



ROX RESOURCES LIMITED
ABN 53 107 202 602

ANNUAL REPORT

2010

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CORPORATE DIRECTORY

Directors:

Mr Jeff Gresham
Non-Executive Chairman

Mr Ian Mulholland
Managing Director

Mr Brett Dickson
Executive Director

Company Secretary:

Mr Brett D Dickson

Bankers:

Westpac Banking Corporation
40 St George's Terrace
Perth WA 6000

Auditor:

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000

Telephone: (08) 9429 2222

Facsimile: (08) 9429 2436

Solicitor:

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

Telephone: (08) 9322 7644

Facsimile: (08) 9322 1506

Stock Exchange:

ASX Limited

Company Code:

RXL (Fully Paid Shares)

RXLO (Options exercisable at \$0.10, expire 30 June 2011)

RXLOA (Options exercisable at \$0.015, expire 31 July 2011)

Issued Capital:

237,566,751	Fully paid ordinary shares
30,160,227	10 cent, 30 June 2011 options
37,597,293	1.5 cent, 31 July 2011 options
2,000,000	35 cent, 30 November 2010 options
7,500,000	3.8 cent, 30 November 2012 options

For shareholder information contact:

Share Registry:

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

For information on your company contact:

Principal & Registered Office:

Level 1
30 Richardson Street
West Perth WA 6005

Telephone: (08) 6380 2966

Facsimile: (08) 6380 2988

Web: www.roxresources.com.au

CHAIRMAN'S REVIEW

Dear Shareholder,

The 2010 financial year saw your Company make considerable progress in its evaluation of the promising Myrtle zinc-lead deposit in the Northern Territory. Utilising funds generated from a rights issue completed in September 2009 a series of metallurgical tests were carried out on core samples from the deposit. These test were designed to establish the crushing, grinding and flotation characteristics of the ore and determine likely recoveries of zinc and lead. Overall the results from this work were encouraging although more test work will be required to provide definitive results.

Funds were also used to conduct another drilling program at Myrtle late in 2009. This drilling was successful in confirming the continuity, over 700 metres, of the near surface mineralisation with open pit potential at the Main Zone. The drilling also made a new discovery of shallow mineralisation at the Eastern Zone located about one kilometre from the Main Zone.

The results from the drilling were incorporated in a revision of the resource estimate for the deposit and resulted in a 18.5% increase in tonnes and a 14.7% increase in contained metal over the previous estimate. The new drilling plus a major reassessment of existing drill data resulted in the development of a new exploration model for the deposit. This model, incorporating a detailed comparison with the nearby world class McArthur River deposit, suggests that drilling to date has occurred on the edges of the main mineralised system at Myrtle. This interpretation has identified targets for higher grade mineralisation to the north-west of the existing drilling.

Your Company has also expanded its land position in the Myrtle area with the granting of a new Exploration Licence in March, 2010 and in September 2010 completed an agreement to acquire two additional Exploration Licences immediately adjacent to the existing tenure.

In early July 2010 your Company negotiated the removal of a significant financial encumbrance that was payable to project vendor North Mining. North was entitled to a lump sum cash payment of A\$1/tonne of the mineable resources stated in a Bankable Feasibility Study payable upon a Decision to Mine. Agreement was reached with North for the removal of this lump sum cash payment in return for the issue of 20 million ordinary Rox shares. The agreement established North affiliate, Rio Tinto Exploration Pty Limited, as Rox's largest individual shareholder holding approximately 8.4% of the issued capital. Given this very positive outcome your Company is now actively pursuing options to progress the development of the Myrtle deposit.

During the December 2009 quarter your Company withdrew from the Pha Luang project Joint Venture in Laos. Based on the moderate success of our exploration at Pha Luang and the uncertainties in securing mining title going forward we were left with no other alternative but to withdraw from all activities in Laos.

Regrettably Mr Michael Blakiston, due to the pressure of other work commitments, resigned his position as Non-Executive Director during the year. Michael had been a Director of the Company since its inception and had made a significant contribution the Company's development. We welcome Brett Dickson as an Executive Director.

The significant progress made at Myrtle during the financial year and the improved market conditions create the opportunity for further positive outcomes for your company in the coming year.



Jeffrey J Gresham
Chairman

PROJECTS

MYRTLE ZINC – LEAD PROJECT, NT, AUSTRALIA

The discovery of the zinc-lead deposit at the Myrtle prospect is an important exploration success for the Company. It is probably one of the most significant zinc deposits found in Australia for 20 years. The Myrtle deposit is situated just 20 km south of the world class McArthur River (HYC) zinc-lead deposit (Figure 1) and demonstrates that the area around McArthur River is still very prospective for major zinc-lead deposits of the McArthur River – Mt Isa type. The company has a very strong ground position in the area.

The work program scheduled by the Company included further resource drilling, metallurgical testwork, and completion of a Scoping Study.

The RC resource drilling during the December quarter of 2009 and detailed re-logging of existing drill core enabled a better understanding of the Myrtle deposit to be gained, and a new exploration model for the deposit to be generated. This model, incorporating a detailed comparison with the nearby world class McArthur River deposit, suggests that drilling to date has occurred on the edges of the main mineralised system at Myrtle. This interpretation has identified targets for higher grade mineralisation to the north-west of the existing drilling (Figures 2 and 3).

The RC drilling enabled a better understanding of the Myrtle deposit with:

- Continuous near surface mineralisation with open pit potential at the Main Zone being confirmed over a 700m strike length.
- A new discovery of mineralisation at the Eastern Zone which lies about 1km east of the Main zone (Figure 2). Already an area of mineralisation over at least 600 metres strike length and 200 metres down dip has been defined. This zone is shallowly dipping and there is significant potential to increase its size.
- The Main Zone of mineralisation remains open in several directions.

Mineral Resource

The revised resource contains 13% in the Indicated category and represents an 18.5% increase in tonnes and 14.7% increase in contained metal over the previous estimate. The resource is still open to the north and west and at a cut-off of 3% Zn + Pb is:

- **43.6 million tonnes @ 4.09% Zn, 0.95% Pb, for 5.03% Zn + Pb**

The resource is large, containing 2,193,000 tonnes (approximately 4.8 billion pounds) combined insitu zinc and lead metal, comprising 1,780,000 tonnes of zinc and 412,000 tonnes of lead. At a higher cut-off of 5% Zn + Pb the resource is:

- **15.3 million tonnes @ 5.45% Zn, 1.40% Pb, for 6.84% Zn + Pb**

PROJECTS

Table 1: Myrtle Deposit Mineral Resource

Cut-off Zn+Pb%	Category	Tonnes (Mt)	Zn %	Pb %	Zn+Pb %	Zn kt	Pb kt	Zn+Pb kt
3	Indicated	5.8	3.56	0.90	4.45	205	52	257
3	Inferred	37.8	4.17	0.95	5.12	1,575	361	1,936
TOTAL		43.6	4.09	0.95	5.03	1,780	412	2,193
Previous		36.8	4.19	1.01	5.20	1,541	372	1,912
5	Indicated	1.2	5.38	1.42	6.80	64	17	81
5	Inferred	14.1	5.45	1.39	6.85	768	196	965
TOTAL		15.3	5.45	1.40	6.84	833	213	1,046
Previous		15.1	5.49	1.46	6.95	831	221	1,051

Metallurgical Testwork

Metallurgical testwork was designed and supervised by Mineral Engineering Technical Services Pty Ltd (“METS”), and was undertaken in a number of stages at AMMTEC Laboratories in Perth.

The results received for the first stage of the test work, established that high recoveries for zinc (90%) and lead (74%) were achievable (Figure 4) and gave the company the encouragement to proceed to a second stage of testwork. This second stage extended the scope to investigate various flotation processes to produce separate zinc and lead concentrates, and to establish the grade of those concentrates.

A scanning electron microscope (QEMSCAN) analysis showed that the mineralogy of the ore was 35.8% dolomite, 22.8% feldspar, 13.8% pyrite, 13.3% sphalerite, 6.4% quartz, 1.2% galena, and 6.7% other gangue minerals.

Flotation testwork initially focussed on selective flotation to produce separate zinc (Zn) and lead (Pb) concentrates at a grind size of 53 microns. An improved reagent regime in Stage 2 achieved a rougher concentrate at higher lead and zinc grades than in Stage 1 (Table 2).

The Stage 2 rougher concentrates were then “cleaned” by re-grinding to 38 microns and further “cleaning” flotation stages. While this cleaning was not optimised for reagents, grind size or other conditions, a further improvement in Pb and Zn grades was shown (Table 3).

Given that the cleaning stages (and the roughing stage) have not yet been optimised, these are encouraging results and indicate that with further optimisation a marketable grade concentrate will probably be able to be produced.

PROJECTS

Table 2: Comparison of Stage 1 vs Stage 2 Selective Flotation Results

	Pb %	Pb Rec %	Zn %	Zn Rec %	Mass %
Stage 1 Feed Grade	1.20		5.06		
Pb Ro Con	6.04	33.0	6.44	8.1	6.6
Zn Ro Con	2.78	41.0	25.20	82.3	18.1
Total Ro Con	3.65	74.0	20.12	90.4	24.7
Stage 2 Feed Grade	1.28		5.50		
Pb Ro Con	12.50	55.8	4.87	5.1	5.7
Zn Ro Con	1.48	15.9	26.70	88.2	18.2
Total Ro Con	3.98	71.7	21.49	93.3	23.9

Table 3: Cleaning of Stage 2 Rougher Concentrates

	Pb %	Pb Rec %	Zn%	Zn Rec %	Mass %
Feed Grade	1.28		5.50		
Pb Ro Con	12.5	55.8	4.87	5.07	5.70
Pb Cl Con	17.6	36.6	4.35	2.10	2.66
Pb Ro/Cl Upgrade %	141	66	89	41	47
Zn Ro Con	1.48	15.9	26.7	88.2	18.2
Zn Cl Con	1.88	14.9	41.6	77.0	10.2
Zn Ro/Cl Upgrade %	127	94	156	87	56

A bulk flotation test at 53 microns achieved a concentrate grade of 31.1% Zn and 7.1% Pb after cleaning at 38 microns (Table 4). Recoveries were 68.5% for Zn and 67.7% for Pb. Again, given that this test was not optimised for reagents, grind size or other conditions, it is an encouraging result.

Table 4: Bulk Flotation Results

	Pb %	Pb Rec %	Zn%	Zn Rec %	Mass %
Feed Grade	1.28		5.50		
Total Ro Con	4.57	72.0	19.5	71.3	19.6
Total Cl Con	7.12	67.7	31.1	68.5	11.8
Total Ro/Cl Upgrade %	156	94	159	96	60

Other tests that were carried out included:

Bond Ball Mill Work Index: 18.8 kWh/dry tonne, which is an average value for the hard rock industry and indicates there will be few comminution issues.

PROJECTS

Particle Size Analysis:	Almost 90% of rougher concentrate particles are less than 38 microns in size, however, recovery of Zn was very good at 53 microns, while Pb was good at 38 microns.
Flash Flotation for Pb:	Flash flotation recovers liberated coarse particles. A flash flotation test showed that improved recoveries of Pb could be achieved, with 43.7% recovery at a grade of 27.2% Pb. Compare this with the selective flotation result in Table 3 of 36.6% recovery and grade of 17.6% Pb.
Heavy Liquid Separation:	This test identified that the best upgrade occurred at the coarsest size attempted, 3.35 mm, with upgrade of Pb and Zn both by approximately 100% on the feed grade. A “sinks” concentrate of 2.35% Pb and 10.8% Zn was produced from 25.5% of the mass.

In summary, the results from the testwork, while not exhaustive or optimised, have produced encouraging results at relatively coarse grind sizes for this type of mineralisation. It is important to note that no ultra-fine grinding has yet been carried out, and this technique, commercially employed at the McArthur River mine, would probably add considerably to the recoveries and concentrate grades.

Exploration Potential

On a more regional scale, Myrtle is just one of a number of known base-metal occurrences on the Company's tenement, and work to progress the other prospects was pursued during the year. At the Berjaya prospect, 20 km north-northwest of Myrtle and 16km west of McArthur River (HYC) (Figure 5), a large sulphide system of some 1 x 1.5km has been identified in previous drilling. There are various encouraging drill intercepts and geophysical anomalies that need to be followed up to assess their significance.

The recent (September 2010) acquisition of two Exploration Licences immediately adjacent to the Company's existing tenure (Figure 5) means that a total area of 669 km² is now owned by the Company, giving it a very strong ground position in the region.

PROJECTS

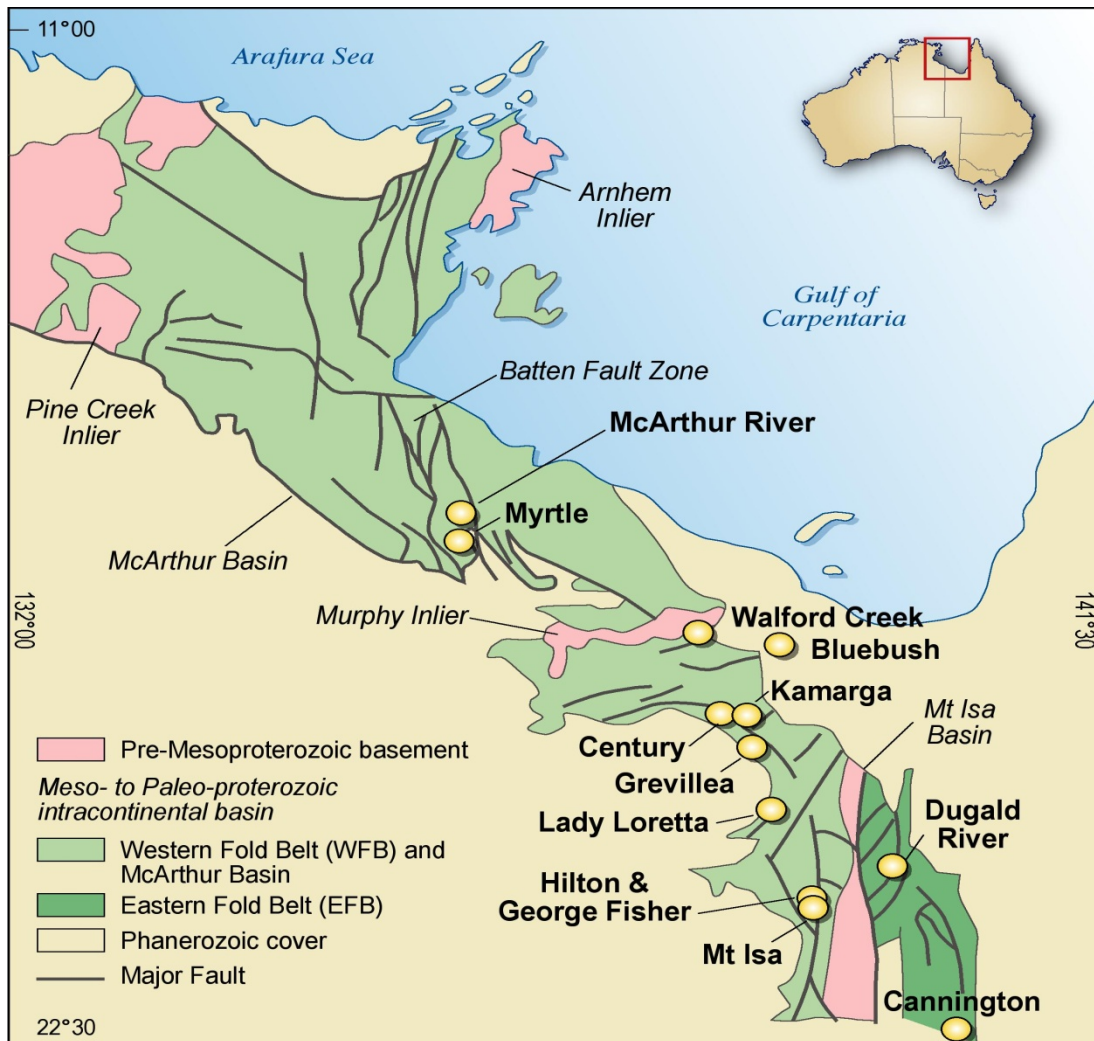


Figure 1: Location Map of Myrtle Project

PROJECTS

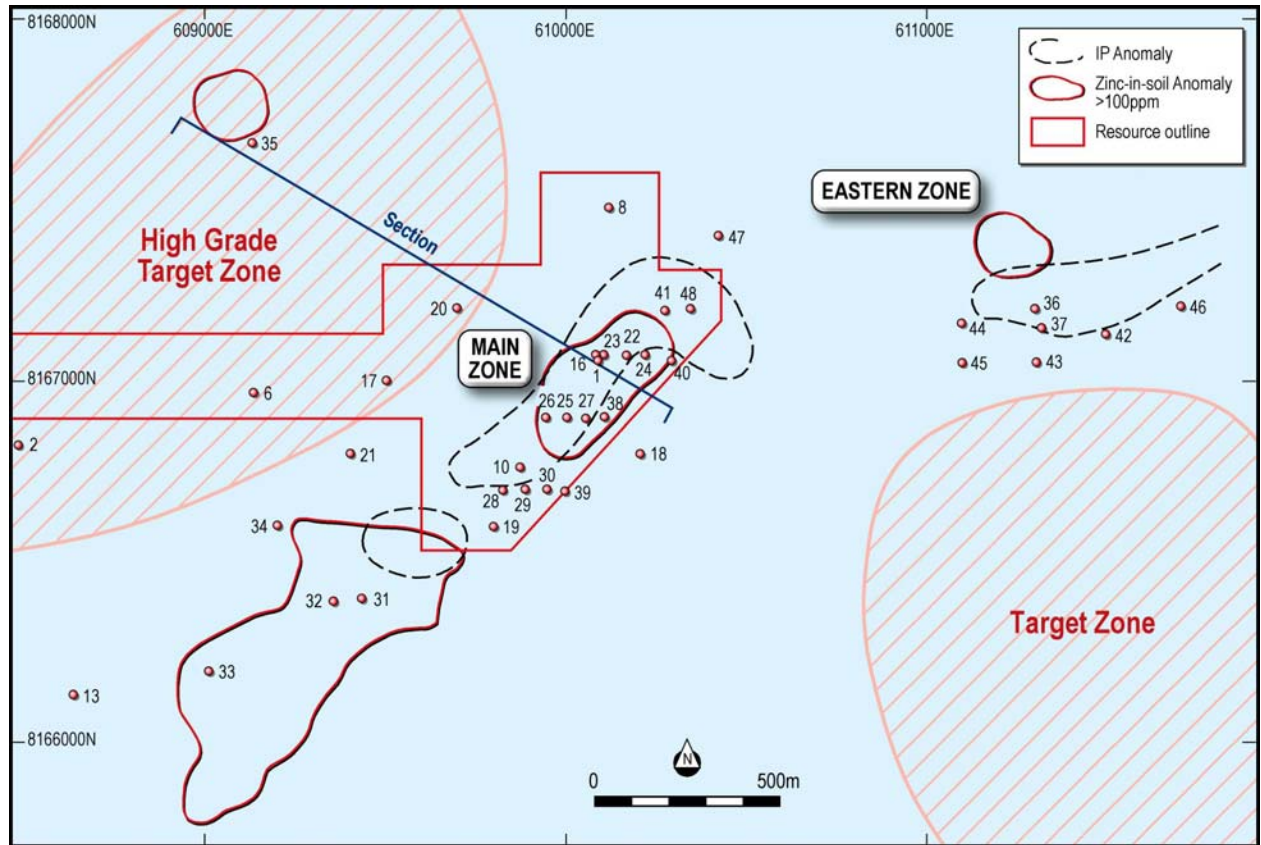


Figure 2: Myrtle Drilling Plan

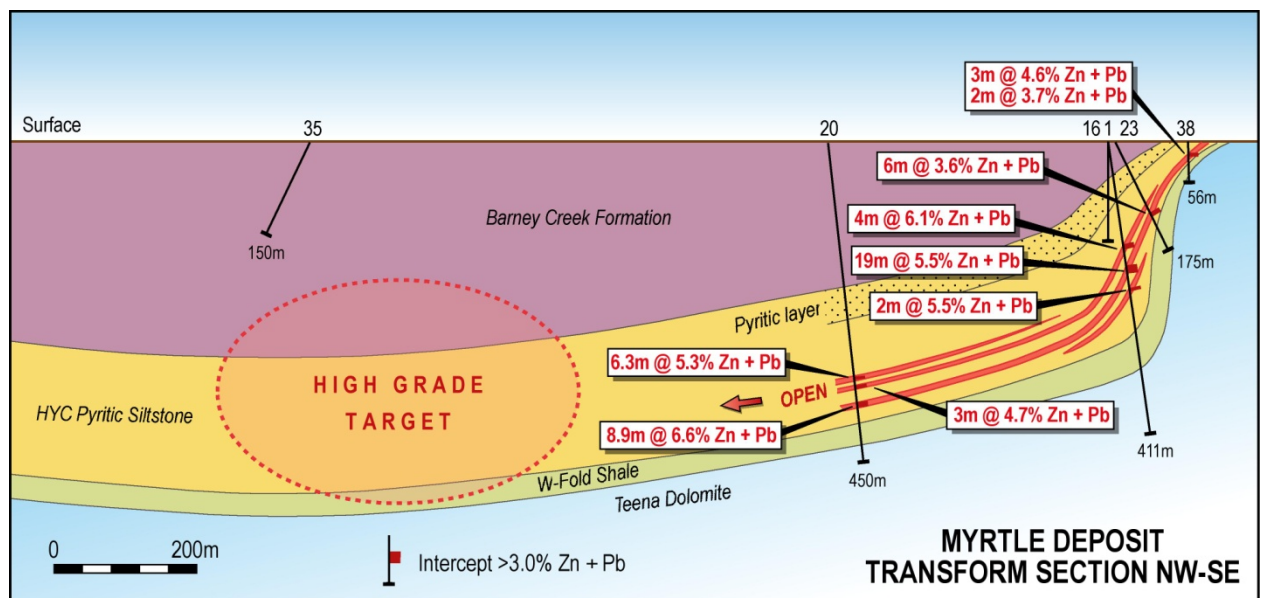


Figure 3: Myrtle Drill Cross Section (section line as per Figure 2 above)

PROJECTS

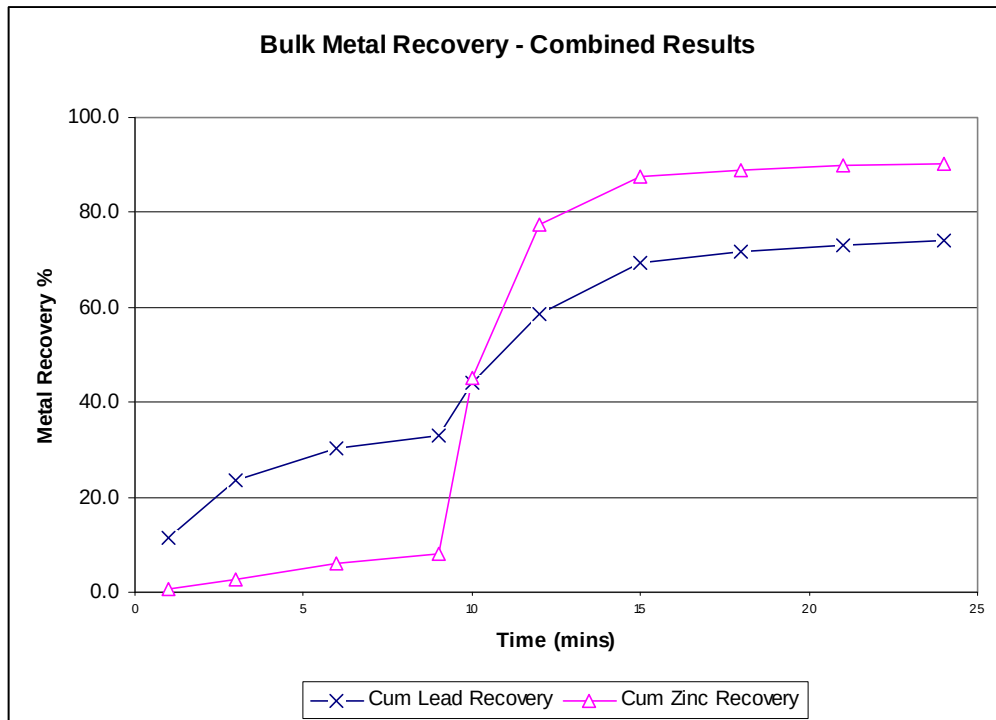


Figure 4: Recovery vs. Time Graph

PROJECTS

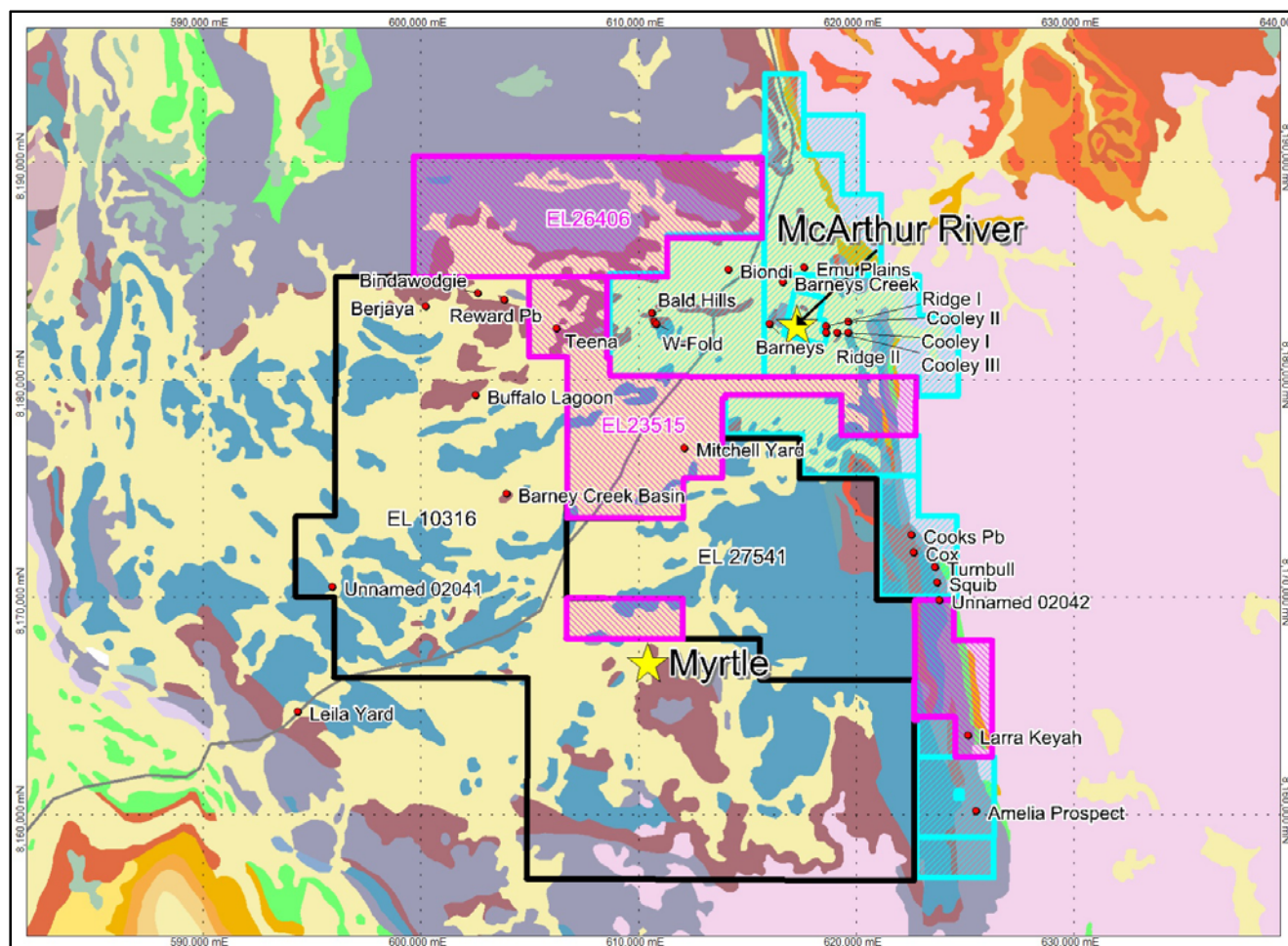


Figure 5: Myrtle Project Tenements over Geology and showing Prospect Locations. Current Rox tenements in black, acquired tenements in pink and Xstrata tenements (not owned by the Company) in blue.

PHA LUANG ZINC – LEAD PROJECT, LAOS

More than 3 years after the Company made its initial application for a Foreign Investment Licence in Laos, the lack of certainty regarding the status of the joint venture and the approvals process by the Laos Government had prompted the company to suspend exploration work in late 2008 and assess its options in regard to continuing at Pha Luang.

In communications with the Laos Minister for Planning and Investment and the Laos Director General of the Department of Planning and Investment during 2009, Rox was advised that due to new regulations and the newly proclaimed Mining Law in Laos, the Company, in conjunction with its joint venture partners, would need to re-submit a revised foreign investment application.

During the year Rox resolved that, based on the moderate success of exploration at Pha Luang, and the uncertainties in securing mining title going forward, to withdraw from the joint venture agreement.

PROJECTS

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Ian Mulholland BSc (Hons), MSc, FAusIMM, FAIG, FSEG, MAICD, who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists. Mr Mulholland has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Mulholland is a full time employee of the Company and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS REPORT

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, Qualifications, Experience and Special Responsibilities

Mr Jeff Gresham (*Non-Executive Chairman, appointed 1/10/2006* - B.Sc. (Hons), MAusIMM, MGSA, MAICD

Mr Gresham is a geologist with a distinguished industry career of varied exploration, operational and corporate experience both in Australia and internationally spanning more than 40 years. Mr Gresham is also a Non-Executive Director of Breakaway Resources..

Previously he was Managing Director of Titan Resources, an active nickel explorer in Western Australia, and roles prior to that have included Managing Director of gold miner Wiluna Mines Limited, General Manager – Exploration for Homestake Gold of Australia, and several senior executive roles with Western Mining Corporation (WMC) including Chief Geologist of the Kambalda Nickel Operations, and Executive Vice President Exploration for WMC's Canadian subsidiary Westminster Canada Ltd.

Mr Gresham's extensive professional experience covers numerous mineral deposit types and he has authored a number of technical and professional papers on the Kambalda nickel deposits and the Olympic Dam copper-uranium deposit, and has a B.Sc (Hons) degree from the Victoria University, Wellington, New Zealand.

During the past three years Mr Gresham has also served as a Director of the following other listed companies:

- Titan Resources (appointed 01/06/2004 and resigned 01/09/2006)
- Breakaway Resources (appointed 01/10/2006)
- View Resources (appointed 24/04/2007 and resigned 16/09/2009)

Mr Ian Mulholland (*Managing Director, appointed 27/11/2003* - B.Sc. (Hons), M.Sc. FAusIMM, FAIG, FSEG, MAICD

Mr Mulholland is a geologist with over 25 years broad experience in the exploration and mining industry in a number of commodity groups including gold, silver, copper, lead, zinc, uranium, nickel and kaolin. He has been Managing Director of Rox Resources since its inception, and prior to that he managed activities from grass roots exploration to advanced resource definition, feasibility studies and mining operations for a number of major, medium sized and junior companies including WMC, Esso, Otter Gold, Aurora Gold, Anaconda Nickel, Archaean Gold, Summit Resources and Conquest Mining. His strength is in bringing resources to economic fruition and his experience is particularly appropriate for his role with Rox.

DIRECTORS REPORT

Mr Mulholland has been involved in the Nimbus silver-zinc project, the Mt Martin, Mt Muro, Toka Tindung, Tanami and Mt Carlton gold-silver projects, the Murrin Murrin, Weld Range, Marshall Pool, Lawlers and Cawse nickel projects, the Valhalla and Olympic Dam uranium projects, and the Mt Windsor VMS copper-lead-zinc projects.

Mr Mulholland has a B.Sc. (Hons), Geology from the University of Sydney and a M.Sc. in Exploration and Mining Geology from the James Cook University of North Queensland. He is a Fellow of the AusIMM, the AIG, and the Society of Economic Geologists.

Mr Mulholland has not been a director of any other listed company in the last three years.

Mr Brett Dickson (*Executive Company Secretary, appointed director 31 March 2010*) - B.Bus, CPA

Mr Dickson has over 20 years experience in the financial management of companies, principally companies in early stage development of its resource or production, and offers broad financial management skills. He has been Company Secretary and Chief Financial Officer (CFO) for a number of successful resource companies listed on the ASX, and in addition to Rox Resources currently also acts as Company Secretary and CFO for Azure Minerals Limited.

Mr Dickson has not been a director of any other listed company in the last three years.

Mr Michael Blakiston (*Non-Executive Director, appointed 27/11/2003 – resigned 31 March 2010*) - B.Juris. LLB

Mr Blakiston is a practicing solicitor with legal experience in the resources sector, and holds the degrees of Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia and is a partner of the corporate and resource law firm, Blakiston & Crabb. Mr Blakiston has been practicing law for over 25 years.

Mr Blakiston has extensive commercial experience both in advisory and directorial capacities having been involved in project assessment, structuring and financing, joint ventures and strategic alliances in the resource industry. In addition, Mr Blakiston has experience in initial public offerings, takeovers and mergers, corporate and project fundraisings (either with debt or equity), construction, offtake and sales contracts.

Mr Blakiston is also a Director of the following companies:

- Platinum Australia Ltd (appointed 21/06/2000)
- Vulcan Resources Limited (appointed 28/03/2002)
- Aurora Oil & Gas Limited (appointed 07/11/2003)
- Axiom Properties Limited (appointed 24/06/2006)

DIRECTORS REPORT

Interest in the Share and Options of the Company

As at the date of this report, the interest of the Directors in the shares and options of Rox Resources Limited were:

	Ordinary Shares	Listed Options	Unlisted Options
J Gresham	723,334	96,445	-
I Mulholland	9,580,708	2,546,435	7,000,000
B Dickson	6,093,910	1,777,817	2,500,000

Included in the Director's Interest in unlisted options are the following unlisted options that have vested and are able to be exercised.

Director	Number of options	Exercise Price	Expiry
J Gresham	Nil	-	-
I Mulholland	2,000,000	35 cents	30 November 2010
B Dickson	Nil	-	-

LOSS PER SHARE

Basic Loss per share	2010: (0.56 cents)	2009: (2.1 cents)
Diluted Loss per share	2010: (0.56 cents)	2009: (2.1 cents)

DIVIDENDS

No amounts have been paid or declared by way of dividend of the Company since the date of incorporation and the Directors do not recommend the payment of any dividend.

OPERATING AND FINANCIAL REVIEW

Corporate Structure

Rox Resources Limited is a company limited by shares which is incorporated and domiciled in Australia. The Consolidated Entity comprises Rox Resources Limited, Nyala Resources Pty Ltd and Rox (Laos) Pty Ltd. Nyala Resources Pty Ltd and Rox (Laos) Pty Ltd have not traded during the year.

Nature of Operations and Principal Activities

The principal activity of the Consolidated Entity during the year was the continued exploration of its Myrtle lead-zinc deposit in the Northern Territory of Australia; the Pha Luang project in Laos was relinquished during the year.

Results from Operations and Financial Position

During the period the Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2010 of \$1,216,118 which is less than the previous year's loss of \$1,843,979. The loss includes exploration expenditure charged direct to the profit and loss account of \$536,740 (2009:\$677,046). Net cash outflows from operating activities were \$1,304,364 compared to cash outflow of \$1,680,041 for the previous year.

At 30 June 2010 the Consolidated Entity had cash on hand of \$795,577. The Directors believe the Consolidated Entity maintains a sound capital structure and is in an excellent position to progress its mineral properties.

DIRECTORS REPORT

Employees

At 30 June 2010 the Company had two employees (2009: two employees).

Review of Operations

During the year the Company focussed its activities at its Myrtle zinc-lead project in the Northern Territory; its Pha Luang zinc-lead project in Laos which had been on care and maintenance for some time was relinquished. The Myrtle project is a sediment hosted (SEDEX) zinc-lead project with analogies to the large McArthur River deposit, located just 20km to the north. Since acquiring the Myrtle project the Company has completed 2000m of diamond core drilling and 2630 of RC drilling at the Myrtle prospect. Results of this drilling have been very encouraging and have resulted in the estimation of a JORC compliant Indicated and Inferred Mineral Resource at a 3% combined lead + zinc cut-off of 43.6 million tonnes @ 4.09% zZinc, 0.95% lead, for 5.03% zinc plus lead.

RISK MANAGEMENT

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is important for all Board members to be part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk;
- Implementation of Board approved budgets and Board monitoring of progress against those budgets.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following matters have arisen since the end of the financial year:

- The Company reached agreement with North Mining Limited ("North"), a 100% subsidiary of Rio Tinto Limited, for the removal of a significant encumbrance over the Reward project and the Myrtle deposit, and for North (or a wholly-owned member of the Rio Tinto group) to become Rox's largest individual shareholder. Under the terms of the Sale and Purchase Agreement between Rox and North for the Reward project, dated 17 September 2008, North is entitled to a lump sum cash payment of A\$1/tonne of the mineable resources stated in a Bankable Feasibility Study payable upon a Decision to Mine. Agreement has been reached with North for the removal of this lump sum cash payment in return for the issue of 20 million ordinary Rox shares. Under the terms of the Sale and Purchase Agreement North will retain the right to receive a 2% net smelter return royalty.
- The Company acquired two key Exploration Licences in the Northern Territory, located adjacent to its Myrtle zinc-lead project at McArthur River from Legend International Holdings Inc. ("Legend"), a diamond and phosphate explorer/developer listed in the USA on the OTC Bulletin Board, with the consideration being the issue of 3 million fully paid shares in Rox to Legend, retention of the rights

DIRECTORS REPORT

to all diamonds by Legend, and a 2% net smelter royalty payable to Legend from any minerals mined other than diamonds.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

ENVIRONMENTAL ISSUES

The Company carries out mineral exploration at its various projects which are subject to environmental regulations under both Commonwealth and State legislation. During the financial year there has been no breach of these regulations.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Directors' Normal Meetings		Directors' Audit Meetings		Directors' Remuneration Meetings		Directors' Nomination	
	No. Eligible	No. Attended	No. Eligible	No. Attended	No. Eligible	No. Attended	No. Eligible	No. Attended
J Gresham	9	9	2	2	1	1	1	1
M Blakiston	6	6	2	2	1	1	1	1
I Mulholland	9	9	2	2	1	1	1	1
B Dickson	3	3	-	-	-	-	-	-

Committee Membership

As at the date of this report, the Company does not have separately constituted Audit, Nomination and Remuneration Committees. The full board acts as those committees under specific charters.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors and the Company Secretary named in this report.

The Director and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the Directors and officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

DIRECTORS REPORT

The Company has not entered into any agreement to indemnify the auditor.

SHARE OPTIONS

At the reporting date there were 2,000,000 unlisted options exercisable at \$0.35, 7,500,000 unlisted options exercisable at \$0.038, 30,160,227 listed options exercisable at \$0.10 and 37,597,293 listed options exercisable at \$0.015 on issue. During the year 4,600,000 options, which had an intrinsic value of nil, lapsed and 405,899 were exercised. Refer to note 10 of the Financial Statements for further details on options outstanding.

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 or in the interest issue of any other registered scheme.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's Auditors to provide the Directors of Rox Resources Limited with an Independence Declaration in relation to the audit of the full-year financial report. This report has been received and is attached to the Directors Report at page 69.

NON AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit services provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	\$9,350
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DIRECTORS REPORT

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 or indirectly, including any Director (whether executive or otherwise) of the Parent Company, and includes the executives, of which there are two, in the Parent and the Group that fits within the above mentioned definition.

For the purposes of this report, the term 'executive' encompasses the Managing Director and Company Secretary of the Parent and the Group.

Details of Key Management Personnel

(i) Directors

Jeffrey Gresham	Non-executive Chairman (<i>appointed 1 October 2006</i>)
Ian Mulholland	Managing Director (<i>appointed 27 November 2003</i>)
Michael Blakiston	Non-executive Director (<i>appointed 27 November 2003, resigned 31 March 2010</i>)
Brett Dickson	Executive Director and Company Secretary (<i>appointed director 31 March 2010</i>)

There were no changes of KMP after reporting date and before the date the financial report was authorised for issue.

Remuneration Committee

The full Board acts as the Remuneration Committee and is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director (MD) and the senior management team.

The Board assesses the appropriateness of the nature and amount of remuneration of Directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

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 rewards to attract high calibre executives
- Establish appropriate hurdles for variable executive remuneration
- Encouragement for Directors to sacrifice a portion of their fees to acquire shares in the Company at market price

DIRECTORS REPORT

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Senior Manager 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 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 in 2004 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 the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Company.

Non-Executive Directors have long been encouraged by the Board to hold shares in the Company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the Company whose board he or she sits. In addition long term incentives in the form of options may be awarded to Non-Executive Directors, subject to shareholder approval, in a manner which aligns this element of remuneration with the creation of shareholder wealth.

The remuneration of Non-Executive Directors for the years ending 30 June 2010 and 30 June 2009 is detailed later in this report.

Senior Manager and Executive Director 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 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
- ensure total remuneration is competitive by market standards.

DIRECTORS REPORT

Structure

In determining the level and make-up of executive remuneration the Board considered market conditions and remuneration paid to senior executives of companies similar in nature to Rox Resources Limited.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration – short term incentive (“STI”), and
– long term incentive (“LTI”)

Fixed Remuneration

Objective

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 individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Structure

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of the most highly remunerated senior managers is detailed later in this report.

Variable Remuneration – Short Term Incentive (“STI”)

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve those operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments granted to executives depend on the extent to which specific targets set at the beginning of the review period, being a calendar year. The targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as contribution to exploration success, share price appreciation, risk management and cash flow sustainability. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The Board has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI's, the Board, acting as a Remuneration Committee, determines the amount, if any, of the STI to be paid to each executive. This process usually occurs in the first quarter of the calendar year. Payments made are delivered as a cash bonus in the fourth quarter of the fiscal year.

DIRECTORS REPORT

STI bonus for 2009 and 2010 financial years

There were no incentive bonuses for the 2010 financial year.

An incentive bonus to the maximum of \$60,000 was agreed with Mr Mulholland for the 2009 financial year. Criteria used when assessing the bonus were:

1. The granting of the Foreign Investment Licence in Laos and the identification of potential resource of > 5 million tonnes @ 6.5% Zn + Pb within the Pha Luang project.
2. Identification of a resource based on the planned drilling program, of > 20 million tonnes @ 6.5% Zn + Pb at the Myrtle prospect.
3. The development of another significant project for Rox either by ground acquisition, farm in or purchase.
4. Facilitate a successful capital raising of a minimum of \$2m.
5. Increase the Rox share price to 25c.
6. Maximisation of Rox's investments and a clear demonstration of technical and managerial leadership. Measures will include staff stability, technical breakthroughs including drilling success and the quality of reporting, board preparation and statutory compliance.

In addition, similar performance criteria were set for the Company Secretary, Mr Brett Dickson, with a maximum performance bonus payable of \$30,000.

The minimum amount payable assuming no executives meet their KPI's is nil. There have been no alterations to the STI bonus plans since their grant date

Even though several KPI's were achieved for the 2009 financial year executives agreed to forgo any bonus due to the deterioration of global financial markets.

Variable Remuneration – Long Term Incentive ("LTI")

Objective

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth.

As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth.

Structure

LTI grants to executives are delivered in the form of options.

The options, when issued to executives, will not be exercisable for a price less than the then current market price of the Company's shares. The grant of LTI's are reviewed annually, though LTI's may not be granted each year. Exercise price and performance hurdles, if any, are determined at the time of grant of the LTI.

To date no performance hurdles have been set on options issued to executives. The Company believes that as options are issued at not less than the current market price of the Company's shares there is an inherent performance hurdle on those options as the share price of the Company's shares have to increase significantly before there is any reward to the executive.

DIRECTORS REPORT

Employment Contracts

The Managing Director, Mr Mulholland is employed under contract. The current employment contract commenced on 27 April 2007 and was due to terminate on 27 May 2009, however the contract was extended to 26 September 2009 and further extended to 26 September 2011, at which time the Company may chose to commence negotiation to enter into a new employment contract with Mr Mulholland. Under the terms of the present contact:

- Mr Mulholland may resign from his position and terminate this contract by giving three months notice.
- The Company may terminate this employment agreement by providing three months' written notice. On termination on notice by the Company, the Company will pay Mr Mulholland an amount equal to the fixed component of his remuneration for the remainder of the term of the contract.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the MD is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options he holds will immediately be forfeited.

The Company Secretary, Mr Dickson is employed under a service contract. The current contract commenced on 26 September 2009 and terminates on 26 September 2011, at which time the Company may chose to commence negotiation to enter into a new service contract with Mr Dickson. Under the terms of the present contact:

- Mr Dickson may terminate the contract by giving three months written notice.
- The Company may terminate the service contract agreement by providing three months' written notice. On termination on notice by the Company, subject to ASX Listing Rule 10.19 and section 200F(3) of the Corporations Act 2001, will pay Mr Dickson an amount equal to the fixed component of his remuneration for the remainder of the term of the contract,.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Dickson is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options he holds will immediately be forfeited.

DIRECTORS REPORT

Remuneration of Key Management Personnel

2010	SHORT TERM			POST	SHARE-BASED		PERCENTAGE
	Salary & Fees \$	Bonus \$	Other ¹ \$	EMPLOYMENT Superannuation \$	PAYMENTS Options \$	TOTAL \$	
DIRECTORS							
J Gresham	-	-		45,417	-	45,417	-
M Blakiston	20,000	-		1,825	-	21,825	-
I Mulholland	206,915	-		30,585	24,473	261,973	9
B Dickson	-	-	30,000	-	-	30,000	-
EXECUTIVES							
B Dickson ²	-	-	90,000	-	12,236	102,236	12
TOTAL	226,915	-	120,000	77,827	36,709	461,451	8

2009	SHORT TERM			POST	SHARE-BASED		PERCENTAGE PERFORMANCE RELATED %
	Salary & Fees \$	Bonus \$	Other ¹ \$	EMPLOYMENT	PAYMENTS	TOTAL	
				Superannuation \$	Options \$	\$	
DIRECTORS							
J Gresham	-	-	-	27,251	-	27,251	-
M Blakiston	16,250	-	-	1,462	-	17,712	-
I Mulholland	197,438	-	-	27,562	14,172	239,172	6
EXECUTIVES							
B Dickson ²	-	-	120,000	-	12,521	132,521	9
TOTAL	213,688	-	120,000	56,275	26,693	416,656	6

1. Coolform Investments Pty Ltd, a company in which Mr Dickson is a Director and shareholder, received fees totalling \$120,000 (2009: \$120,000) for the provision of accounting and company secretarial services by Mr Dickson.
2. Reflects remuneration prior to Mr Dickson being appointed a director.

Compensation options: Granted and vested during the year

	GRANTED		TERMS AND CONDITIONS FOR EACH GRANT					VESTED	
2010	Number	Date	Fair value \$	Exercise Price \$	Expiry date	First exercise date	Last exercise date	Number	%
Directors									
J Gresham	-	-	-	-	-	-	-	-	-
M Blakiston	-	-	-	-	-	-	-	-	-
I Mulholland	5,000,000	26/11/09	47,200	0.038	26/09/12	26/09/10	26/09/12	-	-
Executives									
B Dickson ¹	2,500,000	26/11/09	23,600	0.038	26/09/12	26/09/10	26/09/12	-	-
Total	7,500,000		70,800					-	-

1. Options granted prior to Mr Dickson's appointment as a director.

DIRECTORS REPORT

2009	GRANTED		TERMS AND CONDITIONS FOR EACH GRANT					VESTED	
	Number	Date	Fair value \$	Exercise Price \$	Expiry date	First exercise date	Last exercise date	Number	%
<i>Directors</i>									
J Gresham	-	-	-	-	-	-	-	-	-
M Blakiston	-	-	-	-	-	-	-	-	-
I Mulholland	-	19 Dec 07	0.024	0.35	30/11/10	27/04/08	30/11/10	1,000,000 ¹	50
<i>Executives</i>									
B Dickson	-	27 Nov 06	0.206	0.35	30/11/09	01/04/07	30/11/09	200,000 ²	33
Total	-							1,200,000	

1. During the year a further 1,000,000 options granted on 19 December 2007 vested.
2. During the year a further 200,000 options granted on 27 November 2006 vested.

Value of Options granted as part of remuneration – 2010

2010	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the year
	\$	\$	\$	%
<i>Directors</i>				
J Gresham	-	-	(143,957)	-
M Blakiston	-	-	-	-
I Mulholland	47,200	-	-	9
<i>Executives</i>				
B Dickson ¹	23,600	-	(86,374)	12

1. Options were granted prior to Mr Dickson's appointment as a director.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures nor shares issued on exercise of Compensation Options during 2010 or 2009.

The Company's remuneration policy prohibits directors and executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements. To ensure compliance with this policy Directors and executives are required to disclose all dealings in company securities, whether vested or not.

Company's Performance

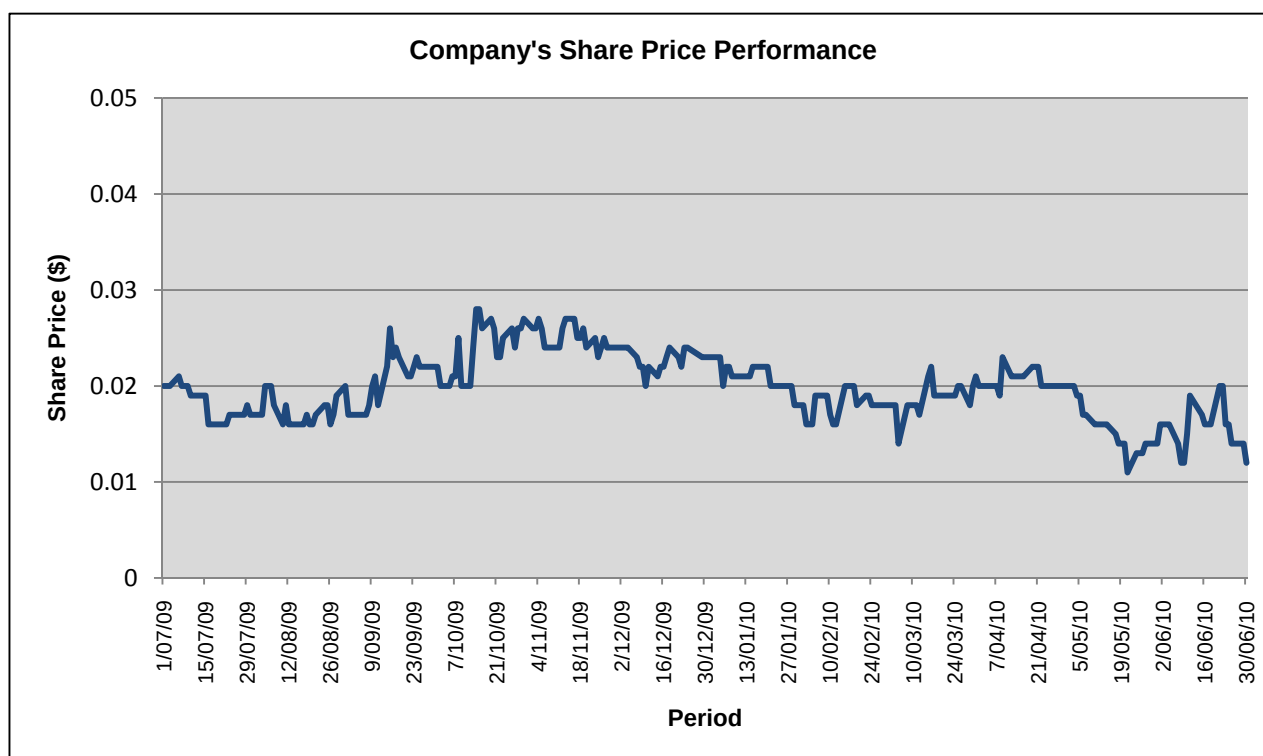
Company's share price performance

The Company's share price performance shown in the below graph is a reflection of the Company's performance during the year.

The variable components of the executives' remuneration including short-term and long-term incentives are indirectly linked to the Company's share price performance during the year as the Company's share price is directly correlated to the achievement of its short-term as well as long-term goals and objectives.

The graph below shows the Company's share price performance during the financial year ended 30 June 2010.

DIRECTORS REPORT



Loss per share

Below is information on the Company's loss per share for the previous four financial years and for the current year ended 30 June 2010.

	2010	2009	2008	2007	2006
Basic loss per share (cents)	(0.6)	(2.1)	(5.8)	(5.8)	(6.1)

Signed in accordance with a resolution of the Directors.

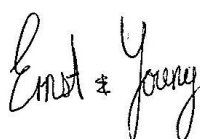
J Gresham

Chairman

Perth, 24 September 2010

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

In relation to our audit of the financial report of Rox Resources Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of 'Ernst & Young' in a cursive script.

Ernst & Young

A stylized, handwritten signature of 'RJ Curtin' in a cursive script.

RJ Curtin
Partner
Perth
24 September 2010

CORPORATE GOVERNANCE

Statement

Rox Resources Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R ¹	If not, why not ²		ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 ³	n/a	n/a
Recommendation 1.3 ³	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2 ³	n/a	n/a
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2 ³	n/a	n/a
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 ³	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 ³	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1		✓
Recommendation 3.3 ³	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1		✓	Recommendation 8.3 ³	n/a	n/a
Recommendation 4.2		✓			

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.roxresources.com.au, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the recommendations to which they relate, are set out below.

Charters	Recommendation(s)
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on ASX Listing Rule Compliance (summary) and Compliance Procedures (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

CORPORATE GOVERNANCE

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year ("**Reporting Period**").

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Chair is responsible for evaluating the performance of senior executives. The evaluations are performed by conducting interviews with the senior executives as required.

Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

Disclosure:

During the Reporting Period, an evaluation of senior executives did not take place as the Company did not employ any senior executives during the Reporting Period.

Please refer to the section above marked Website Disclosures.

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Notification of Departure:

For a majority of the Reporting Period, a majority of the Board were independent directors. However, since 1 April 2010, a majority of the Board are not independent directors.

Explanation for Departure:

The Board considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The current Board structure presently consists of a non-executive chairperson and two executive directors.

CORPORATE GOVERNANCE

Prior to Michael Blakiston's (a non-executive independent director) retirement on 31 March 2010, the Company had a majority of independent directors. The independent directors of the Board from 1 July 2009 to 31 March 2010 were Michael Blakiston and Jeff Gresham. The non-independent director on the Board during this time was Ian Mulholland.

The Board now comprises Jeff Gresham, an independent non-executive director, Ian Mulholland, an executive non independent director and Brett Dickson, who was appointed to the Board on 31 March 2010 as an executive non-independent director.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

The independent Chair of the Board is Jeff Gresham.

Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Managing Director is Ian Mulholland who is not Chair of the Board.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Notification of Departure:

The Company has not established a separate Nomination Committee.

Explanation for Departure:

The full Board considers those matters that would usually be the responsibility of a Nomination Committee. The composition of the Board does not make the establishment of a separate Nomination Committee practicable and the Board considers that no efficiencies or other benefits would be gained by doing so. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Nomination Committee (or equivalent) is responsible for evaluating the Managing Director.

The Chair evaluates the Board and, when deemed appropriate, Board committees and individual directors by utilising questionnaires which are completed by each director. The Chair, in consultation with the Company Secretary, then reviews the questionnaires and holds round table discussions with the Board to discuss the questionnaires. The Chair holds discussions with individual directors, if required.

The Chair, at least annually, evaluates the performance of the Managing Director by personal interview. In reviewing the performance of the Managing Director performance against predetermined budgets and performance criteria set the previous year (if any) is assessed.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

CORPORATE GOVERNANCE

Disclosure:

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent directors of the Company are Jeff Gresham and Michael Blakiston (who retired on 31 March 2010). These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The full Board, in its capacity as the Nomination Committee, held one meeting during the Reporting Period, which both Jeff Gresham and Ian Mulholland attended, and Michael Blakiston did not.

To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter (which is available on the Company's website).

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

Performance Evaluation

During the Reporting Period an evaluation of the Board and its committees did take place in accordance with the process disclosed at Recommendation 2.5. However, there were no performance evaluations held in the Reporting Period for individual directors.

Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it evaluates the range of skills, experience and expertise of the existing Board, considers the balance of independent directors on the Board as well identifying the particular skills that will

CORPORATE GOVERNANCE

best increase the Board's effectiveness. A potential candidate is considered with reference to their skills and expertise in relation to other Board members. If relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next annual general meeting. The Company's Policy and Procedure for Selection and (Re)Appointment of Directors is available on the Company's website.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

Recommendation 3.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard integrity in financial reporting

Recommendations 4.1 and 4.2:

The Board should establish an Audit Committee.

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

CORPORATE GOVERNANCE

Notification of Departure:

A separate Audit Committee has not been formed. Accordingly, the full Board carrying out the functions of the Audit Committee is not structured in accordance with Recommendation 4.2 as it does not consist only of non-executive directors and Mr Gresham, who is Chair of the Board, maintains the Chair during audit related discussions.

Explanation for Departure:

The full Board carries out the role of an Audit Committee. The composition of the Board is not suitable for the formation of a separate Audit Committee and therefore no efficiencies or other benefits would be gained by forming a separate Audit Committee. The Board has adopted, and applies, an Audit Committee Charter and the independent director is available to meet separately with the external auditor, should this be considered necessary. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of Audit Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

Disclosure:

The full Board, in its capacity as the Audit Committee, held two meetings during the Reporting Period. Jeff Gresham, Ian Mulholland and Michael Blakiston were in attendance at both Committee meetings. Brett Dickson did not attend either Committee meetings as he had not yet been appointed to the Board. To assist the Board to fulfil its function as the Audit Committee, it has adopted an Audit Committee Charter.

The explanation for departure set out under Recommendation 4.1 above explains how the functions of the Audit Committee are performed.

Details of each of the director's qualifications are set out in the Directors' Report.

All Board members have substantial industry knowledge and experience and consider themselves to be financially literate. Further, Brett Dickson is a Certified Practising Accountant with a Bachelors Degree in Economics and Finance.

The Company has established procedures for the selection, appointment and rotation of its external auditor, which is available on the Company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

CORPORATE GOVERNANCE

Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices

During the Reporting Period, the Company managed its material business risks as outlined above. In addition, the Board received a detailed report from management each month which enabled an assessment by the Board of activities that may impact on the risk profile of the Company. Specific areas of risk that were identified in the report included operational activities, asset management (including title to exploration and mining leases) and staff. Any matter identified from the monthly report was then discussed at the following Board meeting.

CORPORATE GOVERNANCE

In June 2010, the Company undertook a review of its risk management policy and procedures, and formalised and documented its system to manage its material business risks. The Board adopted a revised Risk Management Policy and Risk Management Procedures.

Under the revised Risk Management Policy, the Board will oversee the processes by which risks are managed. This will include defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. Management is responsible for the implementation of the risk management and internal control system to manage the Company's risks and to report to the Board whether those risks are being effectively managed.

The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse those risks, evaluate those risks (including assigning a risk owner to each risk) and treat those risks. Risks and their management are to be monitored and reviewed at least half yearly by senior management. The risk register is to be updated and a report submitted to the Managing Director. The Managing Director is to provide a risk report at least half yearly to the Board and an annual review of the risk profile is to be undertaken to ensure relevancy.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from the Managing Director as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided 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 all material respects in relation to financial reporting risks.

Disclosure:

The Managing Director and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

Disclosure:

The Board has received the report from the Managing Director under Recommendation 7.2.
The Board has received the assurance from the Managing Director and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Notification of Departure:

The Company has not established a separate Remuneration Committee.

CORPORATE GOVERNANCE

Explanation for Departure:

The full Board considers those matters that would usually be the responsibility of a Remuneration Committee. The composition of the Board does not make the establishment of a separate Remuneration Committee practicable and the Board considers that no efficiencies or other benefits would be gained by doing so. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated 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.

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 the fees paid to non-executive directors of comparable companies when undertaking the annual review process. From time to time the Company may grant options to non-executive directors. The grant of options is designed to recognise and reward efforts as well as to provide non executive directors with additional incentive to continue those efforts for the benefit of the Company.

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to reward executives for company 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 ensure total remuneration is competitive by market standards. Executive remuneration consists of fixed remuneration and long term performance incentives delivered in the form of options.

In determining the level and composition of executive remuneration, the Board may engage an external consultant to provide independent advice detailing market levels of remuneration for comparable executive roles.

Recommendation 8.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board, in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. Jeff Gresham, Ian Mulholland and Michael Blakiston were in attendance at the Committee meeting. Brett Dickson did not attend the Committee meeting as he had not yet been appointed to the Board. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	Consolidated 2010 (\$)	Consolidated 2009 (\$)
ASSETS			
Current Assets			
Cash and cash equivalents	11	795,577	423,389
Prepayments		3,147	3,957
Total Current Assets		<u>798,724</u>	<u>427,346</u>
Non-Current Assets			
Available for Sale investments	12	60,000	70,500
Plant and equipment	13	54,378	71,158
Other financial assets	14	-	26,850
Total Non-Current Assets		<u>114,378</u>	<u>168,508</u>
TOTAL ASSETS		<u>913,102</u>	<u>595,854</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	16	68,430	46,638
Provisions	17	42,987	55,667
Income Tax payable		8,086	8,086
Total Current Liabilities		<u>119,503</u>	<u>110,391</u>
TOTAL LIABILITIES		<u>119,503</u>	<u>110,391</u>
NET ASSETS		<u>793,599</u>	<u>485,463</u>
EQUITY			
Contributed equity	18	13,299,864	12,074,860
Reserves	18	1,186,293	887,043
Accumulated losses	20	(13,692,558)	(12,476,440)
TOTAL EQUITY		<u>793,599</u>	<u>485,463</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2010

	Notes	Consolidated 2010 (\$)	Consolidated 2009 (\$)
Continuing operations			
Other revenue		21,900	21,418
Other income	6(a)	93,001	-
Corporate expenses		(220,656)	(269,838)
Occupancy and related expenses		(132,595)	(162,661)
Salaries, wages and superannuation		(446,195)	(485,031)
Exploration expenditure expensed		(536,740)	(677,046)
Net loss on disposal of furniture and equipment		(3,790)	-
Share based payments to employees		(36,709)	(33,310)
Impairment of exploration expenditure		-	(182,250)
Reversal of impairment expenditure	15	60,000	-
Impairment write down on available for sale investments		-	(53,250)
Depreciation		(14,334)	(30,504)
Loss from continuing operations before income tax		(1,216,118)	(1,872,472)
Income tax benefit/(expense)	7	-	28,493
Loss from continuing operations after income tax		(1,216,118)	(1,843,979)
Discontinued operations			
Profit/ (loss) from discontinued operations after income tax		-	-
Net loss for the period after income tax		(1,216,118)	(1,843,979)
Other comprehensive income			
Net fair value (gains) losses on available-for-sale financial assets		(102,001)	9,000
Transferred realised gains to other income		93,001	-
Other comprehensive income net of tax		(9,000)	9,000
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		(1,225,118)	(1,834,979)
Loss per share for loss for the year from continuing operations attributable to ordinary equity holders:			
- basic loss per shares (cents)	8	(0.56)	(2.1)
- diluted loss per share (cents)		(0.56)	(2.1)
Loss per share for loss for the year attributable to ordinary equity holders:			
- basic loss per shares (cents)		(0.56)	(2.1)
- diluted loss per share (cents)		(0.56)	(2.1)

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2010

	Consolidated 2010 (\$)	Consolidated 2009 (\$)
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	21,900	21,418
Payments to suppliers and employees	(805,491)	(927,945)
Expenditure on mineral interests	(520,773)	(773,514)
Net cash used in operating activities	11(b) <u>(1,304,364)</u>	<u>(1,680,041)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,707)	-
Proceeds from sale of equipment	1,364	-
Proceeds from sale of investments	154,499	-
Security bonds received	26,850	116,377
Net cash provided by investing activities	<u>180,006</u>	<u>116,377</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	1,634,795	1,376,944
Share issue costs	(138,249)	(161,165)
Net cash provided by financing activities	<u>1,496,546</u>	<u>1,215,779</u>
Net increase/(decrease) in cash and cash equivalents	372,188	(347,885)
Cash and cash equivalents at beginning of period	423,389	771,274
Cash and cash equivalents at end of period	11(a) <u><u>795,577</u></u>	<u><u>423,389</u></u>

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2010

	Consolidated				
	Issued Share Capital	Share Option Reserve	Available for sale Asset Reserve	Accumulated (Losses)	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
At 1 July 2009	12,074,860	878,043	9,000	(12,476,440)	485,463
Loss for period	-	-	-	(1,216,118)	(1,216,118)
Net fair value gains on available for-sale investments	-	-	(102,001)	-	(102,001)
Transferred realised gains to other income	-	-	93,001	-	93,001
Total comprehensive loss for the year	-	-	(9,000)	(1,216,118)	(1,225,118)
Transactions with owners in their capacity as owners					
Issue of share capital	1,634,795	-	-	-	1,634,795
Share issue costs	(409,791)	271,541	-	-	(138,250)
Share-based payments	-	36,709	-	-	36,709
Balance as at 30 June 2010	13,299,864	1,186,293	-	(13,692,558)	793,599
At 1 July 2008	10,896,360	807,454	-	(10,632,461)	1,071,353
Loss for period				(1,843,979)	(1,843,979)
Other comprehensive income	-	-	9,000	-	9,000
Total comprehensive loss for the year	-	-	9,000	(1,843,979)	(1,834,979)
Transactions with owners in their capacity as owners					
Issue of share capital	1,376,944	-	-	-	1,376,944
Share issue costs	(198,444)	37,279	-	-	(161,165)
Share-based payments	-	33,310	-	-	33,310
Balance as at 30 June 2009	12,074,860	878,043	9,000	(12,476,440)	485,463

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

The financial report of Rox Resources Limited and its controlled entities ('the Consolidated Entity') for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 24 September 2010.

Rox Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors Report.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general-purposed financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available for sale investments and assets held for sale which are measured at fair value. The financial report is presented in Australian dollars.

As a result of the uncertainties inherent in business and other activities, certain items in a financial report cannot be measured with precision but can only be estimated. The estimation process involves best estimates based on the latest information available.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2010 of \$1,216,118 (2009: \$1,843,979) and experienced net cash outflows from operating activities of \$1,304,364 (2009: \$1,680,041). At 30 June 2010, the Consolidated Entity had net current assets of \$679,221 (30 June 2009: net current assets of \$316,955).

The Directors believe there are sufficient funds to meet the Consolidated Entity's working capital requirements and as at the date of this report the directors believe they can meet all liabilities as and when they fall due. However the Directors recognise that additional funding either through the issue of further shares, convertible notes or a combination of both may be required for the Consolidated Entity to continue to actively explore its mineral properties in the long term.

The Directors have reviewed the business outlook and the assets and liabilities of the Consolidated Entity and are of the opinion that the use of the going concern basis of accounting is appropriate.

However, if the Consolidated Entity is unable to achieve the above, there is significant uncertainty whether the Consolidated Entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

(a) Compliance statement

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) New accounting standards and interpretations

The Consolidated Entity has adopted all new and amended Australian Accounting Standards and AASB Interpretations from 1 July 2009 mandatory for annual reporting periods beginning on or after 1 July 2009. The adoption of these new and amended Standards and Interpretations did not have any effect on the financial position and performance of the Consolidated Entity.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the annual reporting period ending 30 June 2010. These are outlined below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: • two categories for financial assets being amortised cost or fair value • removal of the requirement to separate embedded derivatives in financial assets • strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows • an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition • reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 January 2010	The amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 2009-5	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions. The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	1 January 2010	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2010
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. Specifically, the amendments: exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease when the application of their national accounting requirements produced the same result.	1 January 2010	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: • two categories for financial assets being amortised cost or fair value • removal of the requirement to separate embedded derivatives in financial assets • strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows • an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition • reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes • changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2013
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 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)	1 January 2011	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Interpretation 19***	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	The impact of the change has not yet been assessed by the Company	1 July 2010

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Rox Resources Limited and its subsidiaries as at 30 June each year (the 'Consolidated Entity').

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the 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.

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Consolidated Entity are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(ii) Operating Segment reporting – refer Note 5

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (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 when 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 chief operating decision makers – being the executive management team.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Consolidated Entity aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services; and where applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria of AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the financial statements.

(iii) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(iv) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement and the assets and liabilities are presented separately on the face of the balance sheet.

(v) Deferred exploration and evaluation expenditure

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(vi) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(vii) Issued capital

Ordinary share capital is recognised at the fair value of the consideration received by the Consolidated Entity.

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

(viii) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

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

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

- except where the deferred income tax liability arises from the initial recognition of goodwill or 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 interest 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:

- except where the deferred income tax asset relating to the deductible temporary difference 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 deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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.

Unrecognised deferred income tax assets are reassessed at each reporting 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 reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive 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 (cont'd)

(ix) Trade and other receivables

Trade receivables generally have 30 day terms and are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(x) Plant and equipment

All classes of plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is provided on a straight-line basis over the estimated useful life of the specific asset as follows:

	2010	2009
Computers	3 years	3 years
Office Equipment	3 - 4 years	3 – 4 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may not be recoverable.

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, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying values of an asset or cash generating unit 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.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 item) is included in the statement of comprehensive income in the period the item is derecognised.

(xi) Employee benefits

Provision is made for the employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits expected to be settled within 12 months of the reporting date are measured at the nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(xii) 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. The following specific recognition criteria must also be met before revenue is recognised:

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.

(xiii) Leases

Leases are classified at the inception as either operating or finance leases, based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(xiv) Impairment of assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity 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, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 risk specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(xv) Goods and service tax (GST)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- 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 gross basis and the GST component of cash flows 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.

(xvi) Earnings/loss per share

Basic earnings/loss per share is calculated by dividing the profit from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average of ordinary shares and dilutive potential ordinary shares adjusted for any bonus element.

(xvii) Share based payment transactions

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

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.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Rox 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 Consolidated Entity, 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 non vesting and market conditions.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transactions a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(xviii) Foreign currency

The functional currency of the Consolidated Entity is measured using the currency of the primary economic environment in which it operates, being Australia. The financial statements are presented in Australian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate.

(xix) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale. After initial recognition available-for-sale investments 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 value 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 sheet 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.

Impairment

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the profit or loss. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

NOTE 3 FINANCIAL RISK MANAGEMENT AND POLICIES

Overview

The Consolidated Entity has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- price risk

This note presents information about the Consolidated Entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Consolidated Entity through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from customers and investment securities. For the Consolidated Entity it arises from receivables due from subsidiaries, if any.

Trade and other receivables

As the Consolidated Entity operates in the mining exploration sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Presently, the Consolidated Entity undertakes exploration and evaluation activities in Australia and Laos. At the balance sheet date there were no significant concentrations of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 FINANCIAL RISK MANAGEMENT AND POLICIES (cont'd)

Exposure to credit risk

The carrying amount of the Consolidated Entity's financial assets represents the maximum credit exposure. The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount	
		2010	2009
Cash and cash equivalents	11	795,577	423,389

None of the Consolidated Entity's trade and other receivables are past due (2009: nil). At 30 June 2010 the Consolidated Entity does not have any collective impairments on its other receivables (2009: nil).

Guarantees

Company policy is to provide financial guarantees only to wholly-owned subsidiaries. At the date of this report there are no outstanding guarantees.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Consolidated Entity anticipates a need to raise additional capital in the next 12 months to meet forecasted exploration activities.

Typically the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 15 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
30 June 2010							
Trade and other payables	68,430	-	68,430	-	-	-	-
30 June 2009							
Trade and other payables	46,638	-	46,638	-	-	-	-

There are no outstanding guarantees at year-end.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 FINANCIAL RISK MANAGEMENT AND POLICIES (cont'd)

Currency risk

The Consolidated Entity is exposed to currency risk on investments and purchases that are denominated in a currency other than the respective functional currencies of Company entities, primarily the Australian dollar (AUD), but also the United States Dollar (USD). The currencies in which these transactions primarily are denominated are AUD and USD.

The Consolidated Entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

The Consolidated Entity considers that its exposure to currency risk is minimal and has not developed any policies or procedures to manage such risk.

Exposure to currency risk

The Consolidated Entity's exposure to foreign currency risk at balance date was as Nil (2008: Nil)

Price Risk

Equity securities price risk arises from investments in equity securities. The Consolidated Entity does not actively invest in equity securities and its exposure to price risk is minimal, though from time to time it will acquire holdings in equity securities as a result of dealings in its exploration interests. The Consolidated Entity reviews its portfolio at least each quarter. The equity investments held by the Company are publicly traded on the ASX (Australian Securities Exchange) and as such there is a ready market for the investments at most times.

The financial instruments exposed to movements in equity prices are as follows:

		Carrying amount	
	Note	2010	2009
Available for sale investments	12	60,000	70,500

Sensitivity analysis

Risk Variable	Sensitivity	Effect on:		Effect on:	
		Profit 2010	Equity 2009	Profit 2010	Equity 2009
Share Price Sensitivity	+5%	3,000	-	-	3,525
Share Price Sensitivity	-5%	(3,000)	-	-	(3,525)

Interest rate risk

The Consolidated Entity is exposed to interest rate risk. The Consolidated Entity considers that its exposure to interest risk is minimal, however it has a policy of monitoring interest rates offered by competing financial institutions to ensure it is aware of market trends and it receives competitive interest rates.

Profile

At the reporting date the interest rate profile of the Consolidated Entity's interest-bearing financial instruments was:

	Consolidated Carrying amount	
	2010	2009
Variable rate instruments		
Financial assets	795,577	423,389

Fair value sensitivity analysis for fixed rate instruments

The Consolidated Entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Consolidated Entity does not carry any derivative or hedging instruments. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The Consolidated Entity holds financial assets subject to variable interest rates and fluctuating interest rates would affect the Group's profit and equity. A change of 100 basis points in variable interest rates would have

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 FINANCIAL RISK MANAGEMENT AND POLICIES (cont'd)

increased or decreased the Consolidated Entity's equity and profit by \$7,956 (2009: \$4,234), and would have had the same effect on cash flow. The difference between 2010 and 2009 reflects the difference in value of financial assets subject to variable interest rates. The difference in interest rates during this and the previous financial period have had no material impact on the results of the Consolidated Entity. The 1% sensitivity is based on reasonable possible movements over a financial year, after observation of a range of actual historical rate movement over the past five years.

Capital Management

When managing capital, managements objective is to ensure the Consolidated Entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Consolidated Entity.

The group will raise equity through the issue of shares from time to time as the board sees fit to ensure it meets its objective of continuing as a going concern. The group does not have any borrowings and has no current plans to obtain any debt facilities, as a result the Consolidated Entity's total capital is defined as shareholders' equity and at 30 June stood at:

	Consolidated	
	2010	2009
Equity	793,599	485,463

The Consolidated Entity is not subject to any externally imposed capital requirements

Fair Values

Other than for available for sale investments the net fair value of assets and liabilities approximates their carrying value because of their short term to maturity.

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair values are summarised in the table below:

Consolidated	30 June 2010				30 June 2009			
	Quoted Market Price (Level 1)	Valuation Technique – Market Observable Inputs (Level 2)	Valuation Technique – Non-Market Observable Inputs (Level 3)	Total	Quoted Market Price (Level 1)	Valuation Technique – Market Observable Inputs (Level 2)	Valuation Technique – Non-Market Observable Inputs (Level 3)	Total
Available for Sale Investments	60,000	-	-	60,000	70,500	-	-	70,500

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Exploration and Evaluation

The Consolidated Entity's accounting policy for exploration and evaluation is set out in note 2 to the accounts. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the Income Statement.

NOTE 5 SEGMENT INFORMATION

Identification of Reportable Segments

The Consolidated Entity has based its operating segment on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity currently does not have production and is only involved in exploration. As a consequence, activities in the operating segment are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of service line manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on these criteria, the Consolidated Entity has only one operating segment, being exploration, and the segment operations and results are the same as the Consolidated Entity results.

During the year, the Consolidated Entity did not commence production and thus has no revenues from external customers. Exploration was limited to within Australia and none of the assets of the Consolidated Entity at year-end are located in a foreign country.

NOTE 6 OTHER INCOME

	Consolidated 2010 (\$)	Consolidated 2009 (\$)
Notes		
(a) Other income from non-operating activities:		
Net gain on disposal of available-for-sale financial assets	93,001	-
	<u>93,001</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 INCOME TAX

The major components of income tax expenses are:

\$

\$

Income Statement

Current Income Tax

Current income tax charge/(Benefit)

-

-

Deferred Income Tax

Relating to origination and reversal of temporary differences

-

(28,493)

Income tax expense reported in the statement of comprehensive income

-

(28,493)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 INCOME TAX (cont'd)

	Notes	Consolidated 2010 (\$)	Consolidated 2009 (\$)
Accounting loss before tax from continuing operations		1,216,118	(1,872,472)
Profit before tax from discontinued operations		-	-
Accounting loss before income tax		<u>(1,216,118)</u>	<u>(1,872,472)</u>
At the Consolidated Entity's statutory income tax rate of 30%		(364,835)	(561,742)
Foreign exploration expenditure not deductible		-	50,223
Loss (profit) on investments		(18,000)	67,950
Capital gains tax		-	(28,493)
Other		(984)	8,275
Share based payments		10,824	9,993
Share issue costs		(20,732)	(12,231)
Losses not recognised		<u>393,727</u>	<u>437,532</u>
Income tax expense reported in the statement of comprehensive income		<u>-</u>	<u>(28,493)</u>

STATEMENT OF FINANCIAL POSITION

STATEMENT OF COMPREHENSIVE INCOME

	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Prepayments	(944)	(1,187)	243	647
Plant & equipment	223	4,506	(383)	1,956
Assets held for sale	-	-	-	28,493
<i>Deferred tax assets</i>				
Accruals	9,000	9,300	(300)	(7,200)
Share issue costs	65,369	43,803	20,732	36,118
Provision for employee entitlements	12,896	16,700	(3,804)	(144)
Revenue tax losses	2,044,192	1,643,454	393,727	437,303
Deferred tax assets not brought to account as realisation is not probable	<u>(2,130,736)</u>	<u>(1,716,576)</u>	(410,215)	(525,666)
	<u>-</u>	<u>-</u>		
Current year losses not recognised				-
Deferred tax (income)/expense			<u>-</u>	<u>(28,493)</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 INCOME TAX (cont'd)

Potential future income tax benefits attributable to tax losses of \$7,074,802 (2009: \$5,721,920) carried forward have not been brought to account at 30 June 2010 because Directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

- (i) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be released;
- (ii) the Consolidated Entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

Tax losses carried forward have no expiry date. Tax consolidation for the Group has not been adopted.

	Consolidated 2010 \$	Consolidated 2009 \$
NOTE 8 LOSS PER SHARE		
The following reflects the income and share data used in the calculation of basic and diluted earnings per share		
Net loss	(1,216,118)	(1,843,979)
Adjustments:		
- Nil	-	-
- Earnings used in calculating basic and diluted earnings per share	(1,216,118)	(1,843,979)
Weighted average number of ordinary shares used in calculating basic earnings per share	216,751,030	84,710,697
Effective of dilutive securities:		
- Share options (i)	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	216,751,030	84,710,697

- (i) Share options are not dilutive as their exercise would have the impact of decreasing loss per share.

There were a total of 77,257,520 share options that were potentially dilutive to shares on issue at 30 June 2010 (2009: 36,760,238).

The above weighted average number of shares incorporates an adjustment to the calculation to incorporate the effects of bonus elements in relation to rights issues in the current and previous financial year.

Conversion, calls, subscriptions or issues after 30 June 2010

Since the end of the financial year no ordinary shares have been issued pursuant to the exercise of options.

There have been no other conversions to, calls of, or subscriptions for ordinary shares since the reporting date and before the completion of this financial report. There have been share issues of 23,000,000 ordinary shares since the reporting date and before completion of this financial report as disclosed in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

Jeffrey Gresham	Non-executive Chairman (<i>appointed 1 October 2006</i>)
Ian Mulholland	Managing Director (<i>appointed 27 November 2003</i>)
Michael Blakiston	Non-executive Director (<i>appointed 27 November 2003, resigned 31 March 2010</i>)
Brett Dickson	Executive Director (<i>appointed 31 March 2010</i>)
	Company Secretary (<i>appointed 27 November 2003</i>)

(b) Compensation of Key Management Personnel by Category

	Consolidated 2010 (\$)	Consolidated 2009 (\$)
Short Term	346,915	333,688
Post Employment	77,827	56,275
Share-Based Payments	36,709	26,693
	<u>461,451</u>	<u>416,656</u>

(c) Share holdings of Key Management Personnel

2010	Balance at 1 July 2009	Granted as Remuneration	Purchased	Net Change Other	Balance at 30 June 2010
M Blakiston	1,963,452	-	100,000	-	2,063,452
I Mulholland	4,790,354	-	4,790,354	-	9,580,708
J Gresham	361,667	-	361,667	-	723,334
B Dickson	4,461,855	-	1,632,055	-	6,093,910
	<u>11,577,328</u>	<u>-</u>	<u>6,834,076</u>	<u>-</u>	<u>18,411,404</u>

2009	Balance at 1 July 2008	Granted as Remuneration	Purchased	Net Change Other	Balance at 30 June 2009
M Blakiston	1,197,857	-	765,595	-	1,963,452
I Mulholland	1,800,000	-	2,990,354	-	4,790,354
J Gresham	130,000	-	231,667	-	361,667
B Dickson	1,939,279	-	2,522,576	-	4,461,855
	<u>5,067,136</u>	<u>-</u>	<u>6,510,192</u>	<u>-</u>	<u>11,577,328</u>

(d) Options holdings of Key Management Personnel

2010	Balance at 1 July 2009	Granted as Remuneration	Options Purchased	Options Expired	Balance at 30 June 2010
J Gresham	1,060,278	-	36,167	(1,000,000)	96,445
M Blakiston	327,342	-	5,000	-	332,342
I Mulholland	4,067,399	5,000,000	479,036	-	9,546,435
B Dickson	2,222,399	2,500,000	155,418	(600,000)	4,277,817
	<u>7,677,418</u>	<u>7,500,000</u>	<u>675,621</u>	<u>(1,600,000)</u>	<u>14,253,039</u>

All options purchased during the year were a result of the key management personnel participating in the Company's entitlement share issue.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

At 30 June 2010 all options held by directors and executives are fully vested, excepted those granted as remuneration which have not yet vested, and may be exercised any time until expiry.

2009	Balance at 1 July 2008	Granted as Remuneration	Options Purchased	Net Change Other	Balance at 30 June 2009
J Gresham	1,000,000	-	60,278	-	1,060,278
M Blakiston	1,000,000	-	327,342	(1,000,000)	327,342
I Mulholland	5,000,000	-	2,067,399	(3,000,000)	4,067,399
B Dickson	600,000	-	1,622,399	-	2,222,399
	<u>7,600,000</u>	<u>-</u>	<u>4,077,418</u>	<u>(4,000,000)</u>	<u>7,677,418</u>

At 30 June 2009 all options held by directors and executives are fully vested and may be exercised any time until expiry.

NOTE 10 AUDITOR'S REMUNERATION

Notes

Consolidated & Company 2010 (\$)

Consolidated & Company 2009 (\$)

Remuneration of the auditor of the Company, Ernst & Young (Australia) for:

Auditing and reviewing the financial report

51,318

43,054

Taxation services

9,350

15,532

60,668

58,586

NOTE 11 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

795,577

423,389

Cash at bank earns interest at floating rates based on daily deposit rates

(b) Reconciliation of net loss after income tax to net cash flow from operations:

Net loss after Income Tax

1,216,118

1,843,979

Adjustments for non-cash expense items

- Depreciation

(14,334)

(30,504)

- Share based payments

(36,709)

(33,310)

- Impairment of exploration and evaluation

60,000

(182,250)

- Impairment of available for sale investments

-

(53,250)

- Profit on sale of available-for-sale investments

93,001

-

- Loss on sale of plant and equipment

(3,790)

-

Changes in assets and liabilities

- Increase (decrease) in prepayments

(810)

(2,156)

- Increase (decrease) in provisions

12,680

478

- Increase (decrease) in receivables

-

(32,633)

- (Increase) decrease in payables

(21,792)

141,194

- Increase in deferred tax liability

-

28,493

Cash out-flow from operations

1,304,364

1,680,041

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 CASH AND CASH EQUIVALENTS (cont'd)

- (c) During the 2010 financial year the company received 750,000 at 8 cents each shares in Paramount Mining Limited in consideration for assistance in acquiring diamond tenements in South Africa. There were no non-cash financing and investing activities in the 2009 financial year.
- (d) The Consolidated Entity does not have any credit standby arrangements, used or unused loan facilities.

NOTE 12 NON-CURRENT ASSETS - AVAILABLE FOR SALE INVESTMENTS

	Consolidated 2010 (\$)	Consolidated 2009 (\$)
At fair value		
Shares – listed (a)	60,000	70,500

Available for sale investments consists of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(a) Movements in available for sale assets

Balance at 1 July	70,500	114,750
Acquisitions	60,000	-
Sales	(61,500)	-
Unrealised gain/(loss) on available for sale investments transferred to (from) equity	(9,000)	9,000
Impairment written down through income statement	-	(53,250)
Balance at 30 June	60,000	70,500

No impairment loss in respect of available for sale investments was recognised during the current year in the profit and loss (2009: \$53,250) owing to a reduction in the trading value of those securities.

(b) Listed shares

The fair value of listed available for sale investments has been determined directly by reference to published price quotations in an active market.

There are no individually material investments.

NOTE 13 PLANT AND EQUIPMENT

Equipment at cost	130,460	156,915
Accumulated depreciation	(76,082)	(85,759)
	54,378	71,158
(a) Movements in plant and equipment		
- At 1 July, net of accumulated depreciation	71,158	101,662
- Additions	2,707	-
- Disposals	(29,162)	-
- Accumulated depreciation on disposals	24,009	-
- Depreciation	(14,334)	(30,504)
At 30 June, net of accumulated depreciation	54,378	71,158

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 OTHER FINANCIAL ASSETS

	Consolidated 2010 (\$)	Consolidated 2009 (\$)
Receivables - Security deposits	-	26,850

Cash security deposits have been placed with the Consolidated Entity's bank to secure guarantees required to be put in place to cover environmental bonds placed with the Western Australia Department of Industry and Resources. The deposits are interest bearing with interest maturing each 180 days.

NOTE 15 EXPLORATION AND EVALUATION

Areas of interest in exploration and evaluation phases:

Balance at beginning of period	-	-
Transfer from assets of disposal group held for sale	60,000	(182,250)
Impairment writedown (back)	(60,000)	182,250
	-	-

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas.

At 30 June 2009 an impairment loss of \$182,250 was recognised on the carrying amount of the South African diamond project transferred from the Disposal Group Held for Sale. On 24 June 2010 a further \$60,000 has been received from the sale process.

NOTE 16 TRADE AND OTHER PAYABLES

Trade creditors and accruals (a)	68,430	46,638
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(a) Terms and Conditions

Creditors, including related parties, are non-interest bearing and generally on 30 day terms.

NOTE 17 PROVISIONS

	Notes		
Employee benefits	17(a)	42,987	55,667

(a) Movements in Provisions for Employee Benefits

At 1 July	55,667	56,145
Reduction in employee benefits	(12,680)	(478)
At 30 June	42,987	55,667

NOTE 18 CONTRIBUTED EQUITY AND RESERVES

(i) Contributed Equity

(a) Issued and paid up capital

	Consolidated 2010 (\$)	Consolidated 2009 (\$)
Ordinary shares fully paid	13,299,864	12,074,860

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 CONTRIBUTED EQUITY AND RESERVES (cont'd)

(b) Movement in shares on issue

Issued and paid up capital – Ordinary shares fully paid

Ordinary shares at beginning of period – 108,580,426

(2009: 57,875,333)	12,074,860	10,896,360
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Issue of 14,511,095 shares at \$0.045 per share (net of share issue costs)	-	613,821
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Issue of 36,193,214 shares at \$0.02 per share (net of share issue costs)	-	573,327
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Issue of 108,986,325 shares at \$0.015 per share (net of share issue costs)	1,225,004	-
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Exercise of 784 options at \$0.10 each		78
--	--	----

Preliminary expenses for entitlements issue		(8,726)
---	--	---------

At reporting date: 217,566,751 shares	13,299,864	12,074,860
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Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued shares.

(c) Share Options

During the year 4,600,000 options expired. In addition 38,409,091 options exercisable at \$0.015 which expire on 31 July 2011 were issued as a result of the entitlements issue undertaken.

During the year 405,899 options were exercised at a price of \$0.015. No other options were issued during the year and no other options have been exercised up to the date of this financial report.

At the end of the financial year there were 77,257,520 (2009: 36,760,238) unissued ordinary shares in respect of which options were outstanding.

(d) Terms and Conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

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

(ii) Reserves

	Consolidated 2010 (\$)	Consolidated 2009 (\$)
Reserves	1,186,293	887,043
(a) Share Option Reserve		
<i>Movements</i>		
Balance at beginning of year	878,043	807,454
Options issued - staff	36,709	33,310
Options issued - other	271,541	37,279
Balance at end of year	1,186,293	878,043

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 CONTRIBUTED EQUITY AND RESERVES (cont'd)

(ii) Reserves (cont'd)

(b) Available for Sale Reserve

Movements

Balance at beginning of year	9,000	-
Realised gain on available-for-sale investments	(102,001)	-
Transferred to other comprehensive income	93,001	
Unrealised gain/(loss)	-	9,000
Balance at end of year	-	9,000

Nature and Purpose of Reserves

Share Option Reserve

This reserve is used to record the value of equity benefits provided to employees and unrelated parties for services and the acquisition of mineral exploration projects.

Available For Sale reserve

This reserve is used to record the unrealised gains and losses on available for sale investments.

NOTE 19 SHARE BASED PAYMENTS

A. Directors and Employees

(i) Employee Share Incentive Scheme

An Employee Share Scheme (ESS) has been established where Rox Resources Limited may, at the discretion of Directors, grant options over the ordinary shares of Rox Resources Limited to Directors, executives and employees of the Company. The plan is designed to provide long-term incentives for employees and to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive guaranteed benefits. In addition, under the Plan, the Board determines the terms of the options including exercise price, expiry date and vesting conditions, if any.

Options granted under the plan are unlisted and carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of options granted under the plan.

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance of the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2010									
27/11/06	30/11/09	35.0	20.6	600,000	-	-	600,000	-	-
31/05/07	31/05/10	35.0	13.8	400,000	-	-	400,000	-	-
19/11/07	30/11/09	35.0	2.5	100,000	-	-	100,000	-	-
				1,100,000	-	-	1,100,000	-	-
Weighted average exercise price				\$0.35					

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 SHARE BASED PAYMENTS (cont'd)

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance of the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2009									
27/11/06	30/11/09	35.0	20.6	600,000	-	-	-	600,000	600,000
31/05/07	31/05/10	35.0	13.8	400,000	-	-	-	400,000	400,000
19/12/07	30/11/09	35.0	2.5	100,000	-	-	-	100,000	100,000
				1,100,000	-	-	-	1,100,000	1,100,000
Weighted average exercise price				\$0.35		-	-	\$0.35	\$0.35

The weighted average remaining contractual life of share options outstanding at the end of the year was nil years (2009: 0.6 years).

Fair value of options granted

There were no options issued under the plan during the 2009 or 2010 year.

(ii) Other Share Options

The following illustrates the options issued to Directors other than through the ESS.

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance of the start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2010									
27/11/06	30/11/09	35.0	17.5	1,000,000	-	-	1,000,000	-	-
19/12/07	30/11/10	35.0	3.9	2,000,000	-	-	-	2,000,000	2,000,000
26/11/09	26/11/12	3.8	0.9	-	7,500,000	-	-	7,500,000	-
				3,000,000	7,500,000	-	1,000,000	9,500,000	2,000,000
Weighted average exercise price				\$0.35	\$0.038	-	\$0.35	\$0.104	\$0.35

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance of the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2009									
14/01/04	31/01/09	20.0	-	5,250,000	-	-	5,250,000	-	-
27/11/06	30/11/09	35.0	17.5	1,000,000	-	-	-	1,000,000	1,000,000
19/12/07	30/11/10	35.0	3.9	2,000,000	-	-	-	2,000,000	2,000,000
				8,250,000	-	-	5,250,000	3,000,000	3,000,000
Weighted average exercise price				\$0.224	-	-	\$0.20	\$0.35	\$0.35

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.99 years (2009: 1.08 years).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 SHARE BASED PAYMENTS (cont'd)

Fair value of options granted

For the 2010 year the weighted average fair value of the options granted was 0.94 cents. No options were issued during the 2009 financial year. The price for 2010 was calculated by using the Binominal Option valuation methodology.

	2010
Weighted average exercise price (cents)	3.8
Weighted average life of the option (years)	2.8
Weighted average underlying share price (cents)	2.3
Expected share price volatility	80%
Risk free interest rate	5.16%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

No other features of options granted were incorporated into the measurement of fair value.

B. Unrelated Parties

During the year 38,003,192 options were issued in accordance with the terms of a pro-rata entitlements issue offered to shareholders. The following table illustrates the number, exercise prices and movements in share options held by unrelated parties during the year.

Set out below are summaries of options granted.

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance of the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2010									
12/07/06	12/07/09	67.5	8.5	2,500,000	-	-	(2,500,000)	-	-
03/02/09	30/06/11	10.0	0.1	30,160,227	-	-	-	30,160,227	30,160,227
01/09/09	31/07/11	1.5	0.8	-	38,003,192	(405,899)	-	37,597,293	37,597,293
				32,660,227	38,003,192	(405,899)	(2,500,000)	67,759,520	67,759,520
Weighted average exercise price				\$0.144	\$0.015	\$0.015	\$0.675	\$0.053	\$0.053

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance of the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2009									
12/07/06	12/07/09	67.5	8.5	2,500,000	-	-	-	2,500,000	2,500,000
03/02/09	30/06/11	10.0	0.1	0	30,161,011	784	-	30,160,227	30,160,227
				2,500,000	30,161,011	784	-	32,660,227	32,660,227
Weighted average exercise price				\$0.675	\$0.10	\$0.10	-	\$0.144	\$0.144

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.0 years (2009: 1.8 years).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 SHARE BASED PAYMENTS (cont'd)

Fair value of options granted

For the 2010 year the weighted average fair value of the options granted was 0.83 cents. 30,160,227 options were issued during the 2009 financial year. The price for 2010 was calculated by using the Binominal Option valuation methodology.

	2010
Weighted average exercise price (cents)	1.5
Weighted average life of the option (years)	1.9
Weighted average underlying share price (cents)	1.7
Expected share price volatility	80%
Risk free interest rate	5.37%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

No other features of options granted were incorporated into the measurement of fair value.

NOTE 20 ACCUMULATED LOSSES

	Notes	Consolidated & Company 2010 (\$)	Consolidated & Company 2009 (\$)
Balance at beginning of year		12,476,440	10,632,461
Net loss attributable to members of Rox Resources Limited		1,216,118	1,843,979
Balance at end of year		13,692,558	12,476,440

No dividends were paid during or since the financial year. The amount of franking credits available are nil (2009: nil).

NOTE 21 EXPENDITURE COMMITMENTS

(a) Exploration Commitments

The Group expenditure commitments in regard to its exploration project as follows:

	2010 \$	2009 \$
Not later than one year	350,000	300,000
Later than one year and not later than five years	400,000	-
	750,000	300,000

(b) Lease expenditure Commitments

Future minimum rentals payable for non-cancellable operating leases are:

	2010 \$	2009 \$
Not later than one year	-	34,847
Later than one year and not later than five years	-	9,482
	-	44,329

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 EXPENDITURE COMMITMENTS (cont'd)

(j) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

	2010 \$	2009 \$
Not later than one year	370,000	92,500
Later than one year and not later than five years	92,500	-
	462,500	92,500

NOTE 22 CONTINGENT LIABILITIES

At the financial reporting date there are no contingent liabilities.

NOTE 23 PARENT ENTITY DISCLOSURES

For the purposes of the financial statements, given the dormant nature of the Consolidated Entity's subsidiaries throughout the years ended 30 June 2010 and 2009, the consolidated and company parent entity net assets and results are identical.

At the date of this report, the parent entity had no outstanding guarantees.

NOTE 24 EVENTS SUBSEQUENT TO REPORTING DATE

The following matters have arisen since the end of the financial year:

- The Company reached agreement with North Mining Limited ("North"), a 100% subsidiary of Rio Tinto Limited, for the removal of a significant encumbrance over the Reward project and the Myrtle deposit, and for North (or a wholly-owned member of the Rio Tinto group) to become Rox's largest individual shareholder. Under the terms of the Sale and Purchase Agreement between Rox and North for the Reward project, dated 17 September 2008, North is entitled to a lump sum cash payment of A\$1/tonne of the mineable resources stated in a Bankable Feasibility Study payable upon a Decision to Mine. Agreement has been reached with North for the removal of this lump sum cash payment in return for the issue of 20 million ordinary Rox shares. Under the terms of the Sale and Purchase Agreement North will retain the right to receive a 2% net smelter return royalty.
- The Company acquired two key Exploration Licences in the Northern Territory, located adjacent to its Myrtle zinc-lead project at McArthur River from Legend International Holdings Inc. ("Legend"), a diamond and phosphate explorer/developer listed in the USA on the OTC Bulletin Board, with the consideration being the issue of 3 million fully paid shares in Rox to Legend, retention of the rights to all diamonds by Legend, and a 2% net smelter royalty payable to Legend from any minerals mined other than diamonds.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 RELATED PARTY TRANSACTIONS

(a) Other Director Related Transactions

Blakiston & Crabb, an entity of which Mr Blakiston is a partner, received fees during his term in office totalling \$19,745 (2009: \$65,212) for legal advice. An amount of \$2,951 is payable at year end. Coolform Investments Pty Ltd, a company in which Mr Dickson is a Director and shareholder, received fees totalling \$120,000 (2009: \$120,000) for the provision of services. No amount is payable at year end.

The above transactions were entered into on normal commercial terms.

(b) Subsidiaries

The consolidated financial statements include the financial statements of Rox resources Limited and its subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest		Investment \$	
		2010	2009	2010	2009
Rox (Laos) Pty Ltd	Australia	100	100	2	2
Nyala Resources (Proprietary) Limited	South Africa	100	100	-	-

(c) Ultimate Parent

Rox Resources Limited is the ultimate Australian parent entity.

DIRECTORS DECLARATION

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

1. In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
- (c) subject to the achieving of the matters set out in Note 2 to the financial statements, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
- (d) This declaration is 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 ending 30 June 2010.

On behalf of the Board



J Gresham

Chairman

Perth, 24 September 2010

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

Report on the Financial Report

We have audited the accompanying financial report of Rox Resources Limited, which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in Note 10 to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Rox 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 at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Inherent Uncertainty Regarding Continuation as a Going Concern

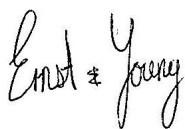
Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2 to the year-end financial report, there is a significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable, and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 24 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Rox Resources Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



RJ Curtin
Partner
Perth
24 September 2010

SCHEDULE OF MINING TENEMENTS

Project	Tenement Number	Interest	Interest Held
Myrtle, NT	EL10316	All Minerals	100%
Myrtle, NT	EL27541	All Minerals	100%
Myrtle, NT	EL23515	All Minerals except Diamonds	100%
Myrtle, NT	EL26406	All Minerals except Diamonds	100%

OTHER INFORMATION

The following information was applicable as at 9 September 2010.

(a) Top 20 shareholders of each class of listed security

Ordinary Fully Paid Shares

	Name	Number of Shares	% of Issued Share Capital
1	Rio Tinto Exploration Pty Ltd	20,000,000	8.42
2	Nefco Nominees Pty Ltd	8,040,726	3.38
3	Benjay Pty Ltd	7,296,437	3.07
4	Forty Traders Pty Ltd	5,743,032	2.42
5	Mr Ian Robert Mulholland	5,647,374	2.38
6	Superluminal Pty Ltd	5,000,000	2.10
7	Mr Ianaki Semerdziev	4,714,000	1.98
8	National Nominees Limited	4,320,676	1.82
9	Mr Ian Robert Mulholland	3,933,334	1.66
10	Mr Arthur John Dennis	3,347,839	1.41
11	Mr David Bruce Robertson & Ms Heather Michaela Dunn	3,300,000	1.39
12	Mrs Judith Emily Robinson	3,000,000	1.26
13	Mr Brett Dickson & Mrs Georgina Dickson	2,722,020	1.15
14	Mr John Damian Kenny	2,263,090	0.95
15	Key International Pty Ltd	2,200,000	0.93
16	Uniting Properties Pty Ltd	2,198,101	0.93
17	Yeaman Nominees Pty Ltd	2,161,670	0.91
18	Tromso Pty Ltd	2,041,667	0.86
19	Mr Richard Fish	2,026,712	0.85
20	Mr Robert Bruce Woodland & Mrs Erika Woodland	2,020,500	0.85
		91,977,178	38.72

Options exercisable at \$0.10 each and expire on 30 June 2011

	Name	Number of Shares	% of Issued Class
1	Troca Enterprises Pty Ltd	7,000,000	23.21
2	Ms Meng Qin	2,878,113	9.54
3	Forty Traders Pty Ltd	2,014,680	6.68
4	Mr Ian Robert Mulholland	1,739,621	5.77
5	Mr Brett Dickson & Mrs Georgina Dickson	1,499,343	4.97
6	Proto Resources & Investments	1,250,000	4.14
7	Agenda Film Productions Pty Ltd	975,622	3.23
8	Lawrence Crowe Consulting Pty Ltd	663,950	2.20
9	Mr Kit Foo Chye	575,622	1.91
10	Mr Robert Tucker	575,622	1.91
11	Mr Ianaki Semerdziev	522,750	1.73
12	Alcatraz Nominees Pty Ltd	500,000	1.66
13	Mr Samuel Dack	456,888	1.51
14	Feta Nominees Pty Limited	350,000	1.16
15	Mr Walter Graham	350,000	1.16
16	Mr Graham Kiely	350,000	1.16
17	Pacway Investments	343,369	1.14
18	Comsec Nominees Pty Limited	336,050	1.11
19	Mr Ian Robert Mulholland	327,778	1.09
20	Residuum Nominees Pty Ltd	327,242	1.09
		23,036,650	76.38

OTHER INFORMATION

Options exercisable at \$0.015 and expire on 31 July 2011

	Name	Number of Shares	% of Issued Share Capital
1	Skye Equity Pty Ltd	4,714,286	12.54
2	Nefco Nominees Pty Ltd	3,792,466	10.09
3	Lawrence Crowe Consulting Pty Ltd	3,200,000	8.51
4	Forty Traders Pty Ltd	3,190,066	8.48
5	Grandor Pty Ltd	2,280,029	6.06
6	Mr Robert Bruce Woodland & Mrs Erika Woodland	2,000,000	5.32
7	Mr Jeremy Thomas Pell	1,540,000	4.10
8	Mr Keith William Sheppard	1,514,533	4.03
9	Cornela Pty Ltd	1,255,596	3.34
10	T T Nicholls Pty Ltd	1,255,596	3.34
11	Benjay Pty Ltd	809,644	2.15
12	Mr Phillip John Coulson	800,000	2.13
13	Mr Patrick Anthony Long & Ms Eilish Jeffrey	750,000	1.99
14	Udupa Management Pty Ltd	600,000	1.60
15	Colin John Hough	500,000	1.33
16	Superluminal Pty Ltd	500,000	1.33
17	Feta Nominees Pty Limited	484,000	1.29
18	Nineteen Nineteen Pty Ltd	378,633	1.01
19	Scintilla Strategic Investments Ltd	378,633	1.01
20	Mr Christopher Stephen Noack	315,000	0.84
		30,258,482	80.48

(b) Distribution of Shareholders Number

Category (size of Holding)	Ord. Shares Number	\$0.10 Options Number	\$0.015 Options Number
1 – 1,000	13		
1,001 – 5,000	77		
5,001 - 10,000	96		
10,001 - 100,000	475		
100,001 and over	298		

The number of shareholdings held in less than marketable parcel of ordinary fully paid shares is 342.

There is a total of 237,566,751 fully paid ordinary shares on issue, all of which are listed on the ASX. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Restricted Securities

There are no restricted securities