board or Committee.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. It reviews strategic and operational risks in conjunction with, and as a key input to an annual corporate strategy workshop attended by the Board and senior management. This workshop reviews the Company's strategic direction in detail and includes specific focus on the identification of business risks which could prevent the Company from achieving its objectives. Management are required to ensure that appropriate controls and mitigation strategies are in place to effectively manage those risks. Compliance and reporting risks are reviewed on an ongoing basis with an independent company engaged to manage the Company's requirements. The Audit Committee oversees the adequacy and comprehensiveness of risk reporting from Management.

The Board receives a written assurance from the Executive Chairman (EC) and the Company Secretary (CS) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the EC and CS can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

8. REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

REMUNERATION

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and small executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Executive Directors' and key executives' emoluments are structured to retain and motivate executives by offering a competitive base salary together with performance incentives through share options which allow executives to share in the success of Auzex Resources Limited. The Company's policy is that the use of hedging instruments by Directors and key executives to limit their exposure to risk on either shares or options is prohibited.

The Company currently has three Non-Executive Directors and two Executive Directors. The Company's Executive Directors do not receive Directors' fees and their remuneration packages are formalised in service agreements. The Non-executive Directors' maximum aggregate remuneration as approved by shareholders is currently \$100,000 and is set at a level that compensates the Directors for their significant time commitment in overseeing the progression of the Company's business plan.

There are no retirement benefits offered to Non-executive Directors other than statutory superannuation. For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

The Board is responsible for determining and reviewing the compensation arrangements for Directors themselves. Due to the size and specific project nature of the Company, the Board undertakes this compensation review collectively and therefore does not require a separately established Remuneration Committee. For this reason ASX Recommendation 8.1 (The Board should establish a Remuneration Committee) has not been adopted.

INCOME STATEMENT**FINANCIAL YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Interest Income		22,931	151,762	21,587	145,231
Provision for non-recovery of subsidiary loan		-	-	(500,000)	-
Write-off of Exploration Expenses		(3,910,563)	(165,031)	(3,342,912)	(164,339)
General & Administrative Expenses	3	(983,027)	(1,135,907)	(983,278)	(1,134,776)
Loss before Income Tax Expense		(4,893,590)	(1,149,176)	(4,804,603)	(1,153,884)
Income Tax Benefit attributable to Operating Loss	4	-	-	-	-
Loss after Income Tax Expense	12	(4,893,590)	(1,149,176)	(4,804,603)	(1,153,884)
Basic and diluted Loss per share (cents per share)	15	(15.3)	(4.0)	-	-

The above Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET**AS AT 30 JUNE 2009**

	Note	Consolidated		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Current Assets					
Cash Assets	21A	741,180	888,870	665,869	407,007
Receivables and Prepayments	5	39,561	87,671	526,636	1,318,561
Total Current Assets		780,741	976,541	1,192,505	1,725,568
Non Current Assets					
Investments in Controlled Entities	20	-	-	-	-
Property, Plant and Equipment	6	61,383	119,315	59,954	117,429
Deferred Exploration and Evaluation costs	7	9,601,846	12,103,396	9,333,193	11,434,272
Total Non Current Assets		9,663,229	12,222,711	9,393,147	11,551,701
Total Assets		10,443,970	13,199,252	10,585,652	13,277,269
Current Liabilities					
Payables	8	94,534	345,246	58,984	327,332
Provisions	9	42,740	91,742	42,740	91,742
Total Current Liabilities		137,274	436,988	101,724	419,074
Provisions	9	84,717	84,717	84,717	84,717
Total Non-Current Liabilities		84,717	84,717	84,717	84,717
Total Liabilities		221,991	521,705	186,441	503,791
Net Assets		10,221,979	12,677,547	10,399,211	12,773,478
Equity					
Contributed Equity	10	17,871,967	15,444,882	17,871,967	15,444,882
Reserves	11	703,654	692,717	797,547	794,296
Accumulated Losses	12	(8,353,642)	(3,460,052)	(8,270,303)	(3,465,700)
Total Equity		10,221,979	12,677,547	10,399,211	12,773,478

The above Balance Sheet should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT**FINANCIAL YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash Flows from/(used in) Operating Activities					
Goods and services tax received		190,729	536,176	188,264	499,785
Payments to suppliers and employees		(1,175,468)	(1,350,379)	(1,199,205)	(1,326,907)
Interest received		23,431	167,713	22,087	161,182
Net cash flows from/(used in) operating activities	21(b)	(961,308)	(646,490)	(988,854)	(665,940)
Cash Flows used in Investing Activities					
Purchase of property, plant & equipment		(17,929)	(55,366)	(17,929)	(53,262)
Payments for exploration and evaluation expenditure		(1,648,758)	(6,084,905)	(1,460,515)	(4,937,888)
Farm-in payments received		-	852,797	-	-
Sale of Fixed Assets		53,220	-	53,220	-
Net cash flow used in investing activities		(1,613,467)	(5,287,474)	(1,425,224)	(4,991,150)
Cash Flows from Financing Activities					
Proceeds from issue of shares		2,513,507	2,655,278	2,513,507	2,655,278
Costs of share issue		(86,422)	(82,992)	(86,422)	(82,992)
Loans from/(to) related parties		-	-	245,855	(353,885)
Net cash flow provided by financing activities		2,427,085	2,572,286	2,672,940	2,218,401
Net increase / (decrease) in cash held		(147,690)	(3,361,678)	258,862	(3,438,689)
Add: Opening cash carried forward		888,870	4,250,548	407,007	3,845,696
Closing cash carried forward	21(a)	741,180	888,870	665,869	407,007

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY**FINANCIAL YEAR ENDED 30 JUNE 2009**

	Consolidated			
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2007	12,872,596	(2,310,876)	793,494	11,355,214
Cost of share-based payment - recognition of share option expense	-	-	42,619	42,619
Issue of Shares via Share Purchase Plan (SPP) and Placement	2,655,278	-	-	2,655,278
Transaction costs of SPP	(82,992)	-	-	(82,992)
Foreign Currency Translation Reserve	-	-	(143,396)	(143,396)
Loss for the period	-	(1,149,176)	-	(1,149,176)
At 30 June 2008	15,444,882	(3,460,052)	692,717	12,677,547

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2008	15,444,882	(3,460,052)	692,717	12,677,547
Cost of share-based payment - recognition of share option expense	-	-	3,251	3,251
Rights Issue of listed options	1,147,456	-	-	1,147,456
Transaction cost of options issue	(57,027)	-	-	(57,027)
Issue of Shares via Share Purchase Plan (SPP) and Placement	1,356,467	-	-	1,356,467
Transaction costs of SPP & placement	(29,395)	-	-	(29,395)
Exercise of listed options	9,584	-	-	9,584
Foreign Currency Translation Reserve	-	-	7,686	7,686
Loss for the period	-	(4,893,590)	-	(4,893,590)
At 30 June 2009	17,871,967	(8,353,642)	703,654	10,221,979

STATEMENT OF CHANGES IN EQUITY**FINANCIAL YEAR ENDED 30 JUNE 2009**

	Parent Entity			
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2007	12,872,596	(2,311,816)	751,677	11,312,457
Cost of share-based payment - recognition of share option expense	-	-	42,619	42,619
Issue of Shares via Share Purchase Plan (SPP) and Placement	2,655,278	-	-	2,655,278
Transaction costs of SPP	(82,992)	-	-	(82,992)
Loss for the period	-	(1,153,884)	-	(1,153,884)
At 30 June 2008	15,444,882	(3,465,700)	794,296	12,773,478

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
At 1 July 2008	15,444,882	(3,465,700)	794,296	12,773,478
Cost of share-based payment - recognition of share option expense	-	-	3,251	3,251
Rights Issue of listed options	1,147,456	-	-	1,147,456
Transaction cost of options issue	(57,027)	-	-	(57,027)
Issue of Shares via Share Purchase Plan (SPP) and Placement	1,356,467	-	-	1,356,467
Transaction costs of SPP & placement	(29,395)	-	-	(29,395)
Exercise of listed options	9,584	-	-	9,584
Loss for the period	-	(4,804,603)	-	(4,804,603)
At 30 June 2009	17,871,967	(8,270,303)	797,547	10,399,211

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION

The financial report of Auzex Resources Limited (the Company) for the year ended 30 June 2009 was authorised in accordance with a resolution of the Directors on 11 September 2009. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis and is presented in Australian dollars. The Directors have adopted the going concern assumption in preparing the financial report.

The company and the consolidated entity incurred a net loss from continued operations after income tax for the year ended 30 June 2009 of \$4,893,590 (June 2008: \$1,149,176) and \$4,304,603 (June 2008: \$1,153,884) respectively. As at 30 June 2009, the company and the consolidated entity had net working capital of \$914,015 and \$1,184,177 respectively. The Directors believe that the company and the consolidated entity are going concerns. The company and the consolidated entity's ability to continue as going concerns and meet their debts as and when they fall due are dependent on the company and the consolidated entity:

- Obtaining additional funding in the near future and continuing to receive the support of the current shareholders and creditors; and
- 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 going concerns and be able to pay its debts as and when they fall due.

In providing the Directors' Declaration the above considerations have been taken into account in 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 not continue as a going concern.

(B) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

Certain Australian Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the annual reporting period ended 30 June 2009. The Directors have assessed the impact of these new or amended standards (to the extent relevant to the group) and have concluded that these Standards and interpretations will not impact the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Basis of Consolidation

The consolidated financial statements are those of the consolidated entity comprising Auzex Resources Limited and Auzex Resources (NZ) Pty Ltd (the Group). 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.

Subsidiaries are all those entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

(D) Significant Accounting Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model. The expense in each year of the vesting period is based on the changes to the estimated number of equity instruments expected to ultimately vest with the recipients.

Provision for site rehabilitation

The Company reviews rehabilitation requirements for its exploration tenements on a six-monthly basis by undertaking an in-house analysis of the costs to rehabilitate the sites as appropriate.

Impairment

The Company determines on an annual basis whether impairment triggers have occurred for each area of interest included in Deferred Exploration and Evaluation Costs. Where an impairment trigger is identified, an estimation of the recoverable amount of the cash generating units to which these asset groups belong is required.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Foreign Currency Translation

Both the functional and presentation currency of Auzex Resources Limited is Australian dollars (\$A). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement except for exchange differences arising on translation of foreign operations which are taken directly to a separate component of equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary Auzex Resources (NZ) Pty Ltd is New Zealand dollars (NZ\$). As at the reporting date the assets and liabilities of this overseas subsidiary is translated into the presentation currency of Auzex Resources Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(F) Property, Plant & Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on a straight line basis on all property, plant and equipment. All classes are depreciated over periods ranging from 3 to 10 years (comparable to prior year). The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment exists when the carrying value exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement in the year the loss is recognised.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(G) Exploration, Evaluation, Development and Restoration costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Amounts received in respect to farm-in arrangements are offset against the relevant exploration and evaluation costs where these amounts have been capitalised

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Impairment

The carrying values of exploration, evaluation, development and restoration costs are reviewed for impairment in accordance with AASB 6 – *Exploration and Evaluation of Mineral Resources* when facts and circumstances suggest that the carrying amount of such an asset may exceed its recoverable amount. Any impairment loss identified is recognised as an expense in accordance with AASB 136 – *Impairment of Assets*.

Amortisation

Costs on productive areas will be amortised over the life of the area of interest to which such costs relate on the production output basis.

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs will be recognised progressively over the life of the facility as these obligations occur. The costs include obligations relating to reclamation, plant closure and other costs associated with the restoration of the site.

(H) Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(I) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(J) Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified. Interest is taken up as income on an effective interest basis. Bills of exchange are measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(K) Interest Bearing Liabilities

All interest bearing liabilities are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the liability. After initial recognition, interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised.

(L) Contributed Equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(M) Trade and Other Payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(N) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(O) Employee Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(P) Share-based Payment Transactions

The Company provides benefits to employees (including Directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares ('equity-settled transactions').

The current plan in place to provide these benefits is the Auzex Option Plan, which provides benefits to Executive Directors and employees. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by the use of a Black-Scholes model which is prepared by the Company and independently reviewed.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Auzex Resources Limited ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(Q) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. In the case of interest, revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(R) Earnings per Share

Basic earnings per share is determined by dividing the operating profit after tax by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share is determined by dividing the operating profit after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial period.

(S) Segment Reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(T) Farm-in Arrangement

The Company is a party to a farm in arrangement with New Zealand Minerals Limited (NZML). In the arrangement the Company (the 'transferor') transfers a part of its interest in mineral rights for an agreement by NZML (the 'transferee') to meet, certain expenditure which would otherwise have to be undertaken by the Company. The cash consideration received by the Company through the reimbursement of costs incurred is credited to the accounts where such costs were initially recorded.

(U) Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

For Auzex Resources Limited, no deferred income tax asset is being recognised in the accounts as the benefit is not considered to be probable of being realised at this stage of the Company's development. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(V) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the Cash Flow Statement on a net basis and the GST component arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
NOTE 3 – EXPENSES AND LOSSES/(GAINS)				
Operating loss before income tax has been determined after charging/(crediting) the following specific items:				
Option Valuation expense	3,251	42,619	3,251	42,619
Depreciation of plant and equipment	73,989	92,045	73,532	91,827
Foreign exchange loss/(gain)	(620)	4,192	(620)	3,279
NOTE 4 - INCOME TAX				
The prima facie tax of 30% (2008 - 30%) on the operating loss differs from the income tax provided in the financial statements as follows:				
Prima facie tax on loss	(1,468,077)	(344,753)	(1,441,381)	(346,165)
Tax effect of amounts treated differently in accounts and for tax purposes:				
Provision for non recovery of amount receivable from subsidiary	-	--	150,000	-
Other expenses	(16,335)	15,124	(16,335)	15,124
Employee share and option expenses	975	9,455	975	9,455
Section 40-880 deduction – capital raising	(51,725)	(46,540)	(51,725)	(46,540)
Exploration costs written off for book purposes	1,122,195	-	1,002,874	-
Exploration expenditure	(441,923)	(1,592,057)	(372,550)	(1,481,219)
Income tax benefit attributable to current year losses as reported in the Income Statement	(854,890)	(1,958,771)	(728,142)	(1,849,345)
Deferred tax asset not brought to account as realisation of the asset is not regarded as probable	854,890	1,958,771	728,142	1,849,345
Income tax expense attributable to operating loss	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - INCOME TAX (Continued)

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Balance Sheet		Income Statement	
	2009	2008	2009	2008
	\$	\$	\$	\$
Consolidated				
Deferred tax liabilities				
Exploration Expenditure	(3,000,695)	(3,631,019)	-	-
Other Deferred tax liability	(869)	(1,019)	-	-
Deferred tax assets				
Losses available for offset against future taxable income	5,688,257	4,833,367	-	-
Other deferred tax asset	14,052	30,833	-	-
Total deferred tax assets	2,700,745	1,232,162	-	-
Deferred tax asset not recognised	(2,700,745)	(1,232,162)	-	-
Gross deferred income tax assets	-	-	-	-
Deferred tax income/(expense)	-	-	-	-
Parent Entity				
Deferred tax liabilities				
Exploration Expenditure	(2,799,958)	(3,430,282)	-	-
Other Deferred tax liability	(869)	(1,019)	-	-
Deferred tax assets				
Losses available for offset against future taxable income	5,349,391	4,621,249	-	-
Other deferred tax asset	14,052	30,833	-	-
Total deferred tax assets	2,562,616	1,220,781	-	-
Deferred tax asset not recognised	(2,562,616)	(1,220,781)	-	-
Gross deferred income tax assets	-	-	-	-
Deferred tax income/(expense)	-	-	-	-

The deferred tax asset arising from estimated tax losses is not brought to account at balance date as realisation of the benefit is not yet regarded as probable.

The deferred tax asset will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
NOTE 5 – RECEIVABLES AND PREPAYMENTS (CURRENT)				
GST Receivable	16,347	63,737	16,347	61,273
Interest Receivable	2,896	3,396	2,896	3,396
Sundry Receivables	16,697	15,761	12,227	11,716
Prepayments	3,621	4,777	3,621	4,777
Amount Receivable from Subsidiary	-	-	991,545	1,237,399
Provision for non-recovery			(500,000)	-
	39,561	87,671	526,636	1,318,561

Terms and conditions

GST receivable, interest receivable and sundry receivables are non-interest bearing.

Allowance for Impairment loss.

No allowance has been made for impairment loss. A provision for impairment loss is only recognised when there is objective evidence that an individual receivable is impaired. None of the balances within receivables and prepayments contain impaired assets and are not past due.

NOTE 6 - PROPERTY, PLANT & EQUIPMENT

Plant and Equipment at cost	232,250	322,043	230,115	319,939
Less: accumulated depreciation	(170,867)	(202,728)	(170,161)	(202,510)
Total Property, Plant and Equipment	61,383	119,315	59,954	117,429
Reconciliation of Plant & Equipment				
Carrying amount at beginning	119,315	155,994	117,429	155,994
Additions	17,928	55,366	17,928	53,262
Depreciation Expense	(73,989)	(92,045)	(73,532)	(91,827)
Disposals	(1,871)	-	(1,871)	-
	61,383	119,315	59,954	117,429

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
NOTE 7 – DEFERRED EXPLORATION AND EVALUATION COSTS				
Exploration Phase	9,601,846	12,103,396	9,333,193	11,434,272
Total	9,601,846	12,103,396	9,333,193	11,434,272
<i>Reconciliation of Deferred Exploration & Evaluation costs</i>				
Carrying amount at beginning	12,103,396	7,207,175	11,434,272	6,831,390
Add: Exploration Expenditure for period	1,431,944	5,622,945	1,241,833	4,767,221
Less: Farm-In Recoupment*	-	(561,693)	-	-
Less: Exploration written off for period	(3,933,494)	(165,031)	(3,342,912)	(164,339)
	9,601,846	12,103,396	9,333,193	11,434,272

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective exploration tenements.

*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.

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.

NOTE 8 - PAYABLES

Current

Trade Creditors	22,191	255,463	20,263	238,945
Accrued Liabilities	72,343	89,783	38,721	88,387
	94,534	345,246	58,984	327,332

Terms and conditions

Accounts payable and accrued liabilities are non-interest bearing. Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. All amounts are normally settled within 30 days, and discounts for early payment are normally taken where it is considered advantageous for the Company to do so.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – PROVISIONS

	Consolidated		
	Employee Entitlements \$	Restoration Provision \$	Total Provisions \$
At 1 July 2008	71,842	104,617	176,459
Arising during the year	35,289	-	35,289
Utilised	(84,291)	-	(84,291)
At 30 June 2009	22,840	104,617	127,457
Current 2009	22,840	19,900	42,740
Non current 2009	-	84,717	84,717
	22,840	104,617	127,457
At 1 July 2007	36,604	104,500	141,104
Arising during the year	70,013	117	70,130
Utilised	(34,775)	-	(34,774)
At 30 June 2008	71,842	104,617	176,459
Current 2008	71,842	19,900	91,742
Non current 2008	-	84,717	84,717
	71,842	104,617	176,459
	Parent Entity		
	Employee Entitlements \$	Restoration Provision \$	Total Provisions \$
At 1 July 2008	71,842	104,617	176,459
Arising during the year	35,289	-	35,289
Utilised	(84,291)	-	(84,291)
At 30 June 2009	22,840	104,617	127,457
Current 2009	22,840	19,900	42,740
Non current 2009	-	84,717	84,717
	22,840	104,617	127,457
At 1 July 2007	36,604	104,500	141,104
Arising during the year	70,013	117	70,130
Utilised	(34,775)	-	(34,775)
At 30 June 2008	71,842	104,617	176,459
Current 2008	71,842	19,900	91,742
Non current 2008	-	84,717	84,717
	71,842	104,617	176,459

The restoration provision relates to the restoration of the two tenements where drilling has occurred during the financial year and consists of rehabilitating the drill pad sites and access tracks. Bank Guarantees totalling \$7,500 and \$75,000 are held respectively by the Queensland and NSW governments to secure tenement rehabilitation obligations.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
NOTE 10 – CONTRIBUTED EQUITY				
Issued and Fully Paid Capital				
39,377,897 (2008 – 30,372,005) fully paid ordinary shares	17,871,968	15,444,882	17,871,968	15,444,882

		Number of Shares	Issue price \$ per share	\$
Movement in ordinary share capital:				
30/06/07	Balance end of financial year	27,455,605	-	12,872,596
10/12/07	Ordinary shares issued pursuant to SPP	1,558,733	\$0.9196	1,433,378
10/12/07	Placement	1,357,667	\$0.90	1,221,900
31/12/07	Transaction costs of SPP and placement	-	-	(82,992)
30/06/08	Balance end of financial year	30,372,005	-	15,444,882
Sep 08	Rights issue of listed options		\$0.10	1,147,456
Sep 08	Transaction cost of options issue			(57,027)
Sep 08	Exercise of listed options	12,778	\$0.75	9,584
Dec 08	Issue of Shares	150,000	\$0.20	30,000
Mar 09	Ordinary shares issued pursuant to SPP	3,846,667	\$0.15	577,000
Mar 09	Placement	2,974,080	\$0.15	446,112
May 09	Placement (SPP Shortfall)	2,022,367	\$0.15	303,355
	Transaction costs of SPP and placement			(29,395)
30/06/09	Balance end of financial year	39,377,897		17,871,967

Terms and Conditions of contributed equity

Ordinary Shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available to the entity. As the entity is not in position to be debt funded until it advances a project to a completed feasibility phase which has the support of financiers, it must rely totally on shareholders for its funding requirements.

Management is current seeking a cornerstone investment partner to subscribe to at least 10% of the equity in the Company that will underpin the cash flow requirement to advance the Kingsgate Project to development phase when a further capital raising is envisaged in conjunction with project debt finance.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
NOTE 11 – RESERVES				
Ordinary shares transferred between shareholders in consideration of services rendered	297,001	297,001	297,001	297,001
Recognition of Share Option Expense	500,546	497,295	500,546	497,295
Foreign Currency Translation Reserve	(93,893)	(101,579)	-	-
	703,654	692,717	797,547	794,296
Reconciliation of Reserves				
Carrying amount at beginning	692,717	793,494	794,296	751,677
Recognition of Share Option Expense	3,251	42,619	3,251	42,619
Foreign Currency Translation Reserve	7,686	(143,396)	-	-
	703,654	692,717	797,547	794,296

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
NOTE 12 – ACCUMULATED LOSSES				
Balance at the beginning of year	(3,460,052)	(2,310,876)	(3,465,700)	(2,311,816)
Net Loss attributable to members of Auzex Resources Limited	(4,893,590)	(1,149,176)	(4,804,603)	(1,153,884)
Balance at the end of year	(8,353,642)	(3,460,052)	(8,270,303)	(3,465,700)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – EXPENDITURE COMMITMENTS

Exploration Tenement Commitments

In order to maintain current rights of its Exploration tenements, the Company is required to outlay annual rentals and to meet certain expenditure requirements of the New South Wales and Queensland governments. These commitments are minimum expenditure requirements, determined by the relevant Government body on an individual tenement basis for each year of tenure from the date of grant, to maintain the tenements in good standing. The commitment remains only for as long as the tenement is held, and may be subject to negotiation based on merit. There are no minimum expenditure commitments on the NZ tenements. The expenditure commitments listed below and which are not provided for in the financial report represent an estimate of the sum of all Queensland and New South Wales annual expenditure requirements of tenements and are payable as follows:

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Payable not later than one year	93,930	956,800	58,110	956,800
Later than one year but not later than two years		-		-
	93,930	956,800	58,110	956,800
Operating Leases Commitments (non-cancellable)				
Payable not later than one year	19,545	16,885	18,865	16,885
	19,545	16,885	18,865	16,885
Capital Expenditure Commitments	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Employee Benefits				
The aggregate employee benefit liability is comprised of:				
Provision for Annual Leave (current)	22,840	71,843	22,840	71,843
	22,840	71,843	22,840	71,843

Superannuation Commitments

The parent entity contributes to external accumulation funds for its employees which provide benefits for employees and their dependants on retirement, disability or death. These funds provide benefits on a defined contribution basis. Contributions are enforceable to the extent of the contribution required by the Superannuation Guarantee Levy.

Employer contributions paid or payable to the plans	64,290	104,230	64,290	104,230
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Auzex Option Plan

The Company has in place the Auzex Option Plan which was established to assist in the recruitment, reward, retention and motivation of Directors, employees of and key consultants to Auzex.

The options, issued for nil consideration, are issued in accordance with performance hurdles established by the Directors of Auzex Resources Limited and are issued for a term of four years (except for the Managing Director which is 2 years). The options are valued using the Black-Scholes formula which is a function of the relationship between a number of variables that principally comprise the share price, option exercise price, risk free interest rate and the volatility of the Company's underlying share price. Accordingly, the formula requires a number of inputs, some of which must be assumed.

For the purposes of options granted in 2009, the material assumptions were:

- Share price of \$0.15
- Risk free interest rate of 5.52%
- A volatility factor of 70%
- An expected dividend yield of 0%

The financial impact of the grant of options was \$3,251 for the financial year ended 30 June 2009 and \$29,917 in aggregate over the exercise period of the options. The options cannot be transferred and will not be quoted on the ASX.

Total Option Movements

The following table summarises all options issued under the aforementioned Option Plan

	2009		2008	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of year	3,935,000	\$1.00	3,935,000	\$1.00
Granted during the year	1,000,000	\$0.19	-	-
Lapsed during the year	(935,000)	\$1.81	-	-
Balance at end of year (see table below)	4,000,000	\$0.61	3,935,000	\$1.00
Vested and exercisable at end of year	3,000,000	\$0.75	3,505,000	\$0.87

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Continued)

Total Options held at the end of the reporting period

The following table summarises information about options held by employees as at 30 June 2009:

Grant Date	Number Options	Expiry Date	Exercise price
01/09/05	1,000,000	31/08/10	\$0.50
01/09/05	1,000,000	31/08/10	\$0.75
01/09/05	1,000,000	31/08/10	\$1.00
01/06/09	500,000	31/03/10	\$0.15
01/06/09	250,000	31/03/11	\$0.20
01/06/09	250,000	31/03/11	\$0.25
TOTAL	4,000,000		

NOTE 15 - EARNINGS PER SHARE

Basic and diluted earnings/(loss) per share (cents per share)

The following reflects the operating results and share data used in the calculations of basic earnings per share:

Net Loss

Weighted average number of ordinary shares used in calculation of basic earnings per share

Consolidated Entity	
2009	2008
(15.3)	(4.0)
(4,893,590)	(1,149,176)
32,030,370	29,077,603

The share options of 4,000,000 are not dilutive and therefore have not been included in the calculation of diluted earnings per share.

NOTE 16 - 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 three employees at 30 June 2009 (30 June 2008: 6 employees).

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
NOTE 17 – REMUNERATION OF AUDITORS				
Amounts received or due and receivable by Ernst & Young Australia for:				
Audit and half year review of the financial report of the entity and any other entity in the consolidated entity	53,577	57,945	53,577	57,945
Other Services in relation to the entity and any other entity in the consolidated entity	-	-	-	-
	53,577	57,945	53,577	57,945

NOTE 18 – KEY MANAGEMENT PERSONNEL

Details of Key Management Personnel

Directors	
J. Lawton	Executive Chairman
E. Iliescu	Managing Director
G. Partington	Non-executive Director
C. Baker	Non-executive Director
P. Frederiks	Non-executive Director and Company Secretary
Executives	
R. Mustard	Chief Geologist

Compensation of Key Management Personnel

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term employee benefits	621,543	775,640	621,543	775,640
Post Employment benefits	35,068	41,928	35,068	41,928
Share based payment	3,241	14,700	3,241	14,700
	659,852	832,268	659,852	832,268

Further information on remuneration of Key Management Personnel is shown in the Remuneration Report contained within the Directors Report.

Remuneration options: Granted during the year

There were 1,000,000 options granted to the Managing Director during the year (2008 – nil). The options vest in three tranches as follows:

- 50% of the options vest at an exercise price of 15 cents per share on 30 September 2009 and have an expiry date of 31 March 2010;
- 25% of the options vest at an exercise price of 20 cents per share on 30 September 2009 and have an expiry date of 31 March 2011;
- 25% of the options vest at an exercise price of 25 cents per share on 30 September 2009 and have an expiry date of 31 March 2011.

NOTES TO THE FINANCIAL STATEMENTS**NOTE 18 – KEY MANAGEMENT PERSONNEL (Continued)****Option holdings of Key Management Personnel****Movement 2007-2008**

	Balance at beginning of period 01/07/07	Granted as Remuneration	Options Exercised	Balance at end of period 30/06/08	Total Vested & Exercisable 30/06/08
Directors					
J. Lawton	500,000	-	-	500,000	500,000
G. Partington	500,000	-	-	500,000	500,000
C. Baker	250,000	-	-	250,000	250,000
P. Frederiks	250,000	-	-	250,000	250,000
Executives					
R. Mustard	500,000	-	-	500,000	500,000
B. O'Donovan	500,000	-	-	500,000	500,000
Total	2,500,000	-	-	2,500,000	2,500,000

Movement 2008-2009

	Balance at beginning of period 01/07/08	Granted as Remuneration	Options Lapsed	Balance at end of period 30/06/09	Total Vested & Exercisable 30/06/09
Directors					
J. Lawton	500,000	-	-	500,000	500,000
E. Iliescu	-	1,000,000	-	1,000,000	-
G. Partington	500,000	-	-	500,000	500,000
C. Baker	250,000	-	-	250,000	250,000
P. Frederiks	250,000	-	-	250,000	250,000
Executives					
R. Mustard	500,000	-	-	500,000	500,000
B. O'Donovan	500,000	-	(500,000)	-	-
Total	2,500,000	1,000,000	(500,000)	3,000,000	2,000,000

Shareholdings of Key Management Personnel**Movement 2007-2008**

	Balance at beginning of period 01/07/07	Issued under Share Purchase Plan	Purchased on Market	Disposed of	Balance at end of period 30/06/08
Directors					
J. Lawton	6,754,761	-	-	-	6,754,761
G. Partington	1,096,761	5,555	-	-	1,102,316
C. Baker	24,761	5,555	-	-	30,316
P. Frederiks	250,000	5,555	-	-	255,555
Executives					
R. Mustard	1,126,761	-	-	-	1,126,761
B. O'Donovan	13,124	3,333	-	(16,457)	-
Total	9,266,168	19,998	-	(16,457)	9,269,709

Movement 2008-2009

	Balance at beginning of period 01/07/08	Issued under Share Purchase Plan	Issued under Placement (approved by shareholders)	Purchased on market	Balance at end of period 30/06/09
Directors					
J. Lawton	6,754,761	-	156,367	25,000	6,936,128
E. Iliescu	201,661	-	333,334	-	534,995
G. Partington	1,102,316	66,667	121,481	-	1,290,464
C. Baker	30,316	33,333	86,668	-	150,317
P. Frederiks	255,555	33,333	171,167	-	460,055
Executives					
R. Mustard	1,126,761	-	-	-	1,126,761
Total	9,471,370	133,333	869,017	25,000	10,498,720

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 - RELATED PARTY DISCLOSURES

Ultimate parent

Auzex Resources Limited is the ultimate parent Company incorporated in Queensland, Australia.

Wholly owned group transactions

Expenditure incurred by Auzex Resources Limited in relation to tenements held in the name of Auzex Resources (NZ) Pty Ltd amounted to \$73,117 for the year (2008 - \$355,885). This amount has been recharged to the subsidiary. Auzex Resources Limited also advanced funds of \$103,532 (2008 - nil) to Auzex Resources (NZ) Pty Ltd during the year and Auzex Resources (NZ) Pty Ltd advanced \$422,504 to Auzex Resources Limited during the year (2008 nil). Loans made by Auzex Resources Limited to Auzex Resources (NZ) Pty Ltd are interest free, are denominated in Australian Dollars, are reviewable on an annual basis and are repayable on demand.

Other related transactions

During the year, services were provided by Kenex Limited (Kenex) which provides technical assistance to Auzex to carry out its work program. Dr Greg Partington, who is a Non-Executive Director of Auzex, controls Kenex. The Board considers that the Kenex agreement is a commercial arrangement entered into on favourable terms to Auzex. There is no obligation for the Company to acquire services exclusively from Kenex or for Kenex to exclusively provide services to the Company. However, Kenex has agreed to give priority to the Company over Kenex's other clients in the provision of services and all services provided under the agreement are for the exclusive benefit and advantage of Auzex. As the Company is not required to acquire any minimum amount of services from Kenex, there is no minimum payment required under the agreement.

Total amounts paid to Kenex during the year including the provision of services provided by Dr Partington (\$60,000 in salary and \$21,333 in Directors fees) was \$156,372 (2008 - \$387,107).

During the year, accounting and certain corporate advisory services were provided by Frederiks Investments Qld Pty Ltd (FIQ). Mr Paul Frederiks, who is a Non-executive Director and Company Secretary, controls FIQ. The Board considers that the FIQ agreement is a commercial arrangement entered into on reasonable arm's length terms. There is no obligation for the Company to acquire services exclusively from FIQ or for FIQ to exclusively provide services to the Company. As the Company is not required to acquire any minimum amount of services from FIQ, there is no minimum payment required under the agreement. Directors note that P. Frederiks does not participate in the executive management of the Company and provided these services as an outside party due to his extensive expertise in financial administration. Directors believe this arrangement enhances the corporate governance of the Company.

Total amounts paid to FIQ during the year including the provision of services provided by Mr Paul Frederiks was \$56,116 (2008 - \$70,849). In addition to this amount, Directors fees of \$32,000 were paid.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20 – INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Percentage of equity interest held by the consolidated entity	
		2009	2008
Auzex Resources (NZ) Pty Ltd	Australia	100%	100%

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
NOTE 21 - NOTES TO THE STATEMENT OF CASH FLOWS				
(A) Reconciliation of Cash				
Cash is defined in Note 2 to this financial report. Cash balance comprises:				
Cash on Hand	100	557	-	457
Cash at Bank	565,980	696,350	490,869	231,550
Secured Term Deposit*	175,000	191,963	175,000	175,000
Total Cash	741,080	888,870	665,869	407,007
(B) Reconciliation of the operating loss after tax with the net cash flows used in operations				
Operating loss after income tax	(4,893,590)	(1,149,176)	(4,304,603)	(1,153,884)
Depreciation and amortisation	74,020	92,045	73,532	91,827
Net loss/(profit) on sale of property, plant & equipment	(51,348)	-	(51,348)	-
Exploration Expenditure written off	3,933,494	165,031	3,342,912	164,339
Share Option Valuation Expense	3,251	42,619	3,251	42,619
Net Exchange Differences	7,655	(143,207)	-	-
Changes in Assets & Liabilities				
(Increase)/decrease in trade & other receivables	45,086	469,982	44,916	42,840
(Increase)/decrease in prepayments	1,156	73,338	1,156	73,338
Increase/(decrease) in other creditors and accruals	(32,029)	(232,478)	(49,667)	37,625
Increase in provision for restoration	-	117	-	117
Increase/(decrease) in provision for employee benefits	(49,003)	35,239	(49,003)	35,239
Net Cash Flow used in Operating Activities	(961,308)	(646,490)	(988,854)	(665,940)

*As of 30 June 2009, 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. Bank guarantees outstanding at 30 June 2009 totalled \$82,500.

(C) Non-Cash Financing and Investing Activities

There were no non-cash financing and investing activities undertaken during the year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 - CONTINGENT ASSETS AND LIABILITIES

Claims and other actions in accordance with the Native Title Act 1993 (Cth) may affect the Company's ability to access prospective exploration areas or subsequently to mine any such area. A number of the Company's tenements in Australia are currently affected by native title. Additional native title claims may be lodged in Queensland and New South Wales in which case the Company may have to pay compensation to settle any such claim or may have its access to any affected area restricted indefinitely or until the claim is settled. There are currently no restrictions on any of the Company's tenements.

There are no other material contingent assets or liabilities not otherwise disclosed elsewhere in these financial statements.

NOTE 23 - SUBSEQUENT EVENTS

Subsequent to year end, New Zealand Minerals Limited (NZML) has expressed an intention to have its interest in the New Zealand tenements diluted. The Company believes that with effect from the date of this report the participating interest of NZML has reduced to approximately 42%.

Other than the matter referred to above, there has not arisen between 30 June 2009 and the date of this report any item, transaction or event of a relevant and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in subsequent financial years.

NOTE 24- FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to manage the finances for the Company's operations. The Company has various other financial assets and liabilities such as sundry receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are cash flow interest rate risk and foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

During its New Zealand field exploration activities, the Company has had some transactional currency exposures, principally to the New Zealand (NZ) dollar. Such exposure arises from purchases in the NZ currency other than the Company's functional currency being the Australian dollar. The Company has not entered into forward currency contracts to hedge these exposures due to the short time frame associated with the currency exposure and the relatively modest overall exposure at any one point in time.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Primary responsibility for identification and control of financial risks rests with the Board of directors, however the day-to-day management of these risks is under the control of the Executive Chairman. The Board agrees the strategy for managing future cash flow requirements and projections.

(A) Interest rate risk

The Group's exposure to interest rate risks primary relates to the group's fund held on term deposit. The group has no debt obligations. At balance date, the group had the following mix of financial assets and liabilities exposed to interest rate risk:

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash and cash equivalents	565,980	696,350	490,869	231,550

The group's policy is to place funds in interest-bearing deposit that are surplus to immediate requirements. The group's interest rate exposure is reviewed near the maturity date of term deposits to assess whether more attractive interest rates are available without increasing risk.

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows:

	Post tax loss Higher/(lower)		Equity Higher/(lower)	
	2009 \$	2008 \$	2009 \$	2008 \$
Consolidated				
+1%	(5,006)	(24,008)	5,006	24,008
-0.5%	2,503	12,004	(2,503)	(12,004)
Parent				
+1%	(3,990)	(21,824)	3,990	21,824
-0.5%	1,995	10,912	(1,995)	(10,912)

The movements in the loss and equity are due to higher/(lower) interest income from cash balances.

(B) Credit Risk

The Company's maximum exposures to credit risk at balance date in relation to financial assets, is the carrying amount of those assets as recognised on the balance sheet. There are no derivative financial instruments currently being used by the Company.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(C) Foreign Currency Risk

The Company faces transactional exposure in respect of costs that are not denominated in Australian Dollars. The Company has not sought to hedge against transactional risks, as they are not currently evaluated as being significant. Expenditure to date in New Zealand has been funded by the Company's Joint Venture partner through a farmin arrangement. As the joint venture partner has earned a right to 50% of the Company's New Zealand tenements following the expenditure of NZ\$1.7 million, future exploration expenditure will be jointly funded 50% each. The parent entity will likely fund its share from Australia and in that regard will be exposed to the AUD/NZ exchange rate should the exchange rate move significantly between when an approved work program is agreed between the joint venture parties and when the parent entity funds its NZ subsidiary – the Company does not consider this exposure significant.

(D) Liquidity Risk

The group's objective is to maintain sufficient funds to finance its current operations and additional funds to ensure its long-term survival in the event of a business downturn. The group has no finance facilities in place, therefore is dependent currently on shareholders' funds. The contractual maturity of the group's and parent entity's financial liabilities are:

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
6 months or less	94,534	345,246	58,984	327,332

DIRECTORS' DECLARATION

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

- 1) In the opinion of the Directors:
 - (a) the financial statements, notes and additional disclosures included in the Directors' Report designated as audited, of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and 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.
- 2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2009.

On behalf of the Board.



J. Lawton
Chairman

Brisbane, 11 September 2009

Independent auditor's report to the members of Auzex Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Auzex Resources Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the 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 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. In Note 2 (B), the directors also state that the financial report, comprising the financial statements and complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to directors at the date this auditor's report was signed.

Auditor's Opinion

In our opinion:

1. the financial report of Auzex Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Auzex Resources Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Inherent Uncertainty Regarding Continuation as a Going Concern

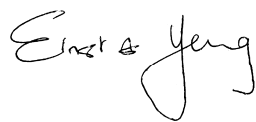
Without qualification to the audit opinion expressed above, we draw attention to Note 2 (A) in the financial report. As a result of the matters as set out in note 2 (A) there is significant uncertainty whether the company and the consolidated entity will continue as going concerns, and therefore whether they 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 company and the consolidated entity not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 6 to 10 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Auzex Resources Limited for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

A stylized signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A handwritten signature of Mike Meintjes, written in black ink.

Mike Meintjes
Partner
Brisbane
11 September 2009