Auzex Resources Limited

ABN 74 106 444 606

2011 Financial Report

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Contents

Directors' Report

Your Directors submit their report for the year ended 30 June 2011. 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
Chris Baker B.Sc. (Hons), MBA, FAusIMM, IOD *Non-Executive Chairman*	**57**	Chris holds a BSc (Hons) in Mineral Technology (1976), and an MBA (1994) from the University of Otago, New Zealand. He is a member of the Institute of Directors (NZ), and a Fellow of the Australasian Institute of Mining and Metallurgy. Chris has 30+ years experience in the mining industry in Australia and NZ, in operating and corporate governance roles. Current positions include: CEO of Straterra, a group that represents the resource sector in New Zealand; Chairman of the Coal Association of New Zealand; Executive Chairman of the NZCCS Partnership; Director of the Canberra based CO2CRC (Cooperative Research Centre for Greenhouse Gas Technologies).
John Lawton B.Sc.(App.Sci.), MAusIMM MAICD *Managing Director*	**62**	John Lawton is a founding director of Auzex and has been continuously associated with the minerals industry for 38 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. 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. 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 Chairman of Peninsula Goldfields Pty Ltd.
Eugene Iliescu Eng Surveying, Cert. GradDipSocSc, & Dip OH&S. *Non-Executive Director*	**57**	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 Managing Director 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 was Managing Director for Auzex from March 2009 until early 2010 and prior to this appointment provided consultancy services in the resource sector servicing Australia, Pacfic and Middle East companies. Eugene was formery the Managing Director of Gentor Resources LLC during 2010-11 and currently holds a part time position as Director of Operations of Gentor Resources LLC and is a Non-Executive Director of Kenex Pty Ltd.

DIRECTORS' REPORT (Continued)

Name & Qualifications	**Age**	Experience
Gregor Partington Ph.D, MAusIMM *Executive Director*	**53**	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. Greg has 30 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 eleven years experience in developing earth science GIS databases for use in exploration targeting and resource development. 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.
Paul Frederiks B.Bus. (Acc), FCPA, FCIS, FAICD *Non-executive Director and Company Secretary*	**50**	Paul Frederiks has extensive experience in public company financial and secretarial management with more than 28 years experience in the Australian resources sector. 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. 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. He was formerly a non-executive Director of the listed company China Steel Australia Limited (from December 2007 to February 2011).

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.

CORPORATE STRUCTURE

Auzex Resources Limited is a company limited by shares, incorporated and domiciled in Australia. It listed on the Australian Securities Exchange on 4 October 2005 under code AZX. Its registered office is Level 16, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000.

EMPLOYEES

The Group had four full time employees as at 30 June 2011 (2010: four employees).

DIRECTORS' REPORT (Continued)

PRINCIPAL ACTIVITIES

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

During the year ended 30 June 2011, the Company's focus has been its 50% interest in the Bullabulling Gold Project in the Eastern Goldfields of WA which has commenced feasibility studies due for completion in 2012.

REVIEW AND RESULTS OF OPERATIONS

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

	2011 $	2010 $
Operating profit/(loss) before income tax expense	(2,018,777)	192,976
Net profit/(loss) attributable to members of Auzex Resources Limited	(2,018,777)	192,976
Earnings per Share	**(cents)**	**(cents)**
Basic and diluted profit/(loss) per share	(2.4)	0.5

In the 12 months to June 2011, Auzex has made considerable progress. The key achievements and progress made during the period were as follows:

- Completion of the acquisition of the Bullabulling Gold Project in joint venture with Central China Goldfields Plc (since renamed GGG Resources Plc), through a sale and purchase agreement with Jervois Mining Ltd and its subsidiary.
- Geological mapping and diamond drilling to determine the structure of Bullabulling mineralisation.
- A JORC compliant resource estimate of 1.98 Moz was established in August 2010 from a detailed assessment of the acquired database, an increase of 450% over the previous estimate of 430,000 oz.
- A resource drilling program of approximately 35,000m to upgrade and increase this resource was completed in May 2011, providing a new estimate of 2.60 Moz in August 2011. This work has focussed on the 6.0km long mineralised zone called the Bullabulling Trend.
- Metallurgical studies of primary mineralisation have indicated excellent recoveries (92-95%) from a standard carbon-in-pulp (CIP) process, and engineering design optimization studies to determine the plant throughput rate (currently estimated in the range 5.0-7.5MTpa) are nearing completion.
- Semi-detailed studies of plant capital and operating costs have been undertaken to establish the project financials, with estimates expected to be available during the December quarter of 2011.
- Completion of a diamond drilling program at the Lyell gold project in New Zealand during the 2010-2011 summer field season.
- Two oversubscribed capital raisings were completed during FY2011, a rights issue raised approximately $3.6M in August, and a placement raised $6.7M in November 2010 before costs.

DIRECTORS' REPORT (Continued)

DIVIDEND

The Directors do not propose to recommend the payment of a dividend in respect of the year ended 30 June 2011.

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	7,171,689	55,556	782,609
E. Iliescu	1,850,534	153,889	104,348
G. Partington	1,205,310	197,371	652,174
C. Baker	388,817	47,415	104,348
P. Frederiks	1,012,505	95,025	300,000

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 $20,097,938 to $30,038,612, an increase of $9,940,674. The movement was predominantly as a result of capital raisings associated with funding the Bullabulling Gold Project in Western Australia.
- Total deferred exploration and evaluation expenditure capitalised increased from $10,052,904 to $15,456,298 primarily as a result of the resource drilling program on the Bullabulling Gold Project in the Eastern Goldfields of WA.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to the end of the financial year, the Company announced on 15 August 2011 that the Phase One drilling program at Bullabulling had delivered a 2.60 million ounce JORC compliant Resource. The Company advised that there is now less than 45,000m of infill drilling required to convert a significant portion of Inferred resources to Indicated resources. This infill drilling should be completed by the end of November 2011.

On 29 August 2011, the Company announced it had signed a binding Heads of Agreement (HOA) with GGG Resources plc to combine the Bullabulling Gold Project under a single corporate entity to be named Bullabulling Gold Limited (BBG) through an all-scrip merger of equals which will be Australian domiciled and listed on the ASX and AIM. The Company highlighted that it would involve the creation of an advanced exploration/pre development gold-focussed company, BBG, which owns 100% of the Bullabulling Gold project, located 65km south-west of Kalgoorlie, Western Australia and would be a merger of equals with Auzex and GGG shareholders owning 50% each of BBG subject to adjustment for cross share holdings and relative cash holdings. In addition there would be a unified management team with sole focus on the development of Bullabulling with the dual listing on the ASX and AIM providing global access to capital markets. As part of the transaction, Auzex would demerge its non-Bullabulling assets. The Company advised that Auzex and GGG would finalise a formal merger implementation agreement reflecting the terms of the HOA within 21 days with other key steps being that:

- GGG shareholders will receive a Scheme Booklet that will contain full details of the proposed Scheme (being the transfer of GGG Shareholders shares in GGG to BBG).
- GGG will immediately begin the process of listing BBG on the ASX and AIM.
- Auzex shareholders will receive a Scheme Booklet that will contain full details of the proposed Scheme (being the transfer of AZX Shareholders shares in AZX to BBG).

Other than the matters referred to above, there has not arisen between 30 June 2011 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' REPORT (Continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The activities of the Company will be focussed on successfully completing the merger between Auzex and GGG, and progressing the development of the Bullabulling Gold Project during the 2012 financial year. Directors believe that, subject to a capital raising during the December Quarter 2011, sufficient funds will be available to complete the feasibility study without further capital raisings during this time. Attention will be given to demerging the Company's non-Bullabulling exploration projects including the Khartoum tin project and the Kingsgate molybdenum-silica-bismuth project into a new company which will be subject to an IPO and listing on ASX.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

Auzex Resources Limited is committed to the effective environmental management of all its exploration and development 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 Non-Executive Chairman, Managing Director, Operations Director and Non-Executive Directors 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, Managing Director (MD) and Senior Executives who report directly to the MD.

Such assessment will incorporate the development of remuneration polices 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 November 2010 when shareholders approved an aggregate remuneration of $150,000 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 $42,000 p.a. There are no retirement benefits offered to Non-executive Directors other than statutory superannuation which is in addition to these amounts.

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 2011 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 Managing Director and Operations Director remuneration packages are formalised in service agreements.

Remuneration consists of the following key elements:

- Fixed Remuneration – Base salary and superannuation;
- Variable Remuneration – Short term incentive payable in cash at the end of the financial year (For the Managing Director only);
- 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 2011) is detailed in Table 2 of this report.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited) (Continued)

Variable Remuneration – Short Term Incentive

Objective - The objectives of the Short term incentive are to:

- Reward the Managing Director for his contribution in ensuring that Auzex Resources achieves its corporate key deliverables;
- Enhance Auzex attracting and retaining high calibre and high performing employees; and
- Link remuneration directly to the achievement of key annual organizational objectives.

Structure – The Company currently has only implemented the Short Term incentive at this stage for the Managing Director but is considering implementing it for full time employees in the future. A maximum of 20% of annualised fixed remuneration, adjusted in size according to the achievement of key Company Business Plan milestones in a year would be paid.

Variable Remuneration – Long Term Incentive - Share Options

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 are as follows:

As to one third, 12 months after the date of grant subject to the volume weighted average price of the Company's shares on ASX for the 5 day period ending on the day before 12 months after the date of grant being 7% greater than the exercise price .

As to one third, 24 months after the date of grant subject to the volume weighted average price of the Company's shares on ASX for the 5 day period ending on the day before 24 months after the date of grant being 14.5% greater than the exercise price (7% compound over 2 years).

As to one third, 35 months after the date of grant subject to the volume weighted average price of the Company's shares on ASX for the 5 day period ending on the day before 35 months after the date of grant being 22.5% greater than the exercise price (7% compound over 3 years).

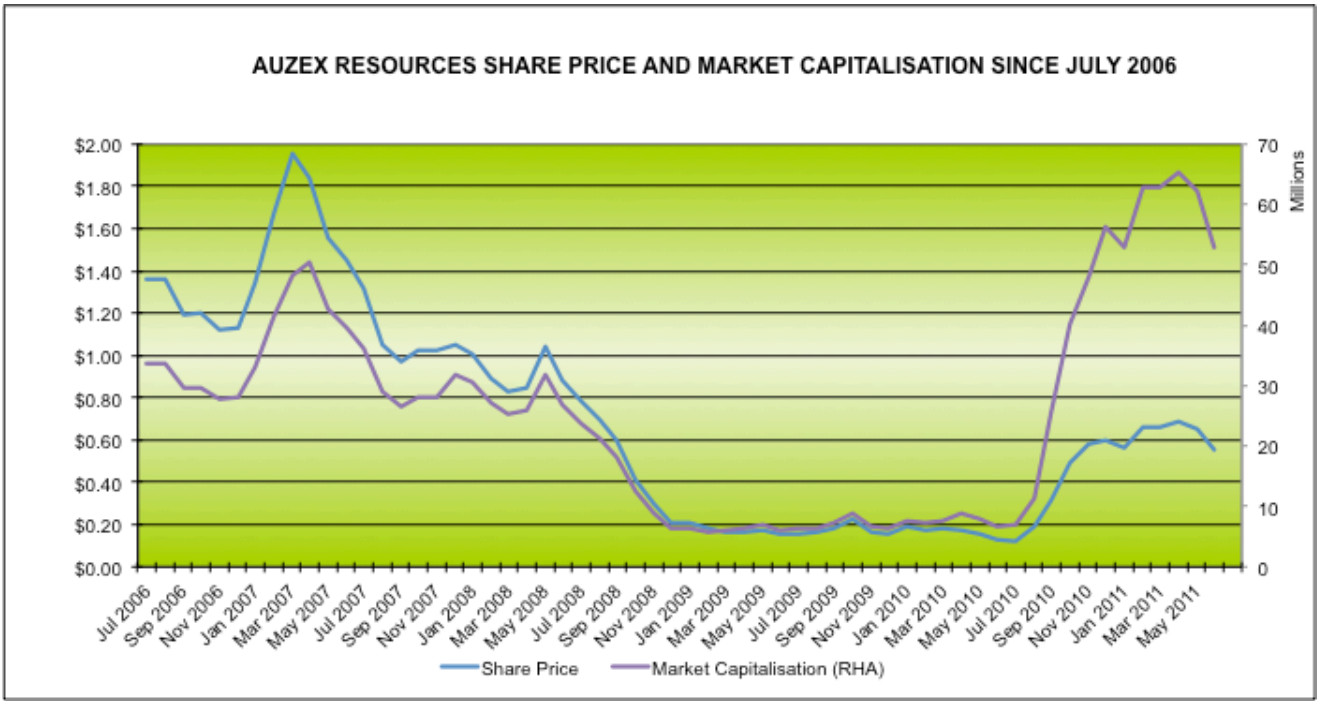
The exercise price for all options is the 5 day volume weighted average share price prior to the date of grant (or otherwise as specifically approved by shareholders). All options expire 36 months after the date of grant and options not exercised by the expiry date lapse.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited) (Continued)

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 profit/(loss) per share for the last five years was as follows: 2006/07 – ($0.04), 2007/08 – ($0.04), 2008/09 – ($0.144), 2009/10 - $0.005, 2010/11 – ($0.03).



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.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Audited) (Continued)

Employment Contracts
The Company's remuneration packages for the Managing Director (Mr John Lawton) and Operations Director (Dr Gregor Partington) are formalised in service agreements.

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, John Lawton is entitled to receive annual remuneration including superannuation of $281,667.

In addition, with effect from 1 July 2011, he is entitled to receive a short term incentive of up to 20% of his base annual remuneration or a maxmium of $56,333 per annum. The payment of the short term incentive is only payable on the achievement of certain performance milestones. The key performance milestones set for Mr. Lawton for FY11/12 comprise health safety and environment performance, shareholder value building, field execution delivery and organisational and capital effectiveness.

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 either of those circumstances, the Company must pay the Managing Director, in addition to any period of notice (or in lieu of notice), the equivalent of seven months' salary. Otherwise, the Managing Director may terminate the agreement by six months' written notice. The Company may at any time terminate the employment of the Managing Director by paying twelve months salary or by giving twelve months notice.

The Operations Director has a permanent employment contract with the Company to perform the role of Operations Director subject to an annual remuneration review. Under that contract, Gregor Partington is entitled to receive annual remuneration including superannuation of $250,000.

The Operations Director may terminate the agreement by one month's written notice if there is a change of control of Auzex and the Operations 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 Operations Director in those circumstances, the Company must pay the Operations 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 Operations Director may terminate the agreement by six weeks written notice. The Company may at any time terminate the employment of the Operations Director by paying two months salary provided the Operations Director has been employed by the Company for no less than 12 months or by giving six weeks notice.

The Senior Project Geologist has permanent employment contract with the Company subject to an annual remuneration review. Under that contract the Senior Project Geologist is entitled to receive annual remuneration of $145,000. 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 2011

		Short Term			Post Employment	Share based payment		Total
Directors		Salary & Consulting Fees	Directors Fees	Non Monetary benefits	Super-annuation	Shares issued	Options (amortised cost)	
J. Lawton	2011	19,174	-	-	236,242	-	81,829	**337,245**
Managing Director	2010	50,459	-	-	75,502	135,000	-	**260,961**
E. Iliescu	2011	-	29,052	-	6,115	-	10,911	**46,078**
Non-executive Director	2010	16,972	-	-	34,861	105,500	26,667	**184,000**
G. Partington**	2011	202,920	-	-	29,163	-	68,191	**300,274**
Executive Director	2010	122,144	7,333	-	3,405	18,000	-	**150,882**
C. Baker*	2011	7,000	41,083	-	-	-	10,911	**58,994**
Non-Executive Chairman	2010	-	13,333	-	-	18,000	-	**31,333**
P. Frederiks*	2011	65,575	35,167	-	-	-	31,368	**132,110**
Non-executive Director and Company Secretary	2010	38,145	13,333	-	-	50,000	-	**101,478**
Totals	***2011***	***294,669***	***105,302***	***-***	***271,520***	***-***	***203,210***	***874,701***
	2010	***227,720***	***33,999***	***-***	***113,768***	***326,500***	***26,667***	***728,654***

* Consulting fees were paid for the provision of professional services on an arms length basis
** Became an Executive Director effective 1 April 2010.

Table 2 - Remuneration of the named executives who receive the highest remuneration for the year ended 30 June 2011

		Short Term		Post Employment	Share based payment	Total
		Salary & Consulting Fees	Bonus	Superannuation	Options (amortised cost)	
T. Pilcher*	2011	135,397	-	12,186	-	**147,583**
Project Geologist	2010	80,241	-	7,142	-	**87,383**
Totals	***2011***	***135,397***	***-***	***12,186***	***-***	***147,583***
	2010	***80,241***	***-***	***7,142***	***-***	***87,383***

- Was appointed a casual Project Geologist in September 2009 and commenced full time employment on 1 June 2010.

Options granted as part of remuneration for the year ended 30 June 2011

There were 1,943,479 options (2010 nil) granted to the named directors above during the year. The options, issued for nil consideration, are issued in accordance with performance hurdles established by the Directors of the Company under the Employee Option Plan (EOP). The options are issued for a term of 36 months and are exercisable and vest in the holder of the Options in three lots as detailed earlier in this remuneration report. The first exercise date is 12 months after the date of issue and the last exercise date is 35 months after the date of issue. The exercise price for these options is 15 cents and the grant of these options was approved by shareholders at a general meeting held on 22 October 2010.

DIRECTORS' REPORT (Continued)

SHARE OPTIONS

Unissued shares – unlisted options
As at the date of this report, there were 1,943,479 unissued ordinary shares under options (2010 – 3,500,000). 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 three years. There were 1,943,479 share options granted during the financial year ended 30 June 2011 (2010 – Nil).

Shares issued as a result of the exercise of unlisted options
There were 500,000 Director options exercised during the financial year (2010 – Nil) or since the end of the financial year.

Unissued shares – listed shareholder options
As at the date of this report, there were 11,925,892 unissued ordinary shares under shareholder options (2010 – 11,267,926). 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. There were 12,326,451 shareholder options granted during the financial year ended 30 June 2011 (2010 – Nil).

Shares issued as a result of the exercise of listed shareholder options
There were 400,559 shareholder options exercised during the financial year (2010 – 4) or since the end of the financial year

DIRECTORS' MEETINGS

During the period there were fourteen 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	9	9	2	2
E. Iliescu	9	6	2	1
G. Partington	9	9	2	2
C. Baker	9	9	2	2
P. Frederiks	9	9	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.

John Lawton

J. Lawton
Managing Director
Brisbane, 16 September 2011

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Auditor's 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 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
16 September 2011

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 2011. 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 2011, 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 Managing Director 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
Chris Baker	Non-Executive Chairman	Yes	6.0 years	Finance, Governance and Management
John Lawton	Managing Director	No	7.9 years	Management and Resource Development
Eugene Iliescu	Non-Executive Director	Yes	2.5 years	Management and Resource Development
Greg Partington	Operations Director	No	7.9 years	Mineral Exploration, structural geology, database development & management
Paul Frederiks	Non-Executive Director & Company Secretary	No	6.0 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, two of whom are 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) 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 Managing Director) 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 Managing Director meets privately with each Director as appropriate to discuss their individual performance. The Managing Director'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. In December 2010, the Company released a revised Securities Trading Policy in compliance with ASX Listing Rule 12.9 that provides for restrictions on trading for the Company's key management personnel during black out periods, defines categories of excluded trading that are allowed during black out periods and defines other authorised trades outside of black out periods. The Policy also defines the procedures for obtaining written clearance for trading in exceptional circumstances during black out periods. The Company's designated black out periods are as follows:

- 1 January up to and including the day on which the Company releases its December quarterly cash flow report;
- 1 April up to and including the day on which the Company released its March quarterly cash flow report;
- 1 July up to and including the day on which the Company released its June quarterly cash flow report; and
- 1 October up to and including the day on which the Company released its September quarterly cash flow report.

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.

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 is 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 three 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 Managing Director 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 Managing Director and Operations 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 Managing Director (MD) 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 MD 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 $150,000 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.

Statement of Comprehensive Income

FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Continuing Operations			
Interest Income		270,749	21,762
Profit on sale of tenement interests		-	1,481,070
Total Revenue from Continuing Operations		**270,749**	**1,502,832**
Write-off of Exploration Expenses	7	(142,921)	-
General & Administrative Expenses	3	(2,685,017)	(1,309,856)
Total Expenses from Continuing Operations		**(2,827,938)**	**(1,309,856)**
Profit/(Loss) from Continuing Operations before Income Tax Expense		**(2,557,189)**	**192,976**
Income Tax Benefit attributable to Operating Loss	4	**538,412**	**-**
Profit/(Loss) from Continuing Operations after Income Tax Expense	13	**(2,018,777)**	**192,976**
Other Comprehensive Income			
Net Gain/(Loss) on Foreign Currency Translation Reserve taken to equity		(13,703)	3,590
Net Gain on Available for Sale Asset Revaluation		891,994	364,302
Other Comprehensive Income for the period		878,291	367,892
Total Comprehensive Income for the period attributable to the Owners		**(1,140,486)**	**560,868**
Basic and diluted profit/(loss) per share (cents per share)	16	(2.4)	0.5

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Consolidated 2011 $	2010 $
Current Assets			
Cash	22A	3,774,502	953,752
Receivables and Prepayments	5	3,079,170	966,263
Total Current Assets		**6,853,672**	**1,920,015**
Non Current Assets			
Property, Plant and Equipment	6	543,040	488,895
Deferred Exploration and Evaluation phase costs	7	15,456,137	10,267,904
Investment in Available for Sale Asset	8	2,475,298	1,044,893
Total Non Current Assets		**18,474,475**	**11,801,692**
Total Assets		**25,328,147**	**13,721,707**
Current Liabilities			
Payables	9	2,804,604	342,925
Provisions	10	92,246	44,581
Total Current Liabilities		**2,896,850**	**387,506**
Provisions	10	393,417	299,717
Total Non-Current Liabilities		**393,417**	**299,717**
Total Liabilities		**3,290,267**	**687,223**
Net Assets		**22,037,880**	**13,034,484**
Equity			
Contributed Equity	11	30,038,612	20,097,938
Other Reserves	12	2,178,711	1,097,212
Accumulated Losses	13	(10,179,443)	(8,160,666)
Total Equity		**22,037,880**	**13,034,484**

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

Statement of Cash Flows

FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	2010 $
Cash Flows from/(used in) Operating Activities			
Goods and services tax received		387,168	75,332
Payments to suppliers and employees		(2,681,361)	(651,479)
Interest received		203,833	24,204
Net cash flows from/(used in) operating activities	22(b)	**(2,090,360)**	**(551,943)**
Cash Flows from/(used in) Investing Activities			
Purchase of property, plant & equipment		(142,309)	(460,386)
Payments for exploration and evaluation expenditure		(7,938,918)	(700,050)
Investment in Term Deposit	5	(75,000)	(675,000)
Proceeds from Farm-in		-	1,900,000
Receipts from Joint Venture exploration and evaluation expenditure		3,126,663	-
Sale of Fixed Assets		-	480
Net cash flow from/(used in) investing activities		**(5,029,564)**	**65,044**
Cash Flows from Financing Activities			
Proceeds from issue of shares		10,657,044	730,002
Costs of share issue		(716,370)	(30,531)
Net cash flow from financing activities		**9,940,674**	**699,471**
Net increase / (decrease) in cash held		**2,820,750**	**212,572**
Add: Opening cash carried forward		953,752	741,180
Closing cash carried forward	22(a)	**3,774,502**	**953,752**

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

Statement of Changes in Equity

FINANCIAL YEAR ENDED 30 JUNE 2011

	Consolidated			
	Issued Capital $	Accumulated Losses $	Reserves $	Total Equity $
At 1 July 2009	**17,871,967**	**(8,353,642)**	**703,654**	**10,221,979**
Issue of Share Capital via Placement	2,256,500	-	-	2,256,500
Transaction costs of placement	(30,532)	-	-	(30,532)
Exercise of listed options	3	-	-	3
Recognition of share option expense	-	-	25,666	25,666
Profit/(Loss) for the period	-	192,976	-	192,976
Available for Sale Asset Reserve	-	-	364,302	364,302
Foreign Currency Translation Reserve Movement	-	-	3,590	3,590
Total Other Comprehensive Income	-	-	367,892	367,892
Total Comprehensive Income for the period	-	192,976	367,892	560,868
At 30 June 2010	**20,097,938**	**(8,160,666)**	**1,097,212**	**13,034,484**
At 1 July 2010	**20,097,938**	**(8,160,666)**	**1,097,212**	**13,034,484**
Issue of Share Capital via Placement	7,682,833	-	-	7,682,833
Issue of Share Capital via 1 for 3 Rights Issue	2,799,211	-	-	2,799,211
Transaction costs of rights issue and placement	(733,981)	-	-	(733,981)
Exercise of unlisted Director options	112,500	-	-	112,500
Exercise of listed options	80,111	-	-	80,111
Recognition of share option expense	-	-	203,208	203,208
Profit/(Loss) for the period	-	(2,018,777)	-	(2,018,777)
Available for Sale Asset Reserve	-	-	891,994	891,994
Foreign Currency Translation Reserve Movement	-	-	(13,703)	(13,703)
Total Other Comprehensive Income	-	-	878,291	878,291
Total Comprehensive Income for the period	-	(2,018,777)	878,291	(1,140,486)
At 30 June 2011	**30,038,612**	**(10,179,443)**	**2,178,711**	**22,037,880**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – CORPORATE INFORMATION

The financial report of Auzex Resources Limited (the Company) for the year ended 30 June 2011 was authorised in accordance with a resolution of the Directors on 16 September 2011. Auzex Resources Limited is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

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 Directors believe that the going concern basis is appropriate due to the fact that the Company has a strong history of capital raising. Subsequent to the end of the financial year, the Company has announced a binding Heads of Agreement to merge the Bullabulling Joint Venture into one listed entity and in conjunction with that announcement indicated that a capital raising was forthcoming. If required the Directors will carefully manage cash flows until such further funding is secured and will reduce overheads and negotiate extensions to tenement commitments.

In providing the Director's Declaration the above considerations have been taken into account in satisfying that, at the date of the Director's 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 and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Amendments resulting from the Annual Improvements Projects to the following Standards did not have any impact on the accounting policies, financial position or performance of the Company:

- AASB 3 Business Combinations
- AASB 5 Non-current Assets Held for Sale and Discontinued Operations
- AASB 7 Financial Instruments: Disclosures
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements
- AASB 107 Statement of Cash Flows
- AASB 117 Leases
- AASB 118 Revenue
- AASB 121 The Effects of Changes in Foreign Exchange Rates
- AASB 128 Investments in Associates
- AASB 131 Interests in Joint Ventures
- AASB 132 Financial Instruments: Presentation
- AASB 136 Impairment of Assets
- AASB 139 Financial Instruments: Recognition and Measurement
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

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 2011. The Directors are assessing the impact of AASB 11 Joint Arrangements (replacing AASB 131) (effective 1 July 2013). Based on initial review management does not expect this standard to have any impact on the Company's Joint Venture accounting. The Directors have assessed the impact of all other new or amended standards (to the extent relevant to the Company) 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)

(B) Statement of Compliance (continued)

The following standards were assessed:

- AASB 9 Financial Instruments (effective from 1 January 2015)
- AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009) (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127) (effective from 1 January 2013)
- Revised AASB 124 Related Party Disclosures (effective from 1 January 2011)
- AASB 2009-12 Amendments to Australian Accounting Standards (AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 and 1052) (effective 1 July 2011)
- AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a minimum funding requirement (effective 1 July 2011)
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from reduced disclosure requirements(effective 1 July 2013)
- AASB 1054 Australian Additional Disclosures (effective from 1 July 2011)
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASBs 1, 7, 101, 134 and Interpretation 13) (effective 1 July 2011)
- AASB 2010-5 Amendments to Australian Accounting Standards (AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042) (effective 1 July 2011)
- AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (AASB 1 and AASB 7) (effective 1 July 2011)
- AASB 2010-7 Amendments to Australian Accounting Standards – Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7,101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139 1023 & 1038 and Interpretations 2,5,10,12, 19 & 127) (effective 1 July 2015)
- AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (AASB 112) (effective 1 July 2012)
- AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project (AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113) (effective 1 July 2011)
- AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project - Reduced disclosure regime (AASB 101 & 1054) (effective 1 July 2013)
- AASB 10 Consolidated Financial Statements (AASB 127) (effective 1 July 2013)
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income (AASB 101) (effective 1 July 2012)

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

Capitalisation of Deferred Exploration and Evaluation Expenditure & 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.

(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 date.

All exchange differences in the consolidated financial report are taken to other comprehensive income 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 date and net income is 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(F) Property, Plant & Equipment (continued)

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 net income 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 statement of financial position 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 statement of financial position.

(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.

(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 net income 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(R) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expense (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. Operating segments that meet the quantitative criteria as prescribed by AASB8 are reported separately. However, an operating segment that does meet the quantitative criteria is still reported separately where the information about the segment would be useful to users of the financial statements.

(S) 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.

(T) Income Tax

Deferred income tax is provided on all temporary differences at the balance 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 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 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 date. Income taxes relating to items recognised directly in equity are recognised in equity and not in net income.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(U) 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 statement of financial position. 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.

(V) Available for sale securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. After initial recognition available-for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(W) Joint Venture Arrangement

The Company is a party to a joint venture arrangement with GGG Resources Plc* (GGG). The joint venture assets comprise the Western Australia exploration and mining tenements and all property plant and equipment located on the tenements including buildings and machinery.

Participants in the Bullabulling Joint Venture are:
Auzex Resources Limited (Operator) – 50%
GGG Resources Plc – 50%

The Company's wholly owned subsidiary Auzex Resources (NZ) Pty Ltd is party to a joint venture arrangement with NZ Minerals Limited. The joint venture assets comprise the exploration tenements held on the west coast of the South Island of New Zealand.

Participants in the NZ Joint Venture are:
Auzex Resources (NZ) Pty Limited (Operator) – 58%
NZ Minerals Limited – 42%

(X) 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.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2011 **$**	**2010** **$**
NOTE 3 – EXPENSES AND LOSSES/(GAINS)		
Operating loss before income tax has been determined after charging/(crediting) the following specific items:		
Option Valuation expense	203,208	25,666
Depreciation of plant and equipment	88,165	32,874
Foreign exchange loss/(gain)	74	(609)

NOTE 4 - INCOME TAX

	2011 $	2010 $
The prima facie tax of 30% on the operating loss differs from the income tax provided in the financial statements as follows:		
Prima facie tax on profit/(loss)	(767,157)	57,893
Tax effect of amounts treated differently in accounts and for tax purposes:		
Other expenses	20,944	996
Employee share and option expenses	60,962	8,000
Section 40-880 deduction – capital raising	(63,823)	(53,557)
Income tax benefit of tax losses (recognised)/not recognised	210,662	(13,331)
Income tax expense/(benefit) attributable to operating loss	**(538,412)**	**-**
Amounts charged/(credited) directly to equity		
Unrealised gain on available for sale asset	538,412	**-**
	538,412	**-**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - INCOME TAX (Continued)

Deferred income tax
Deferred income tax at 30 June relates to the following:

	Statement of Financial Position		Statement of Comprehensive Income	
	2011 $	**2010 $**	**2011 $**	**2010 $**
Consolidated				
Deferred tax liabilities				
Exploration Expenditure	(4,636,840)	(3,015,871)	-	-
Available for sale asset	(538,412)	(109,291)	-	-
Other Deferred tax liability	(20,211)	(136)	-	-
Deferred tax assets				
Losses available for offset against future taxable income	7,562,059	5,813,387	-	-
Other deferred tax asset	33,104	14,604	-	-
Total deferred tax assets	2,399,699	2,702,693		
Deferred tax asset not recognised	(2,399,699)	(2,702,693)		
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:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the Company in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – RECEIVABLES AND PREPAYMENTS

	Consolidated 2011 $	Consolidated 2010 $
GST Receivable	262,883	34,619
Accounts Receivable from Joint Venture	1,980,355	245,189
Term Deposits*	750,000	675,000
Interest Receivable	67,371	455
Sundry Receivables	15,961	9,200
Prepayments	2,600	1,800
	3,079,170	**966,263**

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

*The Company has a $750,000 term deposit lodged with Westpac Banking Corporation which is used as security for bank guarantees issued to the WA and NSW governments to secure tenement rehabilitation obligations. Bank guarantees outstanding at 30 June 2011 totalled $738,000.

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

	2011 $	2010 $
Plant and Equipment at cost	718,509	692,650
Less: accumulated depreciation	(175,469)	(203,755)
Total Property, Plant and Equipment	**543,040**	**488,895**
Reconciliation of Plant & Equipment		
Carrying amount at beginning	488,895	61,383
Additions	142,310	460,386
Depreciation Expense	(88,165)	(32,874)
Disposals	-	-
	543,040	**488,895**

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2011 $	**2010 $**
NOTE 7 – DEFERRED EXPLORATION AND EVALUATION COSTS		
Exploration Phase	15,456,137	10,267,904
Total	**15,456,137**	**10,267,904**
Reconciliation of Deferred Exploration & Evaluation costs		
Carrying amount at beginning	10,267,904	9,601,846
Add: Exploration Expenditure for period	5,331,154	666,058
Less: Exploration written off for period	(142,921)	-
	15,456,137	**10,267,904**

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.

NOTE 8 – AVAILABLE FOR SALE FINANCIAL ASSETS

GGG Resources Plc (GGG) is a listed public company headquartered in London and listed on the Alternative Investment Market (AIM) of the London Stock Exchange Its major asset is its 50% interest in the Bullabulling Joint Venture. The Company's investment in GGG is classified as an investment in an Available for sale Financial Asset. The fair value of the listed available for sale investment has been estimated using the valuation techniques based on assumptions, which are outlined in Note 2. The 4.8% interest held does not allow Auzex Resources to exercise significant influence.

	2011 $	**2010 $**
<u>Listed Available for sale</u>		
Shares in GGG Resources Plc	2,475,298	1,044,893

NOTE 9 - PAYABLES

	2011	2010
Current		
Trade Creditors	2,720,412	285,108
Accrued Liabilities	84,192	57,817
	2,804,604	**342,925**

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 10 – PROVISIONS

	Consolidated		
	Employee Entitlements $	Restoration Provision $	Total Provisions $
At 1 July 2010	**22,681**	**321,617**	**344,298**
Arising during the year	59,651	111,731	171,382
Utilised	(11,986)	(18,031)	(30,017)
At 30 June 2011	**70,346**	**415,317**	**485,663**
Current 2011	70,346	21,900	92,246
Non current 2011	-	393,417	393,417
	70,346	**415,317**	**485,663**
At 1 July 2009	**22,840**	**104,617**	**127,457**
Arising during the year	23,659	217,000	240,659
Utilised	(23,818)	-	(23,818)
At 30 June 2010	**22,681**	**321,617**	**344,298**
Current 2010	22,681	21,900	44,581
Non current 2010	-	299,717	299,717
	22,681	**321,617**	**344,298**

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 $663,000 and $75,000 are held respectively by the West Australia and NSW governments to secure tenement rehabilitation obligations. Cash securities of $6,000 are held by the Qld government to secure tenement rehabilitation obligations.

Notes to the Financial Statements

NOTE 11 – CONTRIBUTED EQUITY

	Consolidated 2011 $	Consolidated 2010 $
Issued and Fully Paid Capital		
95,193,881 (2010 – 51,015,097) fully paid ordinary shares	**30,038,612**	**20,097,938**

Movement in ordinary share capital:

		Number of Shares	Issue price $per share	$
30/06/09	**Balance beginning of financial year**	**39,377,876**		**17,871,967**
Aug 09	Exercise of listed options	4	$0.75	3
Oct 09	Issue of shares	1,150,000	$0.20	230,000
Feb 10	Placement – Central China Goldfields	2,000,000	$0.25	500,000
Apr 10	Placement – Central China Goldfields	4,000,000	$0.175	700,000
Apr 10	Placement – Directors in consideration of fees	1,745,989	$0.187	326,500
Apr 10	Placement – Jervois Mining Ltd	2,741,228	$0.182	500,000
	Share Capital raising expenses	-	-	(30,532)
30/06/10	**Balance end of financial year**	**51,015,097**		**20,097,938**
Jul 10	Placement	7,652,264	$0.12	918,272
Aug 10	Rights Issue – 1 for 3	23,326,762	$0.12	2,799,211
Dec 10	Placements	12,299,201	$0.55	6,764,561
Feb 11	Exercise of unlisted Director options	250,000	$0.20	50,000
Feb 11	Exercise of unlisted Director options	250,000	$0.25	62,500
Sep-Jun	Exercise of listed options	400,559	$0.20	80,111
	Share Capital raising expenses	-	-	(733,981)
30/06/11	**Balance end of financial year**	**95,193,883**		**30,038,612**

Movement in listed share options

		Number of Options	Issue price	$
30/06/09	**Balance beginning of financial year**	**11,267,930**	**-**	**1,090,429**
	Exercise of listed options	(4)	$0.75	-
30/06/10	**Balance end of financial year**	**11,267,926**	**-**	**1,090,429**
	Lapse of listed options	(11,267,926)	$0.75	(1,090,429)
Aug 10	Grant of listed options	7,775,697	$0.20	1,555,139
Oct 10	Grant of listed options	4,550,754	$0.20	910,151
Sep-Jun	Exercise of listed options	(400,559)	$0.20	(80,111)
30/06/11	**Balance end of financial year**	**11,925,892**	**$0.20**	**2,385,179**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – CONTRIBUTED EQUITY (Continued)

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.

NOTE 12 – RESERVES

	Consolidated	
	2011 $	**2010 $**
Ordinary shares transferred between shareholders in consideration of services rendered	297,001	297,001
Recognition of Share Option Expense	729,420	526,212
Available for Sale Asset Reserve (net of tax)	1,256,296	364,302
Foreign Currency Translation Reserve	(104,006)	(90,303)
	2,178,711	**1,097,212**
Reconciliation of Reserves		
Carrying amount at beginning	1,097,212	703,654
Recognition of Share Option Expense	203,208	25,666
Available for Sale Asset Reserve (net of tax)	891,994	364,302
Foreign Currency Translation Reserve	(13,703)	3,590
	2,178,711	**1,097,212**

NOTE 13 – ACCUMULATED LOSSES

	Consolidated	
	2011 $	**2010 $**
Balance at the beginning of year	(8,160,666)	(8,353,642)
Net Profit/(Loss) attributable to members of Auzex Resources Limited	(2,018,777)	192,976
Balance at the end of year	**(10,179,443)**	**(8,160,666)**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – 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	
	2011 **$**	**2010** **$**
Payable not later than one year	987,840	718,376
Later than one year but not later than two years		-
	987,840	**718,376**
Operating Leases Commitments (non-cancellable)		
Payable not later than one year	68,060	6,083
	68,060	**6,083**
Capital Expenditure Commitments	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	Consolidated 2011 $	2010 $
Employee Benefits		
The aggregate employee benefit liability is comprised of:		
Provision for Annual Leave (current)	70,346	22,681
	70,346	**22,681**

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.

	2011 $	2010 $
Employer contributions paid or payable to the plans	**82,104**	**27,596**

Auzex Employee Option Plan

The Company has in place an Employee Option Plan which was established to assist in the recruitment, reward, retention and motivation of Directors, employees of and key consultants to Auzex. This Plan was approved by shareholders at an EGM held on 22 October 2010 and replaces the previous Auzex Option Plan.

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 three 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.

There were 1,943,479 options granted in 2011 with an exercise price of 15 cents. These options vest in three tranches as follows:

- 1/3 12 months after the date of grant, subject to the volume weighted average price of the Company's shares on ASX for the 5 day period ending on the day before 12 months after the date of grant being 16.1 cents or more being 7% greater than the exercise price .
- 1/3 24 months after the date of grant, subject to the volume weighted average price of the Company's shares on ASX for the 5 day period ending on the day before 24 months after the date of grant being 17.2 cents or more being 14.5% greater than the exercise price (7% compound over 2 years).
- 1/3 35 months after the date of grant, subject to the volume weighted average price of the Company's shares on ASX for the 5 day period ending on the day before 35 months after the date of grant being 18.4 cents or more being 22.5% greater than the exercise price (7% compound over 3 years).

Options cannot be transferred and will not be quoted on the ASX. Options not exercised by the expiry date will lapse.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 - EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Continued)

Total Option Movements

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

	2011		2010	
	Number of Options	**Weighted average exercise price**	**Number of Options**	**Weighted average exercise price**
Balance at beginning of year	3,500,000	$0.67	4,000,000	$0.61
Exercised during the year	(500,000)	$0.225	-	-
Lapsed during the year	(3,000,000)	$0.75	(500,000)	$0.15
Granted during the year	1,943,479	$0.15	-	-
Balance at end of year (see table below)	**1,943,479**	**$0.15**	**3,500,000**	**$0.67**
Vested and exercisable at end of year	**-**	**-**	**3,500,000**	**$0.67**

Total Options held at the end of the reporting period

The following table summarises information about options held by employees as at 30 June 2011:

Grant Date	Number Options	Expiry Date	Exercise price
21/10/11	1,943,479	21/10/13	$0.15
TOTAL	**1,943,479**		**$0.15**

NOTE 16 - EARNINGS PER SHARE

	Consolidated Entity	
	2011	**2010**
Basic and diluted earnings/(loss) per share (cents per share)	**(2.4)**	**0.5**
The following reflects the operating results and share data used in the calculations of basic earnings per share:		
Net Profit/(Loss)	**(2,018,777)**	**192,976**
Weighted average number of ordinary shares used in calculation of basic earnings per share	**85,017,468**	**42,667,913**

The share options of 1,943,479 are not dilutive and therefore have not been included in the calculation of diluted earnings per share.

NOTE 17 - 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.

The Company had four employees at 30 June 2011 (30 June 2010: 4 employees).

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2011 $	2010 $
NOTE 18 – 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	65,475	45,421
Other Services in relation to the entity and any other entity in the consolidated entity	-	-
	65,475	**45,421**

NOTE 19 – KEY MANAGEMENT PERSONNEL

Details of Key Management Personnel

Directors	
C. Baker	Non-executive Chairman
J. Lawton	Managing Director
E. Iliescu	Non-executive Director
G. Partington	Operations Director
P. Frederiks	Non-executive Director and Company Secretary
Executives	
T. Pilcher	Senior Project Geologist

Compensation of Key Management Personnel

	Consolidated	
	2011 $	2010 $
Short-term employee benefits	535,368	341,960
Post Employment benefits	283,706	120,910
Share based payment	203,210	353,167
	1,022,284	**816,037**

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 1,943,479 options granted during the year (2010 – Nil).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 – KEY MANAGEMENT PERSONNEL (Continued)

Option holdings of Key Management Personnel

Movement 2009-2010

	Balance at beginning of period 01/07/09	Granted as Remuneration	Options Lapsed	Balance at end of period 30/06/10	Total Vested & Exercisable 30/06/10
Directors					
J. Lawton	500,000	-	0	500,000	500,000
E. Iliescu	1,000,000	-	(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					
T. Pilcher	-	-	-	-	-
R. Mustard	500,000	-	-	500,000	500,000
Total	**3,000,000**	**-**	**(500,000)**	**2,500,000**	**2,500,000**

Movement 2010-2011

	Balance at beginning of period 01/07/10	Granted as Remuneration	Options Lapsed or Exercised*	Balance at end of period 30/06/11	Total Vested & Exercisable 30/06/11
Directors					
J. Lawton	500,000	782,609	(500,000)	782,609	-
E. Iliescu	500,000	104,348	(500,000)*	104,348	-
G. Partington	500,000	652,174	(500,000)	652,174	-
C. Baker	250,000	104,348	(250,000)	104,348	-
P. Frederiks	250,000	300,000	(250,000)	300,000	-
Executives					
T. Pilcher	-	-	-	-	-
Total	**2,000,000**	**1,943,479**	**(2,000,000)**	**1,943,479**	**-**

Shareholdings of Key Management Personnel

Movement 2009-2010

	Balance at beginning of period 01/07/09	Issued under Share Purchase Plan	Purchased on Market	Disposed of	Balance at end of period 30/06/10
Directors					
J. Lawton	6,936,128	-	721,925	(303,030)	7,355,023
E. Iliescu	534,995	-	564,171	303,030	1,402,196
G. Partington	1,290,464	-	96,256	-	1,386,720
C. Baker	150,317	-	96,256	-	246,573
P. Frederiks	460,055	-	267,379	-	727,434
Executives					
T. Pilcher	-	-	-	-	-
R. Mustard	1,126,761	(1,126,761)	-	-	-
Total	**10,498,720**	**(1,126,761)**	**1,745,987**	**-**	**11,117,946**

Movement 2010-2011

	Balance at beginning of period 01/07/10	Exercise of unlisted options	Issued under 1 for 3 Rights issue	Purchased/ (sold) off market	Balance at end of period 30/06/11
Directors					
J. Lawton	7,355,023	-	166,666	(350,000)	7,171,689
E. Iliescu	1,402,196	500,000	461,665	(513,327)	1,850,534
G. Partington	1,386,720	-	592,112	(773,522)	1,205,310
C. Baker	246,573	-	142,244	-	388,817
P. Frederiks	727,434	-	285,071	-	1,012,505
Executives					
T. Pilcher	-	-	-	-	-
Total	**11,117,946**	**500,000**	**1,647,758**	**(1,636,849)**	**11,628,855**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20 - RELATED PARTY DISCLOSURES

Ultimate parent

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

Wholly owned group transactions

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 an 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. Dr Partington became an Executive Director of Auzex on 1 April 2010 and prior to that was paid non-executive director fees and consulting fees for services performed.

Total amounts paid to Kenex during the year excluding the provision of services provided by Dr Partington who is an employee of Auzex was $279,521 (2010 - $181,785).

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 $100,880 (2010 - $38,145). In addition to this amount, Directors fees of $35,167 (2010 - $13,333) were paid.

NOTE 21 – INTEREST IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Percentage of equity interest held by the consolidated entity	
		2011	2010
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 30 June 2011, the participating interest of NZML was 42%.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 - NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated 2011 $	Consolidated 2010 $
(A) Reconciliation of Cash		
Cash is defined in Note 2 to this financial report. Cash balance comprises:		
Cash at Bank	1,774,502	953,752
Term Deposit	2,000,000	-
Total Cash	**3,774,502**	**953,752**
(B) Reconciliation of the operating loss after tax with the net cash flows used in operations		
Operating profit/(loss) after income tax	(2,018,777)	192,976
Depreciation and amortisation	88,112	32,888
Net loss/(profit) on sale of property, plant & equipment	-	(480)
Exploration Expenditure written off	142,921	-
Shares issued in consideration for services	-	326,500
Share Option Valuation Expense	203,208	25,666
Shares issued for acquisition of PP&E	-	100,000
Farm-in Recoupment	-	33,992
Profit on Farm-in	-	(1,500,000)
Loss on Share swap	-	19,410
Net Exchange Differences	(13,653)	3,590
Changes in Assets & Liabilities		
Increase in trade & other receivables	(301,940)	(253,537)
(Increase)/decrease in prepayments	(800)	1,821
Increase in other creditors and accruals	207,616	248,390
Increase in provision for restoration	93,700	217,000
Increase in deferred taxes	(538,412)	-
Increase/(decrease) in provision for employee benefits	47,665	(159)
Net Cash Flow used in Operating Activities	**(2,090,360)**	**(551,943)**

(C) Non-Cash Financing and Investing Activities

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

NOTE 23 - 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the Company announced on 15 August 2011 that the Phase One drilling program at Bullabulling had delivered a 2.60 million ounce JORC compliant Resource. The Company advised that there is now less than 45,000m of infill drilling required to convert a significant portion of Inferred resources to Indicated resources. This infill drilling should be completed by the end of November 2011.

On 29 August 2011, the Company announced it had signed a binding Heads of Agreement (HOA) with GGG Resources plc to combine the Bullabulling Gold Project under a single corporate entity to be named Bullabulling Gold Limited (BBG) through an all-script merger of equals which will be Australian domiciled and listed on the ASX and AIM. The Company highlighted that it would involve the creation of an advanced exploration/pre development gold-focussed company, BBG, which owns 100% of the Bullabulling Gold project, located 65km south-west of Kalgoorlie, Western Australia and would be a merger of equals with Auzex and GGG shareholders owning 50% each of BBG subject to adjustment for cross share holdings and relative cash holdings. In addition there would be a unified management team with sole focus on the development of Bullabulling and a dual listing on the ASX and AIM providing global access to capital markets. As part of the transaction, Auzex would demerge its non-Bullabulling assets. The Company advised that Auzex and GGG would finalise a formal merger implementation agreement reflecting the terms of the HOA within 21 days with other key steps being that:

- GGG shareholders will receive a Scheme Booklet that will contain full details of the proposed Scheme (being the transfer of GGG Shareholders shares in GGG to BBG).
- GGG will immediately begin the process of listing BBG on the ASX and AIM.
- Auzex shareholders will receive a Scheme Booklet that will contain full details of the proposed Scheme (being the transfer of AZX Shareholders shares in AZX to BBG).

Other than the matters referred to above, there has not arisen between 30 June 2011 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 off affairs of the Company, in subsequent financial years.

NOTE 25- 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.

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 Managing Director. The Board agrees the strategy for managing future cash flow requirements and projections.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(A) Interest rate risk

The Group's exposure to interest rate risks primarily 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	
	2011 $	**2010 $**
Cash and cash equivalents	3,774,502	953,588

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 2011, 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)**	
	2011 $	**2010 $**	**2011 $**	**2010 $**
Consolidated				
+1%	(40,632)	(8,036)	40,632	8,036
-0.5%	20,316	4,018	(20,316)	(4,018)

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 statement of financial position. There are no derivative financial instruments currently being used by the Company.

The Company trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. It is noted that the only trade debtor at balance date is GGG Resources Plc, the Company's joint venture partner.

(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. Future exploration expenditure in New Zealand is likely to be funded by the parent entity in Australia and in that regard will be exposed 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(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	
	2011 $	2010 $
6 months or less	2,804,604	342,925

(E) Available for Sale Securities Risk

The Company's exposure to available for sale assets which are listed securities on a foreign exchange relates to the movements in the pricing of those securities from one period to the next. Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

At 30 June 2011, if the price of the securities in the available for sale asset (GGG Resources Plc) had moved, as iillustrated in the table below, with all other variables held constant, the post tax loss and equity would have been affected as follows

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
	2011 $	2010 $	2011 $	2010 $
+10%	(247,530)	(104,489)	247,530	104,489
-5%	123,765	52,245	(123,765)	(52,245)

NOTE 26– INTEREST IN JOINT VENTURE

As advised in Note 2, Auzex Resources is party to a joint venture with GGG Resources Plc (GGG) on the Bullabuilling Gold Project in Western Australia. The joint venture (JV) is known as the Bullabulling Joint Venture and sees Auzex Resources as Operator with a 50% project interest and GGG with a 50% project interest. The JV Assets comprise the Western Australia exploration and mining tenements and all property plant and equipment located on the tenements including buildings and machinery.

(A) Commitments relating to the Joint Venture

	2011 $	2010 $
Share of capital commitments	-	-

(B) Interests in Joint Venture

Current Assets	-	-
Long Term Assets	902,632	776,678
Current Liabilities	-	-
Long Term Liabilities	617,400	430,000

(C) Method used to recognise interest in Joint Venture

The Company uses the proportionate consolidation method to recognise its interest in the Bullabulling Joint Venture.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27 – PARENT ENTITY INFORMATION

Information relating to Auzex Resources Limited:	2011 $	2010 $
Current Assets	6,777,547	1,867,224
Total Assets	25,833,555	14,394,664
Current Liabilities	2,715,243	387,141
Total Liabilities	3,108,659	686,857
Issued Capital	30,038,612	20,097,938
Accumulated Losses	(9,596,433)	(7,577,647)
Share Options Reserve	729,420	526,212
Share Expense Reserve	297,001	297,001
Available for Sale Asset Reserve	1,256,296	364,303
Total Shareholders' Equity	**22,724,896**	**13,707,807**
Profit/(Loss) from Continuing Operations of Auzex Resources Limited	(2,018,788)	192,658
Other Comprehensive Income for the period	878,291	367,302
Total comprehensive income of Auzex Resources Limited	**(1,140,497)**	**559,960**

The parent entity has not provided any guarantees in relation to the debts of its subsidiary.

There are no contingent liabilities of the parent entity other than disclosed in Note 23.

There are no contractual commitments by the parent entity for the acquisition of property, plant or equipment at 30 June 2011.

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 consolidated entity are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

      (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

   (c) as discussed in Note 2(A) to the financial statements, 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 year ended 30 June 2011.

On behalf of the Board.

John Lawton

J. Lawton
Managing Director

Brisbane, 16 September 2011

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Independent audit report to members of Auzex Resources Limited

Report on the financial report

We have audited the accompanying financial report of Auzex Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b) the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. 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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Auzex Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
16 September 2011