

Auzex Resources Limited

ABN 74 106 444 606

Half Year Report ended 31 December 2009

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CORPORATE DIRECTORY**Directors**

John Lawton
Executive Chairman

Eugene Iliescu
Managing Director

Gregor Partington
Non-Executive Director

Chris Baker
Non-Executive Director

Paul Frederiks
Non-Executive Director

Company Secretary

Paul Frederiks FCPA FCIS FAICD

Registered office

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Facsimile: +617 3303 0196

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Facsimile: +617 3229 9860

Auditor

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

Solicitors

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

Securities exchange listing

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

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2009.

DIRECTORS

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

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

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

COMPANY SECRETARY

Paul Frederiks

CORPORATE STRUCTURE

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

PRINCIPAL ACTIVITIES

Auzex Resources Limited has been an active mineral exploration company with substantial land holdings in 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 1000km² contained within 9 granted and 2 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 58% 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 five significant targets: Kingsgate Molybdenum-Silica-Bismuth, Khartoum Tin, 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 after tax for the financial period as listed below:

	6 months ended 31 December 2009	6 months ended 31 December 2008
	\$	\$
Operating loss after income tax expense	(268,771)	(3,836,610)
Net loss attributable to members of Auzex Resources Limited	(268,771)	(3,836,610)
Earnings / (loss) per Share	(cents)	(cents)
Basic and Diluted loss per share	0.68	12.63

DIRECTORS' REPORT (Continued)

REVIEW AND RESULTS OF OPERATIONS (Continued)

In the 6 months to December 2009, Auzex Resources has made considerable progress. The key achievements and progress made during the period were as follows:

- Discussions were held with a number of parties regarding investment in Auzex at a corporate and/or project level. Group strategy confirmed a greater gold focus in the Company's portfolio with activities directed at development rather than exploration. Results of negotiations on several initiatives are expected to be concluded during the first half of 2010.
- A Joint Venture was finalised with Hillgrove Resources to explore the **Khartoum tin project** tenements for base metals. The key terms are the payment of \$100,000 in cash and shares to Auzex, exploration expenditure of \$500,000 over two years to earn 80% of all copper, lead and zinc and 50% of gold deposits discovered. The potential world-class Khartoum tin deposit is not affected by the terms of the agreement and Auzex continues to seek JV interest.
- The **Kingsgate molybdenum-silica-bismuth (Mo-SiO₂-Bi) project** Feasibility Study was completed in December 2008 with robust and strongly favourable economics. Metal prices have since rebounded strongly and although there has been considerable interest, Auzex has not as yet been successful in attracting a suitable development partner.
- Approval for drilling 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) is in the final stages of approval by the Department of Conservation.
- Drilling commenced at the **Klondyke gold prospect** in northern New South Wales. The target was recognised as a result of the Company's airborne magnetic survey, and the necessary geological characteristics associated with granite hosted gold mineralisation confirmed by mapping. The potential for a large tonnage deposit will be determined by the current program.
- A small drilling program and recent mapping at the **Running Brook gold prospect** confirmed the geological similarities with the successful Kidston gold mine located approximately 120km south of the prospect.

AUDITORS' INDEPENDENCE DECLARATION

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

CORPORATE GOVERNANCE

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

Signed in accordance with a resolution of the Directors.



J. Lawton
Executive Chairman
Brisbane, 12 March 2010

Auzex Resources Limited

ABN 74 106 444 606

Half Year Financial Report ended 31 December 2009

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STATEMENT OF COMPREHENSIVE INCOME**HALF YEAR ENDED 31 DECEMBER 2009**

	Note	Consolidated	
		6 months ended 31 December 2009 \$	6 months ended 31 December 2008 \$
Continuing Operations			
Interest Income		7,705	16,810
Exploration and Evaluation expenses		(239,854)	(3,347,914)
General & Administrative expenses		(36,622)	(505,506)
Total Expenses from Continuing Operations		(276,476)	(3,853,420)
Loss from Continuing Operations before Income Tax Expense	2	(268,771)	(3,836,610)
Income Tax Benefit attributable to Operating Loss		-	-
Loss from Continuing Operations after Income Tax Expense		(268,771)	(3,836,610)
Other Comprehensive Income			
Net Gain/Loss on Foreign Currency Translation Reserve taken to equity		857	47,493
Other Comprehensive Income for the period		857	47,493
Total Comprehensive Income for the period attributable to the Owners		(267,914)	(3,789,117)
Basic and diluted loss per share (cents per share)		(0.68)	(12.63)

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

STATEMENT OF FINANCIAL POSITION**AT 31 DECEMBER 2009**

		Consolidated	
		As at 31 December 2009	As at 30 June 2009
		\$	\$
ASSETS	Note		
Current Assets			
Cash Assets	3	507,234	741,180
Receivables & Prepayments		31,218	39,561
Total Current Assets		538,452	780,741
Non Current Assets			
Property, Plant and Equipment		44,960	61,383
Deferred Exploration and Evaluation phase costs		9,771,977	9,601,846
Total Non Current Assets		9,816,937	9,663,229
TOTAL ASSETS		10,355,389	10,443,970
LIABILITIES			
Current Liabilities			
Payables		45,993	94,534
Provisions		34,814	42,740
Total Current Liabilities		80,807	137,274
Provisions		84,717	84,717
Total Non-Current Liabilities		84,717	84,717
TOTAL LIABILITIES		165,524	221,991
Net Assets		10,189,865	10,221,979
EQUITY			
Contributed Equity	5	18,087,137	17,871,967
Other Reserves		725,140	703,654
Accumulated Losses		(8,622,412)	(8,353,642)
TOTAL EQUITY		10,189,865	10,221,979

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

STATEMENT OF CASH FLOWS**HALF YEAR ENDED 31 DECEMBER 2009**

	Consolidated	
	6 months ended 31 December 2009 \$	6 months ended 31 December 2008 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(280,061)	(716,603)
GST Received	27,889	133,062
Interest received	10,601	16,854
Net cash flows (used in) / from operating activities	(241,571)	(566,687)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	-	(17,249)
Payments for exploration and evaluation expenditure	(208,027)	(1,113,582)
Proceeds from sale of fixed assets	480	-
Net cash flow used in investing activities	(207,547)	(1,130,831)
Cash Flows from Financing Activities		
Proceeds from issue of shares	230,000	1,187,040
Costs of share Issue	(14,829)	(57,027)
Net cash flow from financing activities	215,171	1,130,013
Net (decrease) / increase in cash held	(233,947)	(567,505)
Add: Opening cash carried forward	741,180	888,870
Closing cash carried forward	507,234	321,365

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

STATEMENT OF CHANGES IN EQUITY**HALF YEAR ENDED 31 DECEMBER 2009**

	Consolidated			
	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
At 1 July 2008	15,444,882	(3,460,052)	692,717	12,677,547
Issue of Share Capital via placement	30,000	-	-	30,000
Issue of listed share options	1,147,456	-	-	1,147,456
Transaction costs of Options issue	(57,027)	-	-	(57,027)
Exercise of listed options	9,584	-	-	9,584
Cost / (reversal) of share-based payment - recognition / (derecognition) of share option expense	-	-	(109,977)	(109,977)
Loss for the period	-	(3,836,610)	-	(3,836,610)
Other Comprehensive Income	-	-	47,493	47,493
Total Comprehensive Income for the period	-	(3,836,610)	47,493	(3,789,117)
At 31 December 2008	16,574,895	(7,296,662)	630,233	9,908,466

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

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

(A) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report has been prepared on a historical cost basis and is presented in Australian dollars. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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

It is recommended that the half-year report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Auzex Resources Limited and its controlled entity during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009.

The consolidated entity incurred a net loss from continued operations after income tax for the period ended 31 December 2009 of \$268,771 (December 2008: 3,836,610). As at 31 December 2009, the Company had cash assets of \$507,234. The directors believe that it is appropriate to prepare the financial report on a going concern basis based the company's past success in raising funds through the issue of shares. The consolidated entity's ability to continue as a going concern and meet its debts as an when they fall due is dependent on the consolidated entity:

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

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

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

(B) Basis of Consolidation

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

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

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS**NOTE 1 – BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)****(C) Changes in Accounting Policies**

The entity has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period.

i) Presentation of Financial Statements

AASB 101 Presentation of Financial Statements prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expenses not recognised in the profit and loss are now disclosed as components of “other comprehensive income”. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity; and
- The adoption of single statement approach to the presentation of the Statement of Comprehensive Income.

ii) Operating Segments

AASB 8 Operating Segments requires a “management approach” under which segments information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a significant change to the reporting segments as operating segments continue to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

	Consolidated	
	6 months ended 31 December 2009 \$	6 months ended 31 December 2008 \$
NOTE 2 – EXPENSES AND LOSSES/(GAINS)		
Operating loss before income tax has been determined after charging/(crediting) the following specific items:		
Depreciation of property, plant and equipment	16,423	44,569
Foreign Exchange loss / (gain)	49	(597)
Loss from impairment of deferred exploration & evaluation assets	-	3,342,495
Option Valuation expense/(writeback)	20,629	(92,773)
	31 December 2009 \$	30 June 2009 \$
NOTE 3 – CASH ASSETS		
Cash on hand	-	100
Cash at Bank	431,710	565,980
Term Deposits *	75,524	175,000
	507,234	741,080

*As of 31 December 2009, the Company had a \$75,524 term deposit lodged with Westpac Banking Corporation which is used as security for bank guarantees issued to the NSW and QLD governments to secure tenement rehabilitation obligations.

	Consolidated	
	6 months ended 31 December 2009	6 months ended 31 December 2008
NOTE 4 – EARNINGS PER SHARE		
Basic and diluted earnings/(loss) per share (cents per share)	(0.68)	(12.63)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net Loss	268,771	3,836,610
Weighted average number of ordinary shares used in calculation of basic earnings per share	40,527,878	30,374,973

There were share options outstanding of 4,000,000 which are not dilutive (due to operating losses) and therefore have not been included in the calculation of diluted earnings per share.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

Consolidated

	As at 31 December 2009 \$	As at 30 June 2009 \$
NOTE 5 – CONTRIBUTED EQUITY		
40,527,878 Issued and fully paid ordinary shares (30/6/09 – 39,377,897)	18,087,137	17,871,968

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

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

	Number of Shares	Issue price	\$
Movement in ordinary share capital			
01/07/09			
Balance beginning of financial period	39,377,876		17,871,967
28/08/09			
Exercise of listed options	2	0.75	2
26/10/09			
Issue of shares	1,150,000	0.20	230,000
Share Capital raising expenses	-	-	(14,832)
31/12/09			
Balance end of financial period	40,527,878		18,087,137

	Number of Options	Exercise price	\$
Movement in listed share options			
01/07/09			
Balance beginning of financial period	11,267,930		1,090,429
Exercise of listed options	2	0.75	-
31/12/09			
Balance end of financial period	11,267,928	-	1,090,429

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 6 - SEGMENT INFORMATION

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

NOTE 7 - CONTINGENT ASSETS AND LIABILITIES

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

NOTE 8 – INTEREST IN CONTROLLED ENTITY

Name of Entity	Country of Incorporation	Equity holding % as at 31/12/09	Equity holding % as at 30/6/09
Auzex Resources (NZ) Pty Ltd	Australia	100%	100%

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

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

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

As at 31 December 2009, the participating interest of NZML has reduced to 42%.

NOTE 9 - SUBSEQUENT EVENTS

Bullabulling Gold Project

On 7th January 2010, the Company announced that it had entered into a binding term sheet to acquire the Bullabulling Gold Project, located approximately 60km southwest of Kalgoorlie in the eastern goldfields of Western Australia, from Jervois Mining Limited.

The Project assets include gold resources estimated in 2002 at the time Jervois acquired Bullabulling as follows:

Resource Category*	Tonnes	Grade g/t Au	Contained Gold oz
Measured	4,865,000	1.51	237,000
Indicated	4,159,000	1.35	180,800
Inferred	284,000	1.52	13,900
Total	9,308,000	1.44	431,600

* Competent Person Statement

The information in the above table and commentary below that relates to Exploration Results is based on information compiled by John Lawton who is a Member of The Australasian Institute of Mining and Metallurgy. He is a full-time employee of the Company and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". John Lawton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 9 - SUBSEQUENT EVENTS (Continued)

Bullabulling Gold Project (continued)

Gold mineralisation at Bullabulling is open in all directions, particularly at depth, where previous resource drilling is limited past a vertical depth of 50m, with an average depth of only 34m. In addition, current pit optimisations and mine planning were undertaken at a US\$315oz gold price. With the current gold price in excess of US\$1,100oz, Auzex considers there is scope for expanding the current resources significantly between the existing pits and at depth.

Bullabulling is attractive to Auzex because of the large landholding (exceeding 60km²) with 100% ownership, an established gold resource with excellent potential to increase the scope and scale of the project significantly in a proven geological environment, and granted mining tenure with access to power and water to assist with early development.

The key terms of the option were as follows:

- An exclusive option period of three months, exercisable by Auzex at any time.
- An option fee of \$20,000 per month with no payment in the first month.
- Replacement of the security bonds for the mining tenements (approximately \$1.25 million).
- Payment of \$800,000 consideration for existing buildings, plant and machinery. Auzex may elect to pay the acquisition consideration by issuing shares to Jervois Mining Limited at Auzex's volume weighted traded share price over the five days prior to that issue.
- Royalty payment of \$30 per ounce up to 400,000oz gold produced and, if any greater amount is produced, reducing to \$20 per ounce thereafter.

Funding for the acquisition requires approximately \$2m to cover the costs of tenements, associated plant and equipment and replacement of the environmental bond. Auzex is well advanced in providing funding options and is confident of an early conclusion on attractive terms. A further similar amount (\$2.0M - \$2.5M) will be required to complete assessment of the project and is expected to be a combination of a placement and a subscription offer to shareholders on similar terms.

On 4th February 2010, the Company announced that it had successfully completed its due diligence over the Bullabulling Gold Project, located 60km west of Kalgoorlie in the Eastern Goldfields of Western Australia, and had decided to exercise its option to acquire the project from Jervois Mining Limited.

Option for Central China Goldfields to acquire 50% of Bullabulling Gold Project from Auzex

On 11th February 2010, the Company announced that it had signed a binding Heads of Agreement with Central China Goldfields Plc ("CCG"), a listed exploration company on the Alternative Investment Market (AIM) of The London Stock Exchange (AIM:GGG), over the Bullabulling Gold Project in the Coolgardie Goldfields of Western Australia.

The key terms of the Heads of Agreement with CCG were as follows:

- An exclusive option to acquire a 50% interest in the Bullabulling Gold Project on the terms set out in the last dot point below.
- CCG will make an immediate cash payment of \$500,000 and issue 14,044,944 CCG shares at 4 pence each (equivalent to approximately 7.1% of CCG following allotment) to Auzex. This was completed on 17 February 2010.
- Auzex will issue to CCG 1.5 million Auzex shares at 0.25 each and a note with a face value of \$1.125 million which will convert to 4.5 million shares, subject to shareholder approval at an Extraordinary General Meeting planned to be held in late March 2010. After full conversion of the note, CCG will hold 6 million Auzex shares, representing approximately 12.9% of the Company.
- Subject to due diligence, CCG will pay Auzex \$2.5 million to exercise its option and earn 50% of the Bullabulling Gold Project. Auzex will use part of these funds to exercise the option with Jervois within the three month exclusive option period.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 9 - SUBSEQUENT EVENTS (Continued)

Option for Central China Goldfields to acquire 50% of Bullabulling Gold Project from Auzex (continued)

Once the CCG option is exercised, the assessment and development of Bullabulling will be governed by a Joint Venture Agreement to be negotiated between the parties, with management and funding based on participating interest. The intention of the parties is to fast track Bullabulling to bankable feasibility within a twelve to eighteen month timeframe at an estimated cost of \$2.0 million to \$2.5 million.

On 10 March 2010, the Company advised that CCG had completed its project review and field visits to the Bullabulling Project Area, including reviewing resources, exploration potential and mining and processing options and their decision on the option exercise was expected shortly.

CCG will advise Auzex on or before 19 March 2010 of their intention (or otherwise) to exercise the option, and pay Auzex \$2.5 million by 7 April 2010. Auzex will use part of these funds to exercise the option with Jervois within the three month exclusive option period.

Auzex and CCG have formed a management committee consisting of two representatives from each company that will be responsible for managing the project with the aim of fast tracking Bullabulling to bankable feasibility within a twelve to eighteen month timeframe at an estimated cost of \$2.0 to \$2.5 million.

A draft six month budget and work plan has been developed that will deliver an updated resource to help plan a bankable feasibility study on the Bullabulling project and to define a list of new prioritised exploration targets that will increase the resource base to allow the project to grow into the future. The strategy is to access high grade ore and cheap surface ore early to allow rapid payback of the capital investment. It is planned that resource drilling to increase the current resource base will start during the six month period.

Auzex has commissioned a detailed structural study of the Project which will commence shortly.

Notice of General Meeting for 26 March 2010

On 26th February 2010, the Company issued a notice of General Meeting of shareholders scheduled for 26 March 2010. The meeting is to consider seven resolutions as follows:

1. To ratify the placement of 1,153,349 shares that occurred on 20 May 2009;
2. To ratify of the placement of 1,150,000 shares that occurred on 26 October 2009;
3. To approve the issue of shares to Jervois Mining Limited (to partially fund the acquisition of Bullabulling);
4. To ratify the issue of 1,500,000 shares to Central China Goldfields Plc;
5. To approve the further issue of 4,500,000 shares to Central China Goldfields Plc (as agreed in the Heads of Agreement outlined above with CCG);
6. To approve the issue of shares to Directors in part payment of past fees;
7. To approve the issue of shares to Directors in part payment of future fees.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

NOTE 9 - SUBSEQUENT EVENTS (Continued)

Heads of Agreement over Khartoum Project in North Queensland

On 21st January 2010, the Company announced that it had signed a Heads of Agreement over its Khartoum tenement in north Queensland. The Heads of Agreement was executed between Auzex Resources Ltd ("Auzex") and Hillgrove Resources Ltd ("Hillgrove") to enable Hillgrove to explore Auzex' Khartoum EPM 14797 tenement in north Queensland for copper, lead, zinc, nickel and gold mineralisation. Auzex has established the presence of a potential world-class tin project within this tenement, which remains unaffected by the terms of this Agreement.

The principle terms of the Agreement are as follows:

- At the date of execution of a Joint Venture Agreement, Hillgrove to pay \$50,000 in cash, and issue to Auzex ordinary shares in Hillgrove to the value of \$50,000 based on the share price immediately prior to signing of the Agreement.
- Hillgrove to spend a minimum \$500,000 within two years to earn 80% of all copper, lead, zinc, nickel deposits discovered, and 50% of gold-silver deposits discovered within EPM 14797.
- Hillgrove may withdraw at any time prior to meeting minimum expenditure requirement with no retained equity.
- Auzex may retain 20% of any copper, lead, zinc and nickel discovery subject to pro rata exploration expenditure contributions once Hillgrove equity is earned, as well as receiving a 2% net smelter return royalty from any future mine production associated with the Hillgrove interest.

The potentially world-class Khartoum tin project is unaffected by this transaction and remains wholly owned by Auzex.

Managing Director to step down but continue as Non-Executive Director

On 24th February 2010, the Company announced that Mr Eugene Iliescu had decided to step down as Managing Director to focus on his other interests in the mining industry with effect from the end of March 2010. He will continue to contribute to the Company in the capacity of Non-executive Director.

Other than the matter referred to above, there has not arisen between 31 December 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.


DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

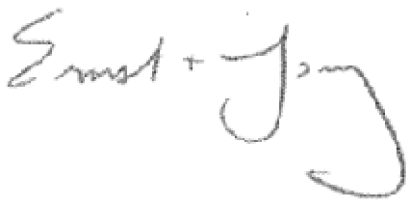


J. Lawton
Executive Chairman

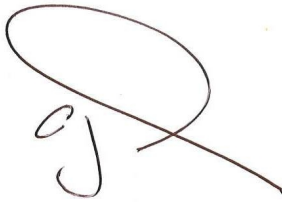
Brisbane, 12 March 2010

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

In relation to our review of the financial report of Auzex Resources for the half-year ended 31 December 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 black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'A Carrick'.

Andrew Carrick
Partner
12 March 2009

To the members of Auzex Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Auzex Resources Limited the company, which comprises the condensed statement of financial position as at half-year, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, other selected explanatory notes. The consolidated entity comprises the company and the entities it controlled at the half-year end.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Auzex Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

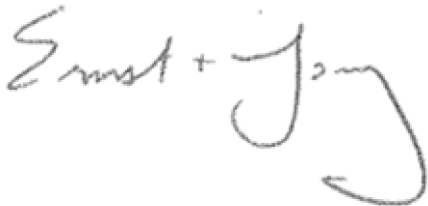
Conclusion

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

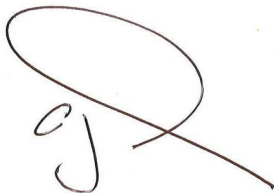
- a. the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
 - ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

Inherent Uncertainty Regarding Continuation as a Going Concern

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

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

Ernst & Young

A handwritten signature in black ink, appearing to be 'AJ' followed by a large, sweeping flourish.

Andrew Carrick
Partner
Brisbane
12 March 2010