

# **Aurox Resources Limited and its Controlled Entities**

**Half-Year Financial Report  
31 December 2006**

**ABN 32 106 793 560**

## Table of Contents

Directors' Report.....	3
Auditors Independence Declaration.....	6
Condensed Income Statement.....	7
Condensed Balance Sheet.....	8
Condensed Cash Flow Statement.....	9
Condensed Statement of changes in Equity.....	10
Notes to the Half-Year Financial Statements.....	12
1. Basis of preparation of the half-year financial report.....	12
2. Revenues and expenses.....	13
3. Issued capital.....	14
4. Segment reporting.....	15
5. Contingent assets and liabilities.....	15
6. Events after the balance sheet date.....	15
7. Share based payments.....	15
8. Additional information.....	16
Directors' Declaration.....	17
Independent Review Report to the members of Aurox Resources Limited.....	18

# AUROX RESOURCES LIMITED – HALF YEAR REPORT

## DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2006.

## DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Charles Schaus (Managing Director)  
Michael Sillcock (Technical Director)  
Richard Adrian (Non-Executive Director)  
Andrew Haythorpe (resigned 11 July 2006)

## REVIEW AND RESULTS OF OPERATIONS

Consolidated net loss after income tax for the half-year was \$6,262,446 (2005: 2,331,643). The increase in the loss reflects the continued increase in the scale of activities of the Group since the corresponding period; with work progressing on the bankable feasibility study for the Balla Balla vanadium project and a pre-feasibility study of the Balla Balla iron ore project. The result for the period was also materially effected by the recognition of the fair value of options granted during the period and in earlier periods. This non-cash charge totalled \$2,443,053.

### Balla Balla Project

Aurox commenced work with engineering consultants, Lycopodium Limited on the bankable feasibility study ("BFS") for the Balla Balla vanadium project in February 2006, initially focusing on the development of plant and infrastructure capable of producing 4,720 tonnes of vanadium (5,900 tonnes ferrovandium – FeV80) annually. Following the signing of a Heads of Agreement with 2 major Chinese resource companies in September 2006, Aurox and Lycopodium commenced a pre-feasibility study work on a 2 million tonne per annum ("tpa") titanomagnetite concentrate circuit to operate alongside the vanadium plant. Financial evaluation of the BFS and PFS by Aurox and its advisors has determined that developing the Balla Balla project in 2 stages is the most effective and low-risk avenue to timely production and cash flow. All sections of the Balla Balla vanadium BFS and associated titano-magnetite concentrate PFS are complete, apart from the financial modelling section, which will be completed shortly following the recently announced Sales Agreement with Chengde Iron & Steel Group Co Ltd of China.

The first stage of the project proposes the construction of the 2 million tpa concentration circuit. The capital cost of this stage is estimated to be A\$155M and includes all plant and infrastructure required to function as a stand-alone operation. This would be followed by the second stage of the project, the construction and operation of the vanadium circuit, which will run alongside the titanomagnetite concentration plant. The capital expenditure for the vanadium plant is currently estimated to be a further A\$290M; however, this figure may vary depending upon the prevailing capital cost environment at the time when the second stage is initiated. Lycopodium estimates that the time required to upgrade the titano-magnetite concentrate PFS to a BFS level document is approximately 4 months.

During the December 2006 quarter the Company completed its first drilling programme designed to better delineate the Balla Balla titanomagnetite mineralisation extending 11 kilometres beyond the project's current 5 kilometre BFS area. The 42 reverse-circulation drill holes (3,800 metres) were targeted to supplement the 92 holes drilled by several past explorers across the Don Well and Caine Well areas prior to 1999. The new 2 metre composite drill samples were analysed for key economic elements including iron, vanadium and titanium. As anticipated, the assay results confirm the exceptional widths, tenor and continuity of the 16 kilometre Balla Balla titanomagnetite horizon.

In December 2006 mining consultants Orelogy Pty Ltd carried out a conceptual mining study focused on minimising the strip ratios associated with mining the ore required to produce 2

## AUROX RESOURCES LIMITED – HALF YEAR REPORT

million tonnes of titanomagnetite concentrate per annum. The study concluded that a strip ratio of 1 tonne of ore to 0.25 tonnes of waste could be maintained for 12 years within the 5 kilometre BFS area. Incorporating the 11 kilometres of Balla Balla titanomagnetite extending east and west beyond the BFS area, the study demonstrated that the same 1:0.25 ore-to-waste strip ratio could be maintained for 30 years.

Further support for the project was recently received when Western Australian Planning and Infrastructure Minister, Alannah MacTiernan announced that a preliminary study has identified the island, located 80 kilometres west of Port Hedland, as having the greatest potential to cater for the shipping of more than 300 million tonnes of iron ore and satisfying multiple user demand in the area. The port could be operational within 6 years. A deep-water port at Ronsard Island would bring shipping facilities to within 25 kilometres of the Balla Balla iron ore-vanadium project.

Full details of the project status are set out in the December 2006 Quarterly Report ([www.aurox.com.au](http://www.aurox.com.au)).

In February 2007 the Company announced a 92% increase in the Balla Balla Ore Reserve estimate comprising 103.8 million tonnes 45.7% Fe and 0.63% V<sub>2</sub>O<sub>5</sub>. The revised reserve estimate was undertaken by Golder & Associates Pty Ltd based on mineral resources in the Central and Western deposits and included additional hangingwall iron and vanadium mineralisation.

On 13 March 2007 Aurox announced the signing of a long term Sales Agreement to supply Chengde Iron and Steel Group Company Ltd with 3 million tonnes per annum of titanomagnetite iron ore concentrate from its Balla Balla project commencing 2009.

The agreement links the concentrate sales price directly to the 'Hamersley Premium Fines price' negotiated annually between the world's major steel producers and Australian iron ore suppliers.

### **Yalgoo Exploration**

Assay results have been received for a recent rock chip sampling programme at Aurox's Wadgingarra group of tenements near Yalgoo. The programme was designed to locate and test the occurrence and iron content of Banded Iron Formations identified from previous geological mapping and the interpretation of airborne geophysical data. Samples of magnetite-rich BIF returned values of up to 39.97% Fe and separate, parallel horizons of hematite-rich BIF returned values of up to 50.88% Fe. The magnetite-rich BIF is the same target currently being drilled by Ferro West P/L on the tenements immediately east of Wadgingarra, and approximately 500m of strike of this horizon occurs on Aurox ground. The hematite-rich BIF layers occur parallel and to the west of the magnetite horizon, and sampling has shown that they exist throughout a sequence at least 1.5 km thick which extends for approximately 8 km along strike within the Aurox tenements.

A programme of detailed outcrop sampling is due to start immediately to prove the true extent, tenor and thickness of individual hematitic units within the BIF sequence. Concurrent with this iron sampling programme is a detailed gold and copper soil sampling programme over Aurox's Wadgingarra, Carlaminda and Noongal groups of tenements at Yalgoo. The purpose of this programme is to extend and infill geochemical grids completed previously which returned values of up to 1,496 ppb Au and 822 ppm Cu. Previous rock chip samples from these tenements have yielded maximum values of 7,068 ppb Au (7.0 g/t) and 159,127 ppm Cu (15.9% Cu). The programme will test newly interpreted structures identified from airborne geophysical data which host extensive historical mine workings.

### **Other**

The Company received proceeds from the exercise of options of \$2,821,482 during the period and issued a total of 6,630,328 new fully paid ordinary shares on conversion.

## AUROX RESOURCES LIMITED – HALF YEAR REPORT

### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December 2006.

Signed in accordance with a resolution of the directors.



Charles Schaus  
Managing Director

Perth, 16 March 2007

**AUDITOR'S INDEPENDENCE DECLARATION****TO THE DIRECTORS OF AUROX RESOURCES LIMITED**

As lead engagement partner for the half year review of Aurox Resources Limited for the period ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



**PKF**  
Chartered Accountants



**Ian Olson**  
Partner

Dated at Perth, Western Australia this 16th day of March 2007

# AUROX RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated	
		31 December 2006 \$	31 December 2005 \$
<hr/>			
<b>Continuing Operations</b>			
<b>Revenue</b>	2	37,825	37,940
Other Income	2	-	121
Other expenses	2	(6,303,687)	(2,368,565)
<b>Profit/(loss) from continuing operations before tax and finance costs</b>		(6,265,862)	(2,330,504)
Finance costs		13,365	1,139
<b>Profit/(loss) before income tax</b>		(6,279,227)	(2,331,643)
Income tax (expense)/benefit		16,781	-
<b>Profit/(loss) after tax from continuing operations</b>		(6,262,446)	(2,331,643)
Profit/(loss) from discontinued operations		-	-
<b>Net profit/(loss) for the period</b>		(6,262,446)	(2,331,643)
Profit/(loss) attributable to minority interest		-	-
<b>Net profit/(loss) attributable to members of the parent</b>		<b>(6,262,446)</b>	<b>(2,331,643)</b>
Earnings per share (cents per share)			
- basic for loss for the half-year		(12.01)	(6.39)
- diluted for loss for the half-year		(7.12)	(3.23)

# AUROX RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED BALANCE SHEET FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated	
		31 December 06	30 June 06
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		685,894	2,034,417
Trade and other receivables		186,479	193,621
Prepayments		125,793	124,062
<b>TOTAL CURRENT ASSETS</b>		<b>998,165</b>	<b>2,352,100</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		315,627	336,109
Deferred exploration and evaluation expenditure		1,425,771	1,425,772
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,741,398</b>	<b>1,761,881</b>
<b>TOTAL ASSETS</b>		<b>2,739,563</b>	<b>4,113,981</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		346,767	728,070
Interest bearing liabilities		60,057	21,107
Provisions		12,335	7,569
<b>TOTAL CURRENT LIABILITIES</b>		<b>419,160</b>	<b>756,746</b>
<b>Non Current Liabilities</b>			
Interest bearing liabilities		163,174	163,174
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>163,174</b>	<b>163,174</b>
<b>TOTAL LIABILITIES</b>		<b>582,334</b>	<b>919,920</b>
<b>NET ASSETS</b>		<b>2,157,229</b>	<b>3,194,062</b>
<b>EQUITY</b>			
Issued capital	3	13,870,380	11,048,898
Accumulated losses		(15,702,673)	(9,440,227)
Other reserves		3,989,522	1,585,391
<b>Parent interests</b>		<b>2,157,229</b>	<b>3,194,062</b>
<b>Minority interests</b>		<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>2,157,229</b>	<b>3,194,062</b>

# AUROX RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated 31 December 2006 \$	31 December 2005 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(4,210,875)	(1,780,069)
Other		41,241	36,922
<b>Net cash flows from/(used in) operating activities</b>		<u>(4,169,634)</u>	<u>(1,743,147)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration and tenement expenditure		-	(75,000)
Purchase of property, plant and equipment		(39,322)	(91,273)
<b>Net cash flows from/(used in) investing activities</b>		<u>(39,322)</u>	<u>(166,273)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,821,482	2,331,966
Proceeds from borrowings		69,537	-
Repayment of borrowings		(30,586)	-
<b>Net cash flows from/(used in) financing activities</b>		<u>2,860,433</u>	<u>2,331,966</u>
Net increase/(decrease) in cash and cash equivalents		(1,348,523)	422,546
Cash and cash equivalents at beginning of period		2,034,417	663,576
<b>Cash and cash equivalents at end of period</b>	7	<u>685,894</u>	<u>1,086,122</u>

## AUROX RESOURCES LIMITED – HALF YEAR REPORT

### CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED	<i>Attributable to equity holders of the parent</i>				<i>Total equity</i>
	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$	\$
<b>At 1 July 2005</b>	3,370,902	(1,779,991)	596,423	2,187,334	2,187,334
Total income and expense for the period recognised directly in equity	3,370,902	(1,779,991)	596,423	2,187,334	2,187,334
Profit/(loss) for the period	-	(2,331,643)	-	(2,331,643)	(2,331,643)
Total income / expense for the period	3,370,902	(4,111,634)	596,423	(144,309)	(144,309)
Issue of new shares	2,530,000	-	-	2,530,000	2,530,000
Share issue costs	-	-	-	-	-
Exercise of options	331,966	-	-	331,966	331,966
Costs of share based payment	-	-	426,371	426,371	426,371
<b>At 31 December 2005</b>	6,232,868	(4,111,634)	1,022,794	3,144,028	3,144,028

## AUROX RESOURCES LIMITED – HALF YEAR REPORT

### CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED	<i>Attributable to equity holders of the parent</i>				<i>Total equity</i>
	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$	\$
<b>At 1 July 2006</b>	11,048,898	(9,440,227)	1,585,391	3,194,062	3,194,062
Total income and expense for the period recognised directly in equity	11,048,898	(9,440,227)	1,585,391	3,194,062	3,194,062
Profit/(loss) for the period		(6,262,446)		(6,262,446)	(6,262,446)
Total income / expense for the period	11,048,898	(15,702,673)	1,585,391	(3,068,384)	(3,068,384)
Issue of new shares	-	-	-	-	-
Share issue costs	-	-	-	-	-
Exercise of options	2,821,482	-	-	2,821,482	2,821,482
Costs of share based payment	-	-	2,404,131	2,404,131	2,404,131
<b>At 31 December 2006</b>	<b>13,870,380</b>	<b>(15,702,673)</b>	<b>3,989,522</b>	<b>2,157,229</b>	<b>2,157,229</b>

# AUROX RESOURCES LIMITED – HALF YEAR REPORT

## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

### 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The financial report of Aurox Resources Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 16 March 2007. Aurox Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are described in note 4.

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

The half-year financial report should be read in conjunction with the annual Financial Report of Aurox Resources Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Aurox Resources Limited during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

#### (a) Basis of Preparation

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except where stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### (b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies and basis of computation as those used and disclosed in the Company's 2006 annual financial report for the financial year ended 30 June 2006

#### (c) Basis of Consolidation

The half-year consolidated financial statements comprise the financial statements of Aurox Resources Limited and its controlled subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

#### (d) Preparation of report on going concern basis

The consolidated entity has incurred a loss during the half year of \$6.26 million (including non cash charges of \$2.5m). Its working capital as at 31 December 2006 is \$0.58 million. The accounts have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of asset and settlement of liabilities in the ordinary course of business. The directors believe this to be appropriate for the following reasons:

# AUROX RESOURCES LIMITED – HALF YEAR REPORT

## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (CONT)

- The demonstrated ability to obtain funding through equity issues;
- As set out in note 6, the Company has reached in-principle agreement with Hartleys Limited to raise \$3.2m through the issue of 4 million ordinary shares at an issue price of \$0.80 per share for the purpose of providing short to medium term funding of the Company's activities.
- The prospect for further cash inflows from the exercise of "in-the-money" options due to expire within the next 12 months (representing a potential inflow of \$6.21million given the current market price for the Company's shares on ASX)

For the reasons discussed above, the directors are confident that the consolidated entity will be able to continue its operations into the foreseeable future.

### 2 REVENUES AND EXPENSES

#### (a) Specific Items

Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

	Consolidated	
	31 December 2006	31 December 2005
	\$	\$
<b>(i) Revenue</b>		
Finance income	37,825	37,940
	37,825	37,940
<b>(ii) Other income</b>		
Sundry	-	121
	-	121
<b>(iii) Expenses</b>		
Depreciation	59,805	33,075
Consultants expense	1,271,217	432,164
Accounting & audit expenses	63,457	42,385
Corporate expenses	502,408	166,336
Drilling, assaying & test-work	1,227,745	694,759
Interest Expense	13,365	1,139
Occupancy costs	54,043	47,821
Employee benefits	373,436	316,022
Expense of share-based payments (a)	2,443,053	426,371
Other operating expenses	308,552	209,632

## AUROX RESOURCES LIMITED – HALF YEAR REPORT

### NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

#### 2. REVENUES AND EXPENSES (CONT)

(a) Share based payments

Share based payments expense of \$2,443,053 includes a charge of \$2,158,150 (2005:nil) in respect of the assessed fair value of options granted to directors, employees and consultants in the period and an amount of \$113,631 (2005: \$426,371) representing the allocation of the assessed fair value of options granted to directors in the 2005 financial year in accordance with the assessed vesting profile as at the date of grant. In addition, an amount of \$171,272 (2005: Nil) has been recognised in respect to options granted to other parties for corporate advisory services, which includes an amount of \$38,922 in respect of options granted in a prior period and amortised over the service period to which the option grant related.

#### 3 ISSUED CAPITAL

	<b>Consolidated</b>	
	<b>31 December 2006</b>	<b>30 June 2006</b>
	<b>\$</b>	<b>\$</b>
<i>A) Ordinary shares</i>		
Issued and fully paid	13,870,380	11,048,898
	<b>Shares</b>	<b>\$</b>
<i>Movements in ordinary shares on issue</i>		
At 1 July 2006	48,015,911	11,048,898
Issued between 11 July and 21 December 2006 for cash on exercise of share options	6,630,328	2,821,482
Balance as at 31 December 2006	54,646,239	13,870,380
<i>B) Options over unissued ordinary shares</i>		
		Number of Options
At 1 July 2006		37,946,586
Aurox Employee Share Option Plan options exercisable at \$0.60 granted on 11 July 2006		350,000
Consultant Options exercisable at \$0.60 granted on 11 July 2006		1,800,000
2008 Option exercisable at between \$0.75 and \$1.05 granted on 24 November 2006		1,500,000
Director Incentive Options exercisable at between \$1.30 and \$2.05 granted on 24 November 2006		3,600,000
Consultant Options exercisable at \$0.60 granted on 20 December 2006		400,000
GRP Options exercisable at \$1.21 granted on 20 December 2006		500,000
Options exercised during the period at a weighted average price of \$0.4255		(6,630,328)
At 31 December 2006		39,466,258

# AUROX RESOURCES LIMITED – HALF YEAR REPORT

## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

### 4 SEGMENT REPORTING

#### Business segments

The Company operated in the area of exploration and evaluation of mining tenements. The Company has entered into an option agreement to assess the feasibility of the Balla Balla vanadium project in the West Pilbara of Western Australia.

#### Geographical segments

The Company operated predominantly in Australia.

### 5 CONTINGENT ASSETS AND LIABILITIES

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

### 6 EVENTS AFTER THE BALANCE SHEET DATE

On 13 March 2007 Aurox announced the signing of a long term Sales Agreement to supply Chengde Iron and Steel Group Company Ltd with 3 million tonnes per annum of titanomagnetite iron ore concentrate from its Balla Balla project commencing 2009.

The agreement links the concentrate sales price directly to the 'Hamersley Premium Fines price' negotiated annually between the world's major steel producers and Australian iron ore suppliers.

On 16 March 2007 the Company announced that it had reached in-principle agreement with Hartleys Limited to raise \$3.2m through the issue of 4 million ordinary shares at an issue price of \$0.80 per share.

Other than the foregoing, no matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the consolidated entity in the future financial years.

### 7 SHARE BASED PAYMENTS

The Company established the Aurox Option Incentive Plan ("Plan") on 24 November 2005. All employees and directors, subject to prior shareholder approval, are entitled to participate in the Plan. The Plan provides for the grant of options over unissued shares equating to not more than 5% of the Company's issued capital. When deciding to invite an employee to apply for Plan options, the Board may in its absolute discretion also determine the exercise price, which must be at least equal to the Market Value of one Share. Unless otherwise determined by the Board, if a participant ceases employment or ceases to hold office as a Director, for any reason other than Retirement, Permanent Disablement, Redundancy or death, all Options held by the participant will automatically lapse within 30 days. On 11 July 2006 the Directors approved the issue of 350,000 Plan options to employees at an exercise price of \$0.60 expiring on 11 July 2009.

At the same time as the grant of options to employees, Directors approved the issue of 2,200,000 options to contract staff ("Consultant Options"). The Consultant Options also expire on 11 July 2009 and may be exercised by the holder at \$0.60. If the holder of the Consultant Options ceases to provide services to the economic entity, all Options held by the participant will automatically lapse within 30 days unless the holder has satisfied the service condition. If the holder ceases to provide service more than one year but less than two years from their initial engagement they shall be entitled to retain 50% of the options issued to them. Upon completion of two years service the holder shall be entitled to retain all options irrespective of continuing service.

# AUROX RESOURCES LIMITED – HALF YEAR REPORT

## NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

### 7 SHARE BASED PAYMENTS (CONTINUED)

Pursuant to an agreement for the early exercise of options previously granted to US based funds associated with Geologic Resource Partners, LLC (GRP), on 20 December 2006 the Company issued 500,000 options over unissued shares with an exercise price of \$1.21 on or before 30 September 2008. The options vested immediately upon issue.

On 24 November 2006 shareholders in general meeting approved the grant of options to directors. Shareholders approved the grant of 1.5 million "2008 Options" consistent with the terms of the engagement of a director. The options, which vested immediately, were issued in three equal tranches and may be exercised at prices between \$0.75 and \$1.05 on or before 24 November 2008. In addition, shareholders approved the grant of 3,600,000 Director Incentive Options. These options also vested immediately upon issue, were issued in three equal tranches and may be exercised at prices between \$1.30 and \$2.05 on or before 24 November 2008.

Fair value of share options and assumptions for the six months ended 31 December 2006:

Fair value at grant date*	\$2,290,500
Weighted average share price	\$0.8187
Weighted average exercise price	\$1.16
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	72.4%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	2.72 years
Expected dividends	nil
Risk-free interest rate (based on government bonds)	5.95%

The basis of measuring fair value is consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2006.

\*The fair value at grant date excludes the value of options recognised in the half year but granted in a prior period which amounted to \$152,553.

### 8 ADDITIONAL INFORMATION

#### Reconciliation of Cash

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following 31 December:

	Consolidated	
	31 December 2006	31 December 2005
	\$	\$
Cash at bank and in hand	685,894	1,086,122
	<u>685,894</u>	<u>1,086,122</u>

## AUROX RESOURCES LIMITED – HALF YEAR REPORT

### Directors' Declaration

In accordance with a resolution of the directors of Aurox Resources Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity:

- (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Charles Schaus  
Managing Director

Perth, 16 March 2007

## **INDEPENDENT REVIEW REPORT**

### **TO THE MEMBERS OF AUROX RESOURCES LIMITED**

#### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Aurox Resources Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the entity comprising the company and the entities it controlled at 31 December 2006 or from time to time during the half year ended on that date.

#### **Directors' Responsibility for the Half-Year Financial Report**

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

#### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the disclosing entities financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Aurox Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### **Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

**Conclusion**

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

- (a) giving a true and fair view of the consolidated entities financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



**PKF**  
Chartered Accountants



**Ian Olson**  
Partner

Dated in Perth, Western Australia, dated this 16th day of March 2007