



ROX RESOURCES LIMITED
ABN 53 107 202 602

ANNUAL REPORT

2011

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CORPORATE DIRECTORY

Directors:

Mr Jeffrey Gresham
Non-Executive Chairman

Mr Ian Mulholland
Managing Director

Mr Brett Dickson
Executive Director

Stock Exchange:

ASX Limited

Company Code:
RXL (Fully Paid Shares)

Issued Capital:

398,336,377 Fully paid ordinary shares
3,750,000 3.8 cent, 30 November 2012 options

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

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,

This year has been one of consolidation, project acquisition and development with the intent to place the company in a strong position for the future. During the Global Financial Crisis company management concentrated on a process of building for the future and the achievements made over the last year have been outstanding, including:

- Securing funding for ongoing exploration and development of our Myrtle zinc project in the Northern Territory through a joint venture with Canadian major, Teck Resources ("Teck"). Teck can earn a 51% interest in the project by spending \$5 million by 21 July 2014, and can increase that interest to 70% by spending a further \$10 million (so a total of \$15 million) by 21 July 2018. Teck is required to spend a minimum of \$1 million and complete 2,000m of diamond core drilling by 21 July 2012 before it can withdraw, but with no retained interest.

The transaction with Teck necessitated two side agreements, one with Rio Tinto subsidiary, North Mining, to remove a \$1/tonne payment on resources defined in any feasibility study conducted on Myrtle, and the other a deal with a third party to acquire additional ground adjacent to Myrtle.

We have been advised that Teck plan to undertake geophysical surveys in the second half of 2011 followed by the 2,000m of diamond core drilling required under the agreement.

- Negotiating the purchase of the Mt Fisher gold-nickel project from Avoca Resources. The project area covers 615 km² of highly prospective greenstone belt in Western Australia, including a previously defined gold-in-regolith anomaly extending over 7km in strike length. Drilling by the company during July at Mt Fisher returned some excellent results.

The next goal for the company at Mt Fisher will be to define Mineral Resources at Mt Fisher from which some near term cash flow may be able to be realised.

- Negotiating an Option to Purchase a further area covering 170 km² at Mt Fisher covering the old Mt Fisher gold mine, and extensions north and south from the mine.
- Pegging a new phosphate project area in the Northern Territory where previous surface sampling and drilling has defined phosphate bearing strata over a 25 km strike length on the southern margin of the Georgina Basin.
- Raising sufficient funds through a share placement and exercise of options to ensure that the company can pursue its projects with vigour over the next two years.

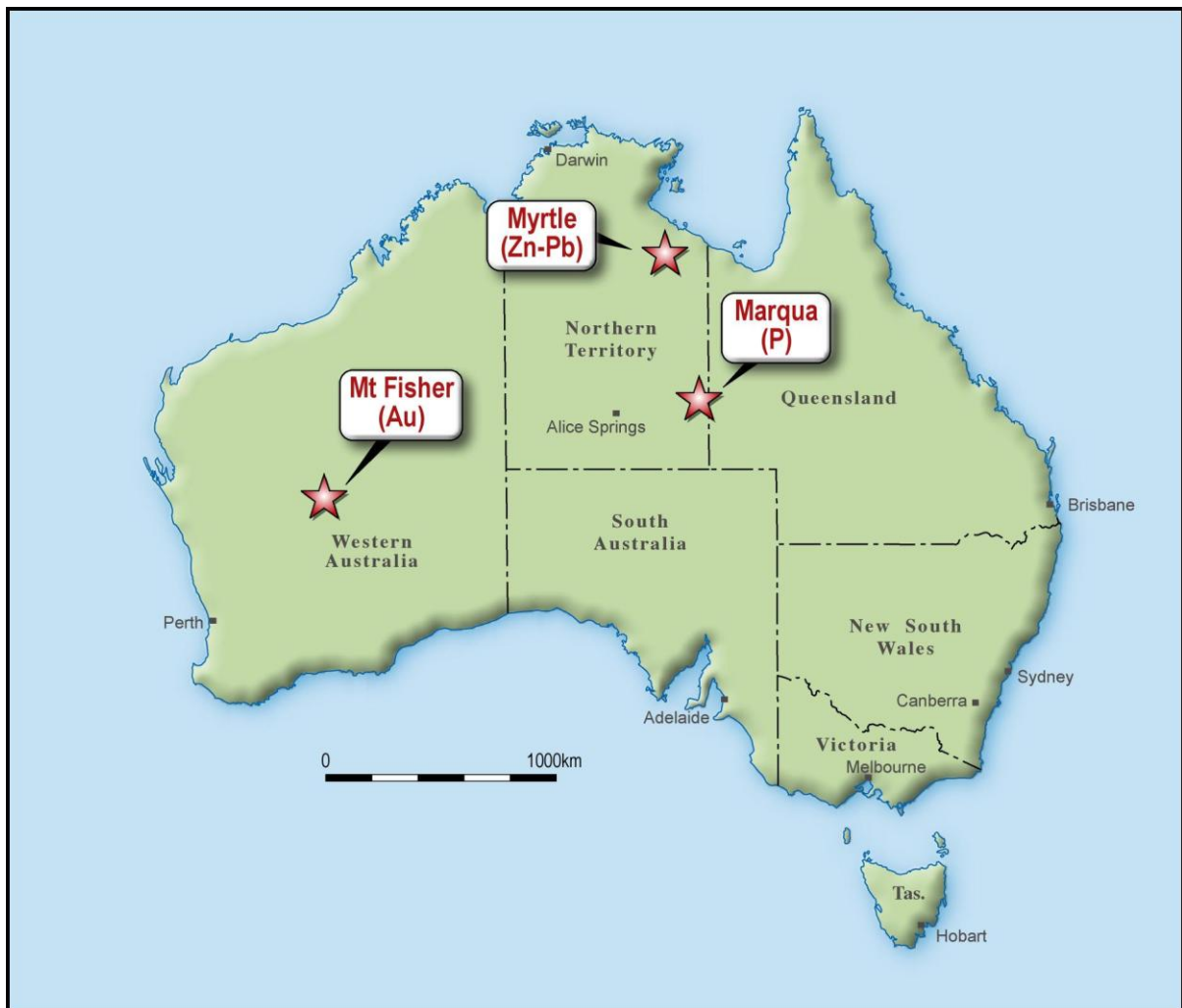
The company can now move forward to add significant value to shareholders on three fronts instead of one. Exploration success at any one of these projects will result in a significant positive impact on the value of the Company.

J Gresham
Chairman

PROJECTS

INTRODUCTION

The company has three projects, covering a range of commodities; zinc-lead, gold and phosphate, with each potentially a company making proposition should exploration success be achieved.



MT FISHER

At Mt Fisher in Western Australia (Figure 1), Rox has acquired a highly prospective area of 615 km², well endowed with gold, and with strong potential for nickel, only 40km to the east of the prolific Yandal greenstone belt and 100km east of the main Wiluna greenstone belt (Figure 2) both of which have produced a number of multi-million ounce gold deposits.

Although there has been over 100,000 metres of drilling on the tenements, a more thorough review of the data reveals that most of the drilling is comprised of shallow RAB holes that barely pass through the regolith profile. Of the 3,900 holes drilled by previous companies, 80% are less than 50m deep, 16% are

PROJECTS

between 50-100m deep, and only 4% exceed 100m in depth. Over this area where the regolith profile can reach over 100m in depth, Rox believes that this drilling has not been an effective test of the gold potential.

A number of gold mineralised areas have been defined by previous explorers including the Dam-Dirks trend, the Moray Reef, and Fisher East (Figure 3).

In addition to the area acquired from Avoca Resources, Rox has secured an Option to acquire a further area of 170 km², including the Mt Fisher gold mine which has produced approximately 4,500 ozs from historic underground mining and 22,500 ozs from open pit mining, and is open at depth and down plunge. There are several other strong targets for drill testing as well. The total area under exploration by Rox at Mt Fisher is 785 km² (Figure 3).

There are a number of near term production opportunities at Mt Fisher, including Moray Reef, Mt Fisher mine extensions, Damsel oxide, and re-treatment of tailings and low grade stockpiles at Mt Fisher mine.

Three parallel structures at the Dam-Dirks prospect define a 5-7km long gold-in-regolith anomaly (Figure 4) which is largely untested at depth. There are numerous high grade drill results over the project area which is divided into a number of discrete prospect areas.

Along the Dam prospect trend which extends for over 5km (Figure 4), gold has been indicated to occur at several prospects in the following drill holes;

Dam North:	95FIR1251, 1m @ 5.66 g/tAu from 35m 94FIR784, 5m @ 2.98 g/tAu from 33m
Dam Central:	96FIR1840, 1m @ 9.23 g/tAu from 53m 96FIR1841, 2m @ 16.6 g/tAu from 22m 93FIR606, 10m @ 4.42 g/tAu from 24m 93FIR608, 3m @ 4.39 g/tAu from 37m 93FIR609, 4m @ 4.66 g/tAu from 32m 94FID005, 4m @ 3.48 g/tAu from 212m, and 4m @ 4.74 g/tAu from 226m
Dam South:	DDC3, 1m @ 9.20 g/tAu from 102m DDC4, 2m @ 2.51 g/tAu from 104m
Dam Southwest:	94FID018, 6m @ 1.08 g/tAu from 30m

Recent drilling by Rox has defined the potential for a significant zone of gold mineralisation at depth at Dam Central with results including 4m @ 5.53 g/tAu from 106m and 2m @ 4.83 g/tAu from 149m in hole MFRC004. This hole is adjacent to hole 94FID005 listed above.

Adjacent to the Dam trend is a sub-parallel trend from Damsel to Dam Southeast (Figure 4). Drill results define two main prospect areas;

PROJECTS

Damsel: MFRC010, 9m @ 4.43 g/tAu from 54m
MFRC001, 1m @ 8.40 g/tAu from 205m
MFA214, 4m @ 6.12 g/tAu from 75m
DDC12, 9m @ 2.31 g/tAu from 155m
MFA153, 18m @ 3.44 g/tAu from 55m
DDC8, 6m @ 3.96 g/tAu from 128m

Dam Southeast: 93FIR543, 15m @ 4.15 g/tAu from 30m
94FID015, 2m @ 8.85 g/tAu from 40m
94FIR809, 1m @ 15.9 g/tAu from 28m
94FIR938, 2m @ 5.45 g/tAu from 26m

A significant zone of oxide gold mineralisation is indicated at Damsel over a strike length of 500m and follow up drilling to define a Mineral Resource there is planned for the second half of 2011.

The third sub-parallel trend is the Dirks-Nile trend, with drilling results such as;

Dirks: MFA254, 2m @ 13.7 g/tAu from 54m
MFA166, 4m @ 2.33 g/tAu from 49m

Nile: NRC003, 6m @ 1.23 g/tAu from 33m and 4m @ 3.44 g/tAu from 107m

Close to the old Mt Fisher mine and on mining lease M53/09, 100% owned by Rox, lies the Moray Reef prospect (Figure 5). Shallow underground mining has taken place on this narrow, steeply dipping high grade quartz reef, but no production records exist. Drilling by the previous owners has defined mineralisation over a strike length of 350m to a depth of around 100m, and recorded exceptional results such as listed below. The mineralisation is still open along strike and at depth and the prospect requires further drilling.

Moray Reef: MTFC009, 1m @ 189 g/t Au from 71m
MTFC002, 3m @ 67.9 g/t Au from 45m
MTFC020, 1m @ 64.9 g/tAu from 22m
WTRC002, 3m @ 55.1 g/tAu from 47m
MTFC044, 1m @ 54.4 g/tAu from 46m
MTFC062, 1m @ 19.8 g/tAu from 92m
MTFC036, 2m @ 6.47 g/tAu from 61m
MTFC022, 3m @ 6.89 g/tAu from 85m
MTFC010, 4m @ 6.44 g/tAu from 45m

Gold mineralisation at the old Mt Fisher gold mine which produced approximately 4,500 ozs from historic underground mining and 22,500 ozs from open pit mining, is open at depth and down plunge (Figures 6 and 7). Drilling beneath the open pit indicates that extensions to the existing mineralised zone are present. In addition to these, there are a number of magnetic targets along strike north and south of the Mt Fisher mine (Figure 8) which the company will also drill test in the second half of 2011.

PROJECTS



Figure 1: Mt Fisher Location

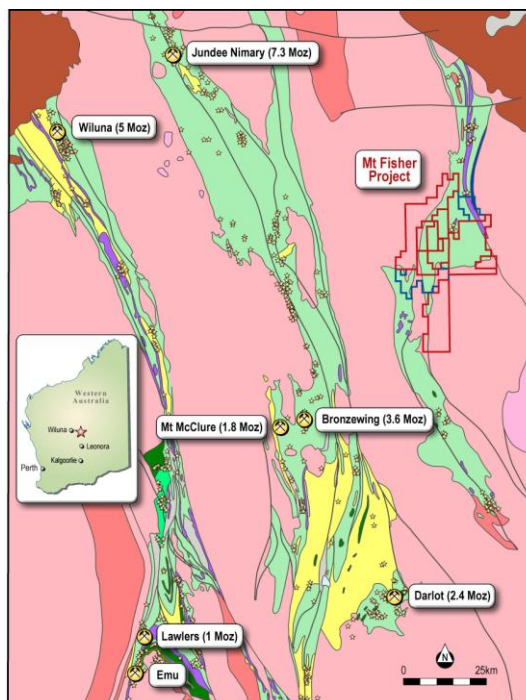


Figure 2: Mt Fisher Regional Geology

PROJECTS

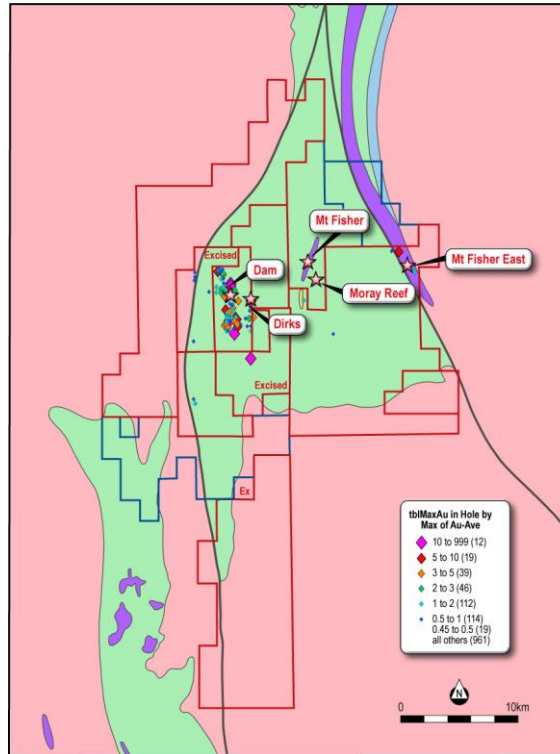


Figure 3: Mt Fisher Prospect Locations

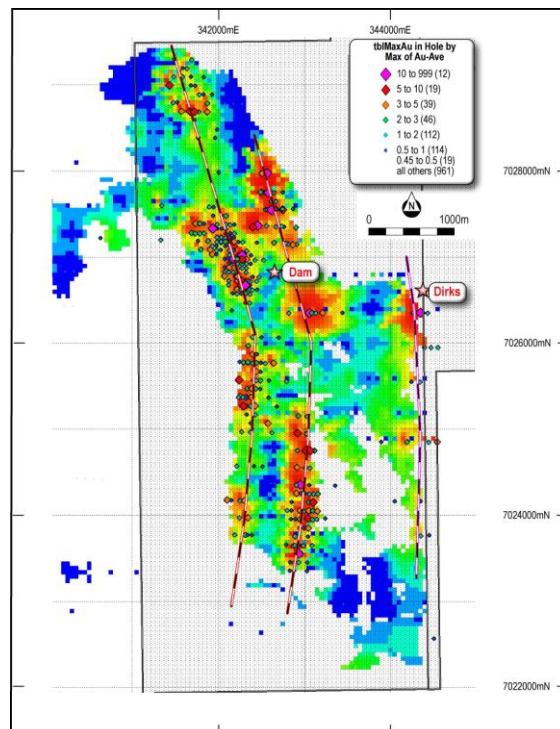


Figure 4: Dam-Dirks Trend

PROJECTS

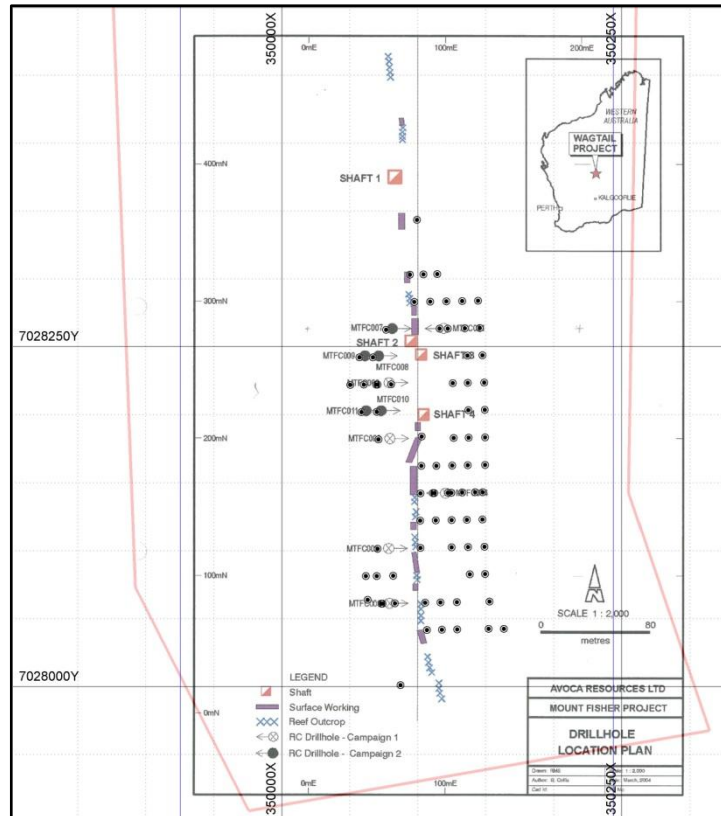


Figure 5: Moray Reef Drilling Plan

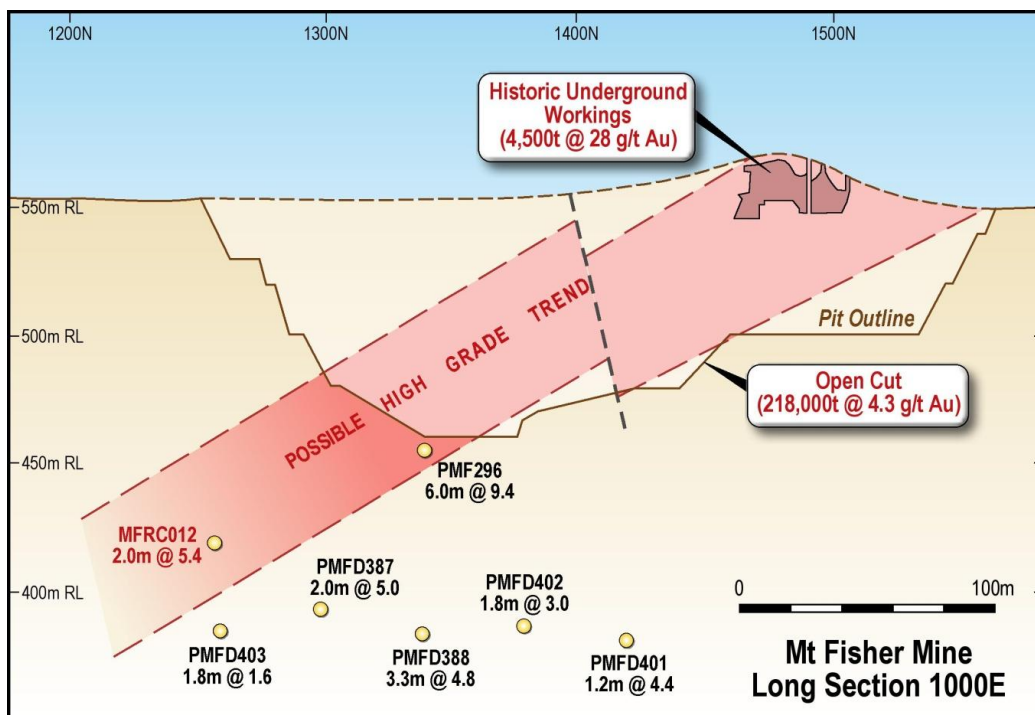


Figure 6: Mt Fisher Mine Long Section

PROJECTS

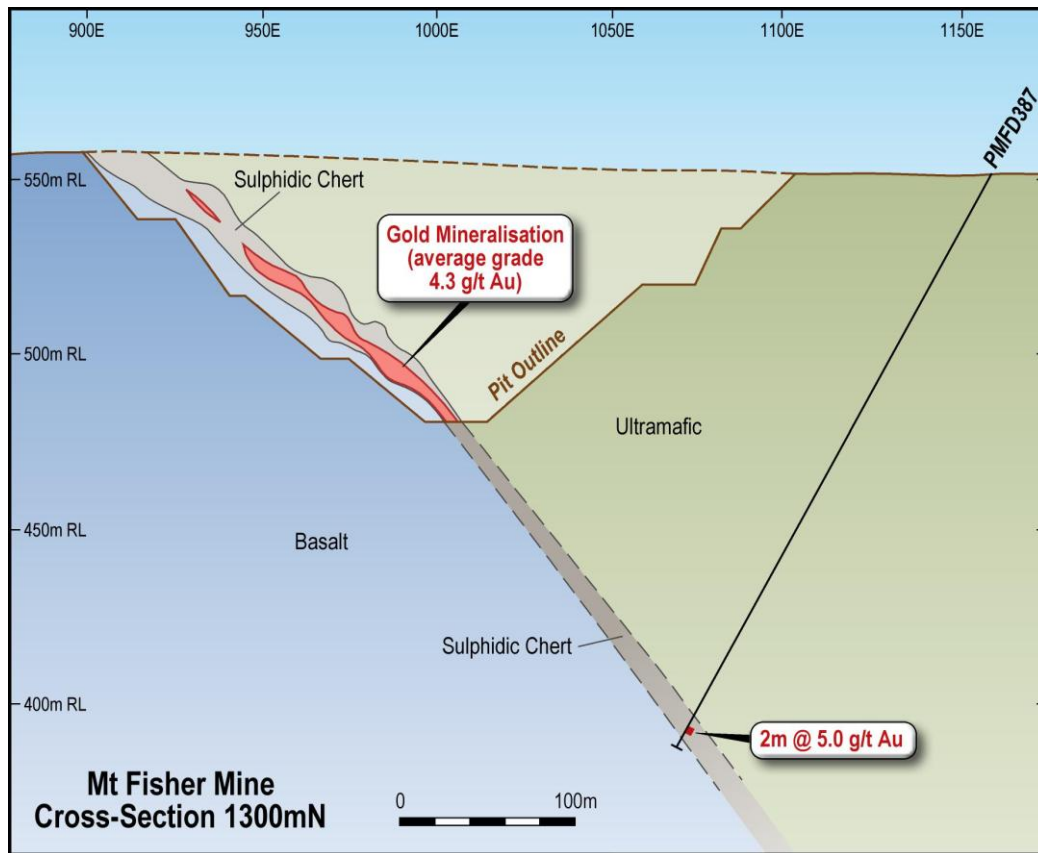


Figure 7: Mt Fisher Mine Cross Section

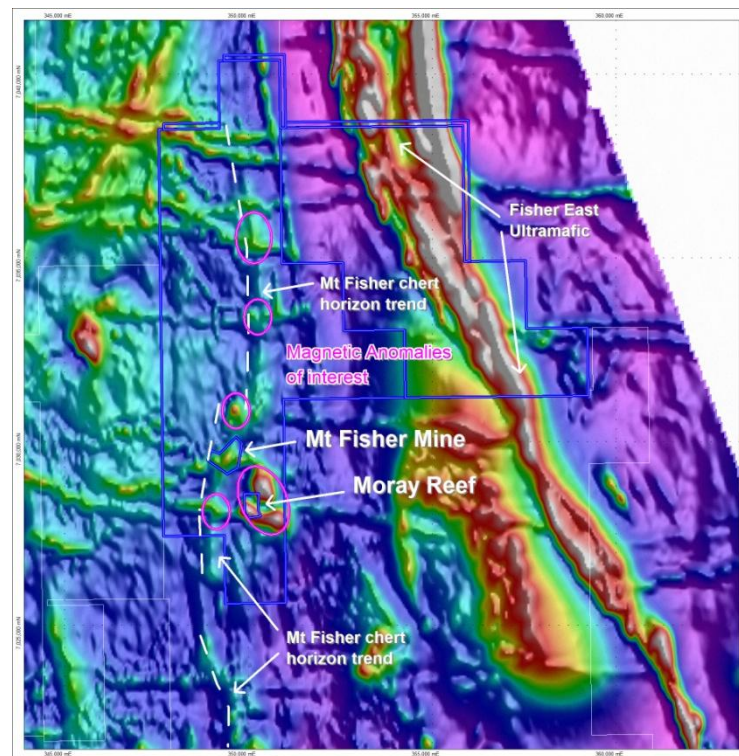


Figure 8: Mt Fisher Area Magnetic Anomalies

PROJECTS

MYRTLE

Rox believes the Myrtle project area has the potential for a major zinc-lead deposit, and to bring in funding and expertise to progress the project has signed an earn-in and joint venture agreement with Teck Australia Ltd. (“Teck”) to explore the company’s tenements which cover 669 km² adjacent to the world class McArthur River zinc-lead deposit in the Northern Territory (Figure 9). The terms of the agreement require Teck to spend \$5 million to earn an initial 51% interest within 4 years including a minimum of \$1 million and 2,000 metres of drilling by 21 July 2012. Teck can increase its interest in the project to 70% by spending an additional \$10 million (\$15 million in total) over an additional 4 years.

A SEDEX style deposit has been identified by Rox at the Myrtle prospect, where an Inferred Mineral Resource of **43.6 million tonnes grading 4.09% zinc and 0.95% lead** has been delineated to JORC Code standards. Thick drill intercepts of prospective stratigraphy carrying significant zinc-lead grades have already been made (Figure 10) but only a small portion of the prospective area has been drilled, and Rox is extremely confident the resource will continue to grow with further drilling. A higher grade core of **15.3 million tonnes grading 5.45% zinc and 1.40% lead** is present, and a large mineralised system is indicated. Several other prospects in the tenement area have similar potential to Myrtle but are at an early stage of exploration.

Rox has been advised that during the second half of 2011 Teck plan to undertake Induced Polarisation (IP) and ground gravity geophysical surveys to confirm and identify new targets, followed by diamond core drilling.



Figure 9: Myrtle Location Map

PROJECTS

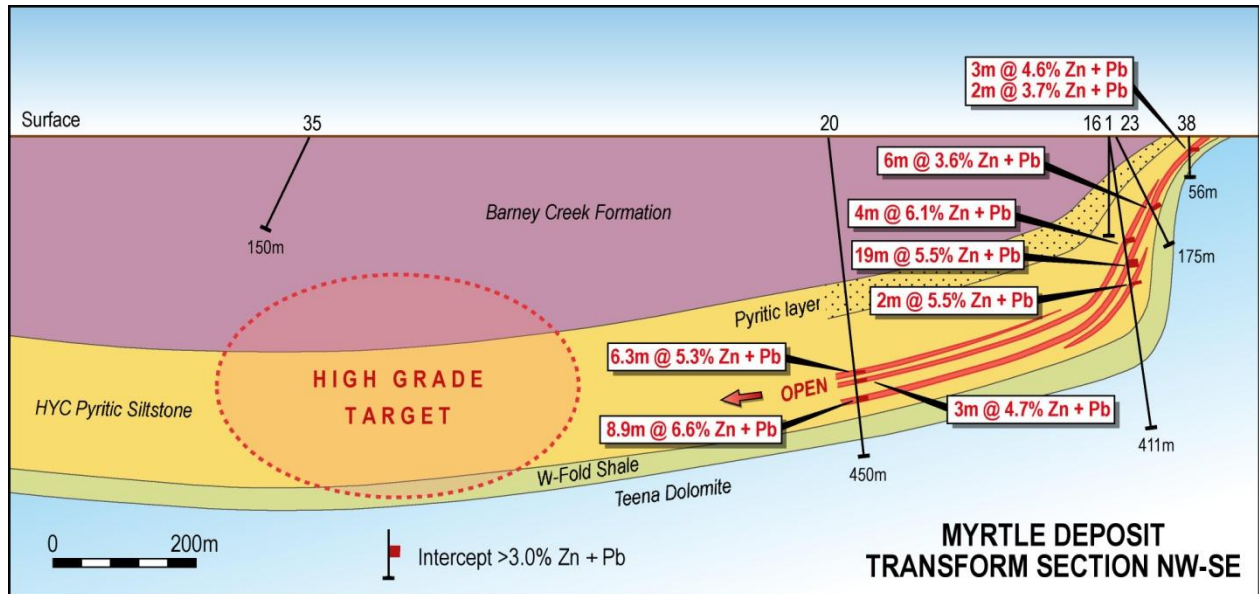


Figure 10: Myrtle Cross-Section

MARQUA

Rox owns 100% of the Marqua project in the Northern Territory located 300km south-west of Mt Isa (Figure 11), pegging the 2,600 km² area in August 2010 for its potential to host a large phosphate deposit. The tenements are now granted to the company. A 25 km long strike length of phosphate bearing rocks (Figure 12) has been identified by surface sampling (up to 39.4% P₂O₅) and drilling by previous explorers has recorded high grade intercepts, including:

QDA003, 2m @ 45.8% P₂O₅ from 1m,
 QDA002, 3m @ 25.1% P₂O₅ from 3m, and
 QDA068, 5m @ 26.1% P₂O₅ from 0m (surface) all at the Foss Hill prospect,

QDA046, 5m @ 23.7% P₂O₅ from 12m, and
 QDA045, 6m @ 19.9% P₂O₅ from 32m at the Coquina Creek prospect,

QDA019, 3m @ 16.9% P₂O₅ from 19m at the Red Heart prospect, and

QDA027, 3m @ 21.0% P₂O₅ from 21m at the White Hill prospect

Phosphate deposits in the Georgina Basin (Figure 13) generally cover large areas along relatively thin horizons (i.e. 1-7 metres thick) with the high grade DSO (direct shipping ore) of >30% P₂O₅ covering much smaller areas.

Previous drilling was wide spaced and there is the potential for a sizeable phosphate resource to be present, and Rox believes the resource target* could easily be 50-100 Mt grading 15-20% P₂O₅ or greater with zones of high-grade direct shipping ore (DSO) contained within it. The project is located only 250 km from the nearest railhead and gas pipeline at Phosphate Hill.

PROJECTS

During the second half of 2011 Rox is planning to undertake exploration work to further map the extent of the prospective phosphate horizon and undertake an RC drilling programme to further investigate the size potential of the phosphate mineralised zone.

Marqua is well situated to supply phosphate to the growing markets in Asia and North America. Phosphate is an essential component of fertilisers for the agricultural industries around the world. There are currently no substitutes for phosphate, so demand should keep rising with the expansion of agricultural activities in the developing and developed world.

** The potential quantity and grade of the resource target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

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.



Figure 11: Marqua Location Map

PROJECTS

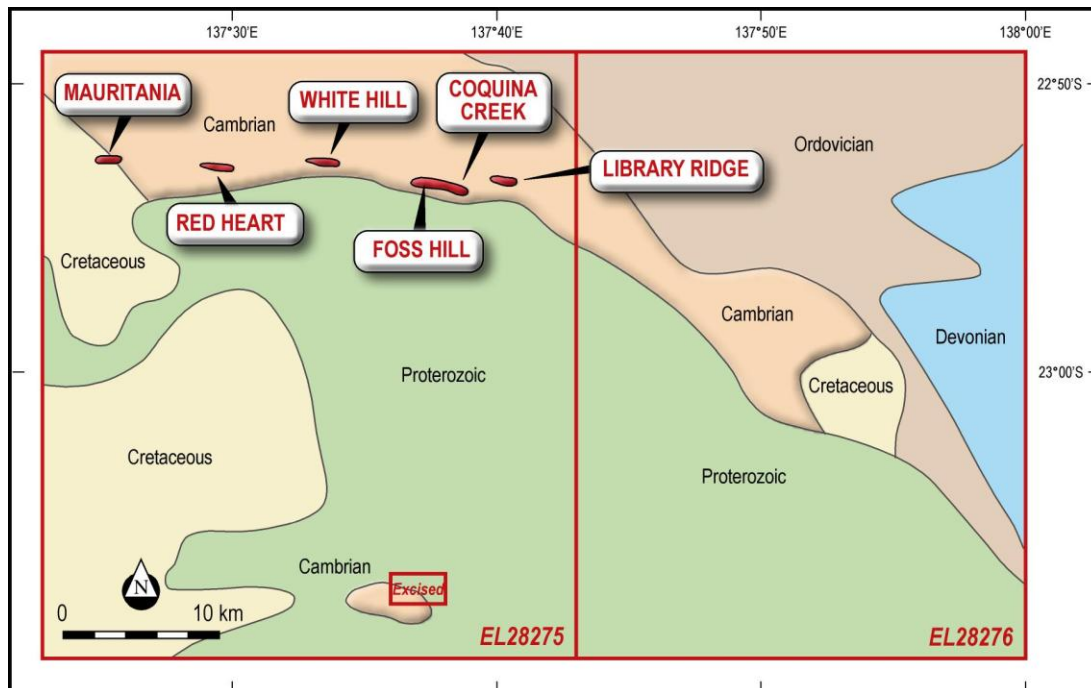


Figure 12: Marqua Geology Plan

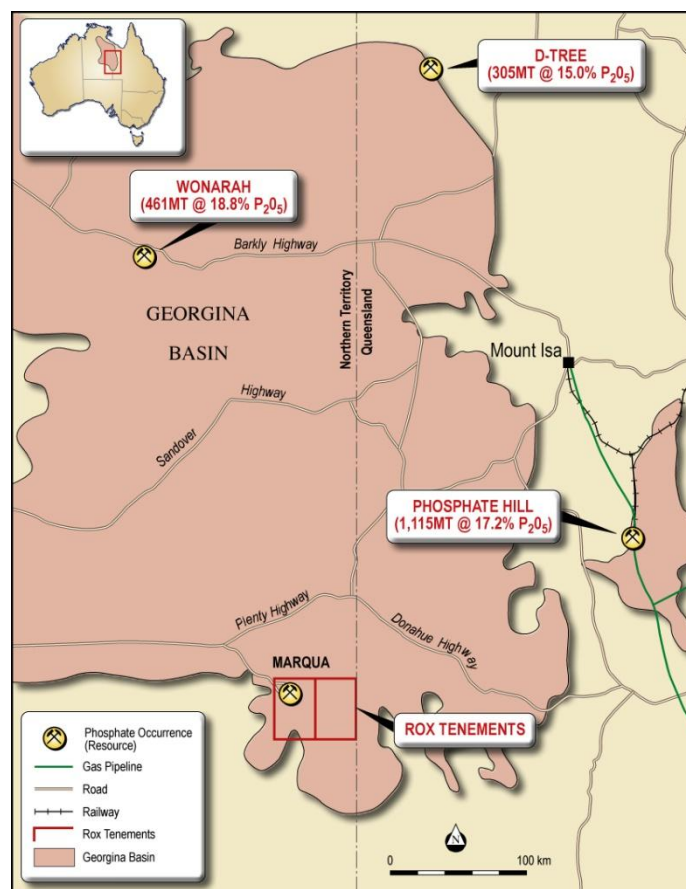


Figure 13: Georgina Basin

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 Jeffrey 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:

- 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 30 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.

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.

DIRECTORS REPORT

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.

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	1,023,334	36,167	-
I Mulholland	10,080,708	-	2,500,000
B Dickson	1,250,000	-	1,250,000

Included in the Director's Interest are unlisted options which do not vest until 30 September 2011.

LOSS PER SHARE

Basic and Diluted Loss per share 2011: (0.51 cents) 2010: (0.56 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 and Nyala Resources Pty Ltd. Nyala Resources Pty Ltd has not traded during the year.

Nature of Operations and Principal Activities

The principal activity of the Consolidated Entity during the year was mineral exploration.

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 2011 of \$1,520,032 (2010:\$1,216,118). The loss includes exploration expenditure charged direct to the profit and loss account of \$639,336 (2010:\$536,740). Net cash outflows from operating activities were \$1,386,113 (2010:\$1,304,364).

At 30 June 2011 the Consolidated Entity had cash on hand of \$4,361,129 (2010:\$795,577). The Directors believe the Consolidated Entity maintains a sound capital structure and is in an excellent position to progress its mineral properties.

Employees

At 30 June 2011 the Company had three employees (2010: two employees).

DIRECTORS REPORT

Review of Operations

During the year the company successfully completed the farm-out of the Myrtle project to Teck Australia Pty Ltd. The key terms of the farm-out agreement are:

- Teck may earn a 51% interest by spending \$5 million by 2014.
- Teck may earn a further 19% interest (for 70% total) total by spending an additional \$10 million (\$15 million total) over an additional 4 years; and
- A minimum of \$1 million to be spent by 21st July 2012, including a minimum of 2,000 metres of diamond drilling.

In addition to the Myrtle farm-out two new exploration projects were acquired. The Marqua project located in the Northern Territory of Australia was acquired for its highly prospective phosphate potential and the Mt Fisher project located in Western Australia which is prospective for gold and nickel. No significant activity on either of the new projects took place during the financial year. Exploration programmes are planned for the next 12 months.

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

The following cash changes occurred during the year:

- \$4,300,000 was raised through the placement of 76,000,000 shares at \$0.05 each in November 2010 together with a placement of 10,000,000 shares at \$0.05 each in April 2011.
- \$315,142 was raised through the exercise of options at various times throughout the year; 11,509,482 at \$0.015 each and 3,750,000 at \$0.038.
- \$670,250 was raised through a share Purchase Plan offered to all shareholders. A total of 13,405,000 shares at \$0.05 each were issued.

In addition, the following non-cash significant changes occurred:

- 20,000,000 shares issued to North Mining Limited in exchange for it agreeing to remove a lump sum cash payment of \$1/tonne of the mineable resources stated in a bankable feasibility study payable upon a decision to mine at the Reward project.
- 3,000,000 shares issued to Legend International Holdings Inc. acquire exploration licences located adjacent to the Reward Project.

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

DIRECTORS REPORT

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

- \$346,577 was raised through the exercise of 23,105,144 options exercisable at \$0.015 each;
- Completion of the acquisition of the Mt Fisher project from Avoca Resources Limited and the issue of 20,000,000 shares to it as consideration for the project; and
- The Company acquired an option to acquire a further 170 km² of tenements adjacent to the Mt Fisher project area, making a total area controlled by Rox of 785 km². The key commercial terms of the Option involve an option period of three years with an option payment of \$200,000 at the start of each of the first two years, and \$100,000 at the start of the third year, for a total of \$500,000. At any time Rox can exercise the Option by paying the vendor \$3.5M cash and ownership will transfer to Rox 100%. During the first year of the Option Rox will spend a minimum of \$500,000.

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	10	10	2	2	1	1	-	-
I Mulholland	10	10	2	2	1	1	-	-
B Dickson	10	10	2	2	1	1	-	-

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.

DIRECTORS REPORT

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.

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

SHARE OPTIONS

At the reporting date there were 3,750,000 unlisted options exercisable at \$0.038. During the year 32,160,238 options, which had an intrinsic value of nil, lapsed and 15,259,482 were exercised. Refer to note 18 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 25.

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	\$9,500
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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>)
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 keeping costs 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. The remuneration of Non-Executive Directors for the years ending 30 June 2011 and 30 June 2010 is detailed later in this report.

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.

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.

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”)

DIRECTORS REPORT

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.

STI bonus for 2010 and 2011 financial years

There were no incentive bonuses for either the 2011 or 2010 financial year.

For the year ending 31st Dec 2011 the following Key Performance Indicators were agreed for senior management:

1. Complete the Joint Venture documentation and achieve significant advances at Myrtle.
2. Demonstrate potential resources of greater than 20Mt @ 20% P₂O₅ at Marqua;

DIRECTORS REPORT

3. Continue to build project portfolio, including acquisition of a new principal project for the company;
4. Demonstrate leadership skills; and
5. Continue share price appreciation.

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.

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.

Employment Contracts

The Managing Director, Mr Mulholland is employed under contract. The current employment contract expires on 1st January 2013, 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 contract:

- 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 terminates on 1 January 2013, 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 contract:

- 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.

DIRECTORS REPORT

- 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.

Remuneration of Key Management Personnel

	SHORT TERM			POST EMPLOYMENT	SHARE-BASED		PERCENTAGE
2011	Salary & Fees \$	Bonus \$	Other ¹ \$	Superannuation \$	Options \$	TOTAL \$	PERFORMANCE RELATED %
DIRECTORS							
J Gresham	17,500	-	-	47,900	-	65,400	-
I Mulholland	237,798	-	-	37,202	19,636	294,636	7
B Dickson	-	-	132,000	-	9,818	141,818	7
TOTAL	255,298	-	132,000	85,102	29,454	501,854	6

Remuneration of Key Management Personnel

	SHORT TERM			POST EMPLOYMENT	SHARE-BASED		PERCENTAGE
2010	Salary & Fees \$	Bonus \$	Other ¹ \$	Superannuation \$	Options \$	TOTAL \$	PERFORMANCE RELATED %
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

- Coolform Investments Pty Ltd, a company in which Mr Dickson is a Director and shareholder, received fees totalling \$132,000 (2010: \$120,000) for the provision of accounting and company secretarial services by Mr Dickson.
- Reflects remuneration prior to Mr Dickson being appointed a director.

DIRECTORS REPORT

Compensation options: Granted and vested during the year

		GRANTED		TERMS AND CONDITIONS FOR EACH GRANT				VESTED	
2011	Number	Date	Fair value \$	Exercise Price \$	Expiry date	First exercise date	Last exercise date	Number	%
<i>Directors</i>									
J Gresham	-	-	-	-	-	-	-	-	-
I Mulholland	5,000,000	26 Nov 09	0.009	0.038	26/11/12	26/09/10	26/09/12	2,500,000	50
B Dickson	2,500,000	26 Nov 09	0.009	0.038	26/11/12	26/09/10	26/09/12	1,250,000	50
Total	7,500,000							3,750,000	

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

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

Value of Options granted as part of Remuneration

There were no options granted as remuneration during the 2011 period.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. During the year 2,000,000 options exercisable at \$0.35 issued to the Mulholland lapsed (2010: nil). During the year 3,750,000 compensation options were exercised at \$0.038 each.

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

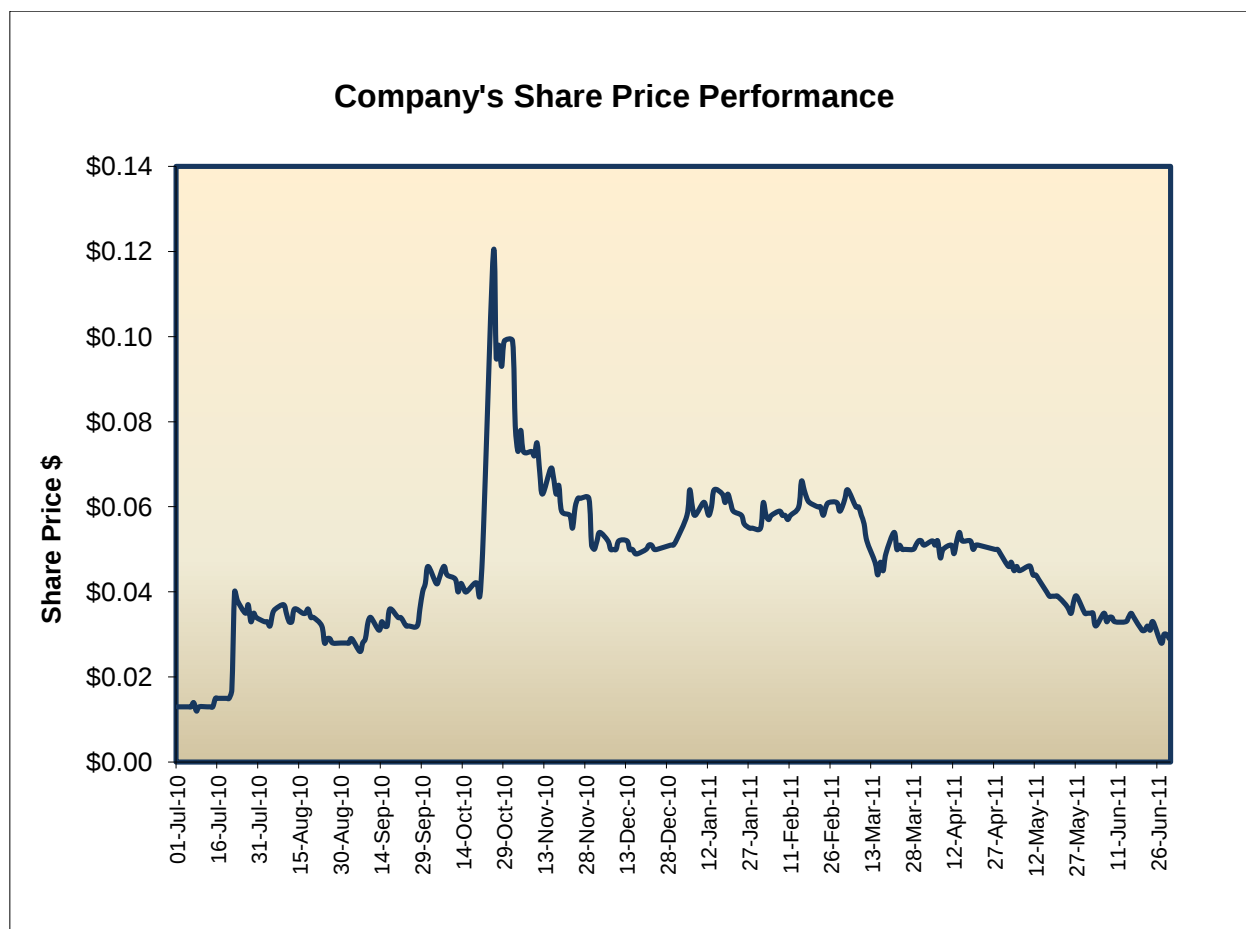
Company's share price performance

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 2011.

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.

	2011	2010	2009	2008	2007
Basic loss per share (cents)	(0.5)	(0.6)	(2.1)	(5.8)	(5.8)

Signed in accordance with a resolution of the Directors.

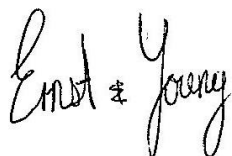
J Gresham

Chairman

Perth, 22 September 2011

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 financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

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

Ernst & Young

A handwritten signature of R J Curtin, written in black ink.

R J Curtin
Partner
Perth
22 September 2011

CORPORATE GOVERNANCE

Statement

Approach to Corporate Governance

Rox Resources Limited (**Company**) has adopted 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 2nd edition (**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. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

Further information about the Company's corporate governance practices may be found on the Company's website at www.roxresources.com.au, under the section marked "Corporate Governance".

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2010/2011 financial year (**Reporting Period**). The Principles & Recommendations were amended in 2010, and these amendments apply to the Company's first financial year commencing on or after 1 January 2011. Accordingly, disclosure against the Principles & Recommendations as amended in 2010 will be made in relation to the Company's financial year ending 30 June 2012. The report below is made against the Principles & Recommendations prior to their amendment in 2010.

However, the Company has made a partial early transition to the amended Principles & Recommendations by adopting a Diversity Policy in accordance with the new Recommendation 3.2. A summary of the Diversity Policy is available on the Company's website.

Board

Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives 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.

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, directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is available on the Company's website.

Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

CORPORATE GOVERNANCE

Director independence

(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of directors who are independent. 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 sole independent director of the Company is Jeff Gresham. Mr Gresham is independent as he is a non-executive director who is not a member of management and who is 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 his judgment.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds.

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

- 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, could affect the Company's rights to its assets, if accumulated 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 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 which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are Ian Mulholland and Brett Dickson.

The independent Chair of the Board is Jeff Gresham. The Managing Director is Ian Mulholland.

Independent professional advice

(Recommendation: 2.6)

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 from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re)Appointment of Directors

(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

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

CORPORATE GOVERNANCE

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 one 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.

The Company's Policy and Procedure for the Selection and (Re)Appointment of Directors is available on the Company's website.

Board committees

Nomination Committee

(Recommendations: 2.4, 2.6)

The composition of the Board does not make the establishment of a separate Nomination Committee practicable, and the Board believes that there would be no efficiencies or other benefits gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. 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 to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required.

To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. A copy of the Nomination Committee Charter is available on the Company's website.

Audit Committee

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has not established a separate Audit Committee, and therefore is not structured in accordance with Recommendation 4.2. As the Board does not consist of only non-executive directors and Mr Gresham, who is Chair of the Board, maintains the Chair during the audit related discussions, the Company is unable to establish an Audit Committee that would comply with the structural requirements of Recommendation 4.2. The Board believes that the composition of the Board is not suitable for the formation of a separate Audit Committee, and that there would be no efficiencies or other benefits gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions. The independent director is available to meet separately with the external auditor should this be considered necessary.

The full Board, in its capacity as the Audit Committee, held two meetings during the Reporting Period. Details of the directors' attendance at the Audit Committee meeting are set out in the Directors' Report. To assist the Board to fulfil its function as the Audit Committee, the Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

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. 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

CORPORATE GOVERNANCE

reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website.

Remuneration Committee (Recommendations: 8.1, 8.2, 8.3)

The composition of the Board does not make the establishment of a separate Remuneration Committee practicable, and the Board believes that there would be no efficiencies or other benefits gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. 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 to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board, in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. Details of the directors' attendance at the Remuneration Committee meeting are set out in the Directors' Report. To assist the Board to fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

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

The Board seeks to set aggregate non-executive director 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. 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. 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. From time to time the Company may grant options to non-executive directors. The grant of options is designed to recognise and reward efforts for the benefit of the Company. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at general meeting.

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.

In determining the level and make-up of executive remuneration, the Board may engage an external consultant to provide independent advice detailing market levels of remuneration for comparable executive roles. Remuneration consists of the following key elements: fixed remuneration; and variable remuneration – long term incentive. Long term incentives are delivered in the form of options.

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.

The Company's Remuneration Committee Charter is available on the Company's website.

CORPORATE GOVERNANCE

Performance evaluation

Senior executives

(Recommendations: 1.2, 1.3)

The Managing Director is responsible for evaluating the performance of senior executives. The evaluations are performed by conducting interviews with the senior executives as required. During the interview key performance indicators are set and agreed on, which will form the basis for the following years' review.

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

During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed above.

Board, its committees and individual directors

(Recommendations: 2.5, 2.6)

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

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.

During the Reporting Period an evaluation of the Board took place in accordance with the process disclosed above. An evaluation of individual directors did not take place during the Reporting Period.

Ethical and responsible decision making

Code of Conduct

(Recommendations: 3.1, 3.3)

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

A summary of the Company's Code of Conduct is available on the Company website.

Policy for Trading in Company Securities

(Recommendations: 3.2, 3.3)

The Company has established a Policy for Trading in Company Securities by directors, senior executives, employees and their "connected persons" (which includes spouses and controlled entities).

A copy of the Company's Policy for Trading in Company Securities is available on the Company's website.

Continuous Disclosure

(Recommendations: 5.1, 5.2)

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

A summary of the Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website.

CORPORATE GOVERNANCE

Shareholder Communication (Recommendations: 6.1, 6.2)

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

A copy of the Company's Shareholder Communication Policy is available on the Company's website.

Risk Management Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy and Risk Management Procedures. Under the Risk Management Policy, the Board oversees the processes by which risks are managed. This includes 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.

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 proposed to be exceeded, requires 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.

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.

Specific areas of risk that were identified in the report included operational activities, asset management (including title to exploration and mining leases) and staff.

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. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and the Finance Director 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 reporting risks.

A summary of the Company's Risk Management Policy is available on the Company's website.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	Consolidated 2011 (\$)	Consolidated 2010 (\$)
ASSETS			
Current Assets			
Cash and cash equivalents	11(a)	4,361,129	795,577
Prepayments		3,118	3,147
Total Current Assets		<u>4,364,247</u>	<u>798,724</u>
Non-Current Assets			
Available for Sale investments	12	33,750	60,000
Equipment	13	81,672	54,378
Capitalised exploration expenditure	15	387,000	-
Total Non-Current Assets		<u>502,422</u>	<u>114,378</u>
TOTAL ASSETS		<u>4,866,669</u>	<u>913,102</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	16	142,931	68,430
Provisions	17	43,870	42,987
Income Tax payable		-	8,086
Total Current Liabilities		<u>186,801</u>	<u>119,503</u>
TOTAL LIABILITIES		<u>186,801</u>	<u>119,503</u>
NET ASSETS		<u>4,679,868</u>	<u>793,599</u>
EQUITY			
Contributed equity	18	18,702,961	13,299,864
Reserves	18	1,189,497	1,186,293
Accumulated losses	20	(15,212,590)	(13,692,558)
TOTAL EQUITY		<u>4,679,868</u>	<u>793,599</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 2011

	Notes	Consolidated 2011 (\$)	Consolidated 2010 (\$)
Continuing operations			
Other revenue		96,492	21,900
Other income	6(a)	-	93,001
Corporate expenses		(340,793)	(220,656)
Occupancy and related expenses		(115,420)	(132,595)
Salaries, wages and superannuation		(462,470)	(446,195)
Exploration expenditure expensed		(639,336)	(536,740)
Net loss on disposal of furniture and equipment		(28,320)	(3,790)
Share based payments to employees		(29,454)	(36,709)
Reversal of impairment expenditure	15	-	60,000
Depreciation		(8,817)	(14,334)
Loss from before income tax		(1,528,118)	(1,216,118)
Income tax benefit/(expense)	7	8,086	-
Loss after income tax		(1,520,032)	(1,216,118)
Other comprehensive income			
Net fair value (gains) losses on available-for-sale financial assets		(26,250)	(102,001)
Transferred realised gains to other income		-	93,001
Other comprehensive income net of tax		(26,250)	(9,000)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		(1,546,282)	(1,225,118)
Loss per share for loss for the year from continuing operations attributable to ordinary equity holders:			
- basic loss per shares (cents)	8	(0.51)	(0.56)
- diluted loss per share (cents)		(0.51)	(0.56)
Loss per share for loss for the year attributable to ordinary equity holders:			
- basic loss per shares (cents)		(0.51)	(0.56)
- diluted loss per share (cents)		(0.51)	(0.56)

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 2011

	Consolidated 2011 (\$)	Consolidated 2010 (\$)
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	96,492	21,900
Payments to suppliers and employees	(887,405)	(805,491)
Expenditure on mineral interests	(595,200)	(520,773)
Net cash used in operating activities	11(b) <u>(1,386,113)</u>	<u>(1,304,364)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(79,432)	(2,707)
Proceeds from sale of equipment	15,000	1,364
Proceeds from sale of investments	-	154,499
Security bonds received	-	26,850
Net cash provided by investing activities	<u>(64,432)</u>	<u>180,006</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	5,285,393	1,634,795
Share issue costs	(269,296)	(138,249)
Net cash provided by financing activities	<u>5,016,097</u>	<u>1,496,546</u>
Net increase/(decrease) in cash and cash equivalents	3,565,552	372,188
Cash and cash equivalents at beginning of period	795,577	423,389
Cash and cash equivalents at end of period	11(a) <u><u>4,361,129</u></u>	<u><u>795,577</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 2011

	Consolidated				
	Issued Share Capital	Share Option Reserve	Available for sale Asset Reserve	Accumulated (Losses)	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
At 1 July 2010	13,299,864	1,186,293	-	(13,692,558)	793,599
Loss for period	-	-	-	(1,520,032)	(1,520,032)
Net fair value gains on available for-sale investments	-	-	(26,250)	-	(26,250)
Total comprehensive loss for the year	-	-	(26,250)	(1,520,032)	(1,546,282)
Transactions with owners in their capacity as owners					
Issue of share capital	5,672,393	-	-	-	5,672,393
Share issue costs	(269,296)	-	-	-	(269,296)
Share-based payments	-	29,454	-	-	29,454
Balance as at 30 June 2011	18,702,961	1,215,747	(26,250)	(15,212,590)	4,679,868
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

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 2011 was authorised for issue in accordance with a resolution of the Directors on 21 September 2011.

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.

(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.

(b) New accounting standards and interpretations

The Consolidated entity has adopted all new and amended Australian Accounting Standards and AASB interpretations from 1 July 2010 mandatory for annual reporting periods beginning on or after 1 July 2010. The adoption of these new and amended Standards and Interpretations, set out below, did not have any effect on the financial position and performance of the Consolidated entity.

Reference	Title	Application date of standard	Application date for Group
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2010	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference	Title	Application date of standard*	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below: • AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations • AASB 8 – Disclosure of information about segment assets • AASB 101 – Current/non-current classification of convertible instruments • AASB 107 – Classification of expenditures that does not give rise to an asset • AASB 117 – Classification of leases of land • AASB 118 – Determining whether an entity is acting as a principle or an agent • AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation • AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract	1 January 2010	1 July 2010
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.	1 July 2010	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference	Title	Application date of standard	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 as payment of a debt 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	1 July 2010
AABS 10	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and Interpretation 112 <i>Consolidation – Special Purpose Entities</i>. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	1 July 2013
AASB 11	AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and Interpretation 113 <i>Jointly- controlled Entities – Non-monetary Contributions by Ventures</i>. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference	Title	Application date of standard	Application date for Group
AASB 12	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 2011-7	Consequential amendments to AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates</i> as a result of the adoption of AASB 10 <i>Consolidated Financial Statements</i> , AASB 11 <i>Joint Arrangements</i> and AASB 12 <i>Disclosure of Interests in Other Entities</i> .	1 January 2013	1 July 2013

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2011.

Reference & Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 124 (Revised)- Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference & Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9 - Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2013
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference & Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
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]	- These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. <u>This Standard shall be applied when AASB 9 is applied.</u>	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. In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2011
ASB 2010-2 Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference & Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1053 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2013
AASB 1054 Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference & Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2011
AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2011
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. <i>Disclosures</i> require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference & Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2013
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate <i>SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets</i> into AASB 112.	1 January 2012	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2012
Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference & Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2011
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.	1 July 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2013
AASB 13 Fair Value Measurement	AASB 13 establishes a single source of guidance under Australian Accounting Standards for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

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

(b) New accounting standards and interpretations (cont'd)

Reference & Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Fair Value Measurement Standard</i>	Consequential amendments to existing Australian Accounting Standards as a result of the adoption of AASB 13 <i>Fair Value Measurement</i> .	1 January 2013	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2013
AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from the amendments relates to the Statement of Comprehensive Income and the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not remove the option to present profit or loss and other comprehensive income in two statements. The amendments do not change the option to present items of OCI either before tax or net of tax. However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately.	1 July 2012	The impact of the change has not yet been assessed by the Consolidated Entity	1 July 2012
AASB 119 (Revised) Employee Benefits	The main amendments to the standard relating to defined benefit plans are as follows :- • Elimination of the option to defer the recognition of actuarial gains and losses (the 'corridor method'); • Remeasurements (essentially actuarial gains and losses) to be presented in other comprehensive income; • Past service cost will be expensed when the plan amendments occur regardless of whether or not they are vested; and • Enhanced disclosures for Tier 1 entities. The distinction between short-term and other long-term employee benefits under the revised standard is now based on expected timing of settlement rather than employee entitlement. The revised standard also requires termination benefits (outside of a wider restructuring) to be recognised only when the offer becomes legally binding and cannot be withdrawn.	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)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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 preferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(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) Equipment

All classes of 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:

	2011	2010
Computers	3 years	3 years
Office Equipment	3 – 4 years	3 - 4 years

NOTES TO THE FINANCIAL STATEMENTS

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

Impairment

The carrying values of 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 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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
- 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

(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. 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:

		Carrying amount	
	Note	2011	2010
Cash and cash equivalents	11	4,361,129	795,577
Available for sale investments	12	33,750	60,000

None of the Consolidated Entity's trade and other receivables are past due (2010: nil). At 30 June 2011 the Consolidated Entity does not have any collective impairments on its other receivables (2010: 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 does not anticipate the 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 2011							
Trade and other payables	142,931	-	142,931	-	-	-	-
30 June 2010							
Trade and other payables	68,430	-	68,430	-	-	-	-

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 Nil (2010: 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	2011	2010
Available for sale investments	12	33,750	60,000

Sensitivity analysis

Risk Variable	Sensitivity	Effect on:		Effect on:	
		Profit 2011	Equity 2010	Profit 2011	Equity 2010
Share Price Sensitivity	+5%	1,687	3,000	-	-
Share Price Sensitivity	-5%	(1,687)	(3,000)	-	-

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	
	2011	2010
Variable rate instruments		
Financial assets	4,361,129	795,577

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 \$43,611 (2010: \$7,956), and would have had the same effect on cash flow. The difference between 2011 and 2010 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	
	2011	2010
Equity	4,679,868	793,599

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 2011				30 June 2010			
	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	33,750	-	-	33,750	60,000	-	-	60,000

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES 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 apparent from other sources.

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 2011 (\$)	Consolidated 2010 (\$)
Notes		
(a) Other income from non-operating activities:		
Net gain on disposal of available-for-sale financial assets	-	93,001
	-	93,001

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 INCOME TAX INCOME

Consolidated
2011
(\$)

Consolidated
2010
(\$)

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	-	-
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Income tax expense reported in the statement of comprehensive income	-	-
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 INCOME TAX (cont'd)

	Notes	Consolidated 2011 (\$)	Consolidated 2010 (\$)
Accounting loss before tax from continuing operations		(1,520,032)	1,216,118
Profit before tax from discontinued operations		-	-
Accounting loss before income tax		<u>(1,520,032)</u>	<u>(1,216,118)</u>
At the Consolidated Entity's statutory income tax rate of 30%		(456,010)	(364,835)
Loss (profit) on investments		-	(18,000)
Other		441	(984)
Share based payments		8,836	10,824
Share issue costs		(36,890)	(20,732)
Prior year adjustment to deferred tax balances		(42,520)	-
Deferred tax assets not brought to account		<u>526,143</u>	<u>393,727</u>
Income tax expense reported in the statement of comprehensive income		<u>-</u>	<u>-</u>

STATEMENT OF FINANCIAL POSITION

STATEMENT OF COMPREHENSIVE INCOME

2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
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Deferred income tax

Deferred income tax at 30 June relates to the following:

Deferred tax liabilities

Prepayments	(6)	(944)	938	243
Plant & equipment	(1,841)	223	(2,064)	(383)
Assets held for sale	-	-	-	-

Deferred tax assets

Accruals	9,900	9,000	900	(300)
Share issue costs	-	65,369	(65,369)	20,732
Costs deductible in future periods	1,984	-	1984	-
Provision for employee entitlements	13,161	12,896	265	(3,804)
Revenue tax losses	2,633,681	2,044,192	589,489	393,727
Deferred tax assets not brought to account as realisation is not probable	<u>(2,656,879)</u>	<u>(2,130,736)</u>		
	<u>-</u>	<u>-</u>		

Deferred tax assets not recognised			<u>(526,143)</u>	<u>(410,215)</u>
Deferred tax (income)/expense			<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 INCOME TAX (cont'd)

Potential future income tax benefits attributable to tax losses of \$8,778,938 (2010: \$7,074,802) carried forward have not been brought to account at 30 June 2011 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 2011 \$	Consolidated 2010 \$
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	(1,520,032)	(1,216,118)
Adjustments:		
- Nil	-	-
- Earnings used in calculating basic and diluted earnings per share	(1,520,032)	(1,216,118)
Weighted average number of ordinary shares used in calculating basic earnings per share	299,924,524	216,751,030
Effect of dilutive securities:		
- Share options (i)	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	299,924,524	216,751,030

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

There were a total of 29,837,811 share options that were potentially dilutive to shares on issue at 30 June 2011 (2010:77,257,520).

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 2011

Since the end of the financial year 23,105,144 ordinary shares have been issued pursuant to the exercise of 23,105,144 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.

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 2011 (\$)	Consolidated 2010 (\$)
Short Term	387,298	346,915
Post Employment	85,102	77,827
Share-Based Payments	29,454	36,709
	<u>501,854</u>	<u>461,451</u>

(c) Share holdings of Key Management Personnel

2011	Balance at 1 July 2010	Granted as Remuneration	Purchased	Net Change Other	Balance at 30 June 2011
I Mulholland	9,580,708	-	3,479,036	(2,979,036)	10,080,708
J Gresham	723,334	-	300,000	-	1,023,334
B Dickson	6,093,910	-	1,250,000	(6,093,910)	1,250,000
	<u>16,397,952</u>	<u>-</u>	<u>5,029,036</u>	<u>(9,072,946)</u>	<u>12,354,042</u>

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>

(d) Options holdings of Key Management Personnel

2011	Balance at 1 July 2010	Granted as Remuneration	Options Exercised	Options Expired/Sold/ Lapsed	Balance at 30 June 2011
J Gresham	96,445	-	-	(60,278)	36,167
I Mulholland	9,546,435	-	(2,979,036)	(4,067,399)	2,500,000
B Dickson	4,277,817	-	(1,250,000)	(1,777,817)	1,250,000
	<u>13,920,697</u>	<u>-</u>	<u>(4,229,036)</u>	<u>(5,905,494)</u>	<u>3,786,167</u>

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.

2010	Balance at 1 July 2009	Granted as Remuneration	Options Purchased	Net Change Other	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>

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 2011 (\$)

Consolidated & Company 2010 (\$)

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

Auditing and reviewing the financial report

49,840

51,318

Taxation services

9,500

9,350

59,340

60,668

NOTE 11 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

4,361,129

795,577

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

1,520,032

1,216,118

Adjustments for non-cash expense items

- Depreciation

(8,817)

(14,334)

- Share based payments

(29,454)

(36,709)

- Impairment of exploration and evaluation

-

60,000

- Profit on sale of available-for-sale investments

-

93,001

- Loss on sale of plant and equipment

(28,320)

(3,790)

- Income tax provision

8086

-

Changes in assets and liabilities

- Increase (decrease) in prepayments

(30)

(810)

- (Increase) decrease in provisions

(883)

12,680

- (Increase) decrease in payables

(74,501)

(21,792)

Cash out-flow from operations

1,386,113

1,304,364

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 CASH AND CASH EQUIVALENTS (cont'd)

(c) There were no non-cash financing and investing activities in the 2011 financial year. 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.

(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 2011 (\$)	Consolidated 2010 (\$)
At fair value		
Shares – listed (a)	33,750	60,000

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	60,000	70,500
Acquisitions	-	60,000
Sales	-	(61,500)
Unrealised gain/(loss) on available for sale investments transferred to /(from) equity	(26,250)	(9,000)
Balance at 30 June	33,750	60,000

No impairment loss in respect of available for sale investments was recognised during the current year in the profit and loss (2010: Nil) 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.

NOTE 13 EQUIPMENT

Equipment at cost	144,892	130,460
Accumulated depreciation	(63,220)	(76,082)
	81,672	54,378
(a) Movements in plant and equipment		
- At 1 July, net of accumulated depreciation	54,378	71,158
- Additions	79,431	2,707
- Disposals	(65,000)	(29,162)
- Accumulated depreciation on disposals	21,680	24,009
- Depreciation	(8,817)	(14,334)
At 30 June, net of accumulated depreciation	81,672	54,378

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 OTHER FINANCIAL ASSETS

	Consolidated 2011 (\$)	Consolidated 2010 (\$)
Receivables - Security deposits	-	-

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
Acquisition	387,000	-
Impairment write down/(back)	-	(60,000)
	<u>387,000</u>	<u>-</u>

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

NOTE 16 TRADE AND OTHER PAYABLES

Trade creditors and accruals (a)	<u>142,931</u>	<u>68,430</u>
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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)	<u>43,870</u>	<u>42,987</u>
(a) Movements in Provisions for Employee Benefits			
At 1 July		42,987	55,667
Increase/(decrease) in employee benefits		<u>883</u>	<u>(12,680)</u>
At 30 June		<u>43,870</u>	<u>42,987</u>

NOTE 18 CONTRIBUTED EQUITY AND RESERVES

(i) Contributed Equity

(a) Issued and paid up capital

	Consolidated 2011 (\$)	Consolidated 2010 (\$)
Ordinary shares fully paid	<u>18,702,961</u>	<u>13,299,864</u>

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 – 217,566,751

(2010: 108,580,426)

13,299,864

12,074,860

Issue of 108,986,325 shares at \$0.015 per share (net of share issue costs)

-

1,225,004

Issue of 99,405,000 shares at \$0.05 per share (net of share issue costs)

4,700,955

-

Issue of 20,000,000 shares at \$0.015 per share (net of share issue costs)

300,000

-

Issue of 3,000,000 shares at \$0.029 per share (net of share issue costs)

87,000

-

Exercise of 11,509,482 options at \$0.015 each

172,642

-

Exercise of 3,750,000 options at \$0.038 each

142,500

-

At reporting date: 355,231,233 shares

18,702,961

13,299,864

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 32,160,238 options expired.

During the year 11,509,482 options at a price of \$0.015 and 3,750,000 options at a price of \$0.038 were exercised. 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 29,837,811 (2010: 77,257,520) 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 2011 (\$)	Consolidated 2010 (\$)
Reserves	1,189,497	1,186,293
(a) Share Option Reserve		
Movements		
Balance at beginning of year	1,186,293	878,043
Options issued - staff	29,454	36,709
Options issued - other	-	271,541
Balance at end of year	1,215,747	1,186,293

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)	(26,250)	-
Balance at end of year	(26,250)	-

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.

As at the end of the financial period and the date of this report there were no options issued under the ESS.

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)
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			\$0.35		

The weighted average remaining contractual life of share options outstanding at the end of the year was nil years (2010: Nil).

Fair value of options granted

There were no options issued under the plan during the 2011 or 2010 year.

(ii) Other Share Options

Options issued to Directors other than through the ESS are set out below.

2011

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)
19/12/07	30/11/10	35.0	3.9	2,000,000	-	-	2,000,000	-	-
26/11/09	26/11/12	3.8	0.9	7,500,000	-	3,750,000	-	3,750,000	-
				9,500,000	-	3,750,000	2,000,000	3,750,000	-
Weight average exercise price				\$0.10	-	\$0.038	\$0.35	\$0.038	-

2010

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)
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

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.24 years (2010: 1.99 years).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 SHARE BASED PAYMENTS (cont'd)

Fair value of options granted

No options were granted in the 2011 financial year. 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 2010 year 38,003,192 options were issued in accordance with the terms of a pro-rata entitlements issue offered to shareholders. No options were issued during the 2011 year. 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.

2011

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
03/02/09	30/06/11	10.0	0.1	30,160,227	-	-	30,160,227	-	-
01/09/09	31/07/11	1.5	0.8	37,597,293	-	11,509,482	-	26,087,81	26,087,811
				67,759,520	-	11,509,482	30,160,227	26,087,81	26,087,811
Weighted average exercise price				\$0.053	-	\$0.015	\$0.10	\$0.015	\$0.015

2010

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
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

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.1 years (2010: 1.0 years).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 SHARE BASED PAYMENTS (cont'd)

Fair value of options granted

No options were issued in the 2011 financial year. For the 2010 year the weighted average fair value of the options granted was 0.83 cents. 38,003,192 options were issued during the 2010 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 2011 (\$)	Consolidated & Company 2010 (\$)
Balance at beginning of year		13,692,558	12,476,440
Net loss attributable to members of Rox Resources Limited		1,520,032	1,216,118
Balance at end of year		15,212,590	13,692,558

No dividends were paid during or since the financial year. There are no franking credits available (2010: nil).

NOTE 21 EXPENDITURE COMMITMENTS

(a) Exploration Commitments

The Group has entered into certain obligations to perform minimum work on mineral tenements held. The Group is required to meet tenement lease rentals and minimum expenditure requirement which are set out below. These may be varied or deferred on application and are expenditures expected to be met in the normal course of business.

	2011 \$	2010 \$
Not later than one year	629,920	350,000
Later than one year and not later than five years	-	400,000
	629,920	750,000

(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:

Not later than one year	444,000	370,000
Later than one year and not later than five years	222,000	92,500
	666,000	462,500

NOTES TO THE FINANCIAL STATEMENTS

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 2011 and 2010, 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:

- \$346,577 was raised through the exercise of 23,105,144 options exercisable at \$0.015 each;
- Completion of the acquisition of the Mt Fisher project from Avoca Resources Limited and the issue of 20,000,000 shares to it as consideration for the project; and
- The Company acquired an option to acquire a further 170 km² of tenements adjacent to the Mt Fisher project area, making a total area controlled by Rox of 785 km². The key commercial terms of the Option involve an option period of three years with an option payment of \$200,000 at the start of each of the first two years, and \$100,000 at the start of the third year, for a total of \$500,000. At any time Rox can exercise the Option by paying the vendor \$3.5M cash and ownership will transfer to Rox 100%. During the first year of the Option Rox will spend a minimum of \$500,000.

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.

NOTE 25 RELATED PARTY TRANSACTIONS

(a) Other Director Related Transactions

Coolform Investments Pty Ltd, a company in which Mr Dickson is a Director and shareholder, received fees totalling \$132,000 (2010: \$120,000) for the provision of services. An amount of \$26,400 is payable at year end.

During the year the Company paid fees totalling \$75,372 (including GST) to Azure Minerals Limited, a company of which Mr Dickson is an officer, for the provision of office accommodation. The Company also received fees totalling \$30,349 (including GST) from Azure Minerals Limited being reimbursement for the provision of office secretarial support.

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 \$	
		2011	2010	2011	2010
Rox (Laos) Pty Ltd	Australia	-	100	-	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 2011 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) there are reasonable grounds to believe that the company 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 2011.

On behalf of the Board



J Gresham
Chairman
Perth, 22 September 2011

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 consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

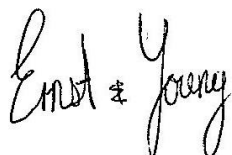
- a. the financial report of Rox Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 18 to 23 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

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

Ernst & Young

A stylized, handwritten signature of R J Curtin, written in black ink.

R J Curtin
Partner
Perth
22 September 2011

MINING TENEMENTS

Project	Tenement Number	Interest	Interest Held
Myrtle, NT	EL10316	All Minerals	100%
	EL27541	All Minerals	100%
	EL23515	All Minerals except Diamonds	100%
	EL26406	All Minerals except Diamonds	100%
Marqua, NT	EL28275	All Minerals	100%
	EL28276	All Minerals	100%
	EL28611	All Minerals	100%
	EL28612	All Minerals	100%
Mt Fisher, WA	E53/1061	All Minerals	100%
	E53/1106	All Minerals	100%
	E53/1218	All Minerals	100%
	E53/1219	All Minerals	100%
	E53/1250	All Minerals	100%
	E53/1386	All Minerals	100%
	M53/09	All Minerals	100%
	E53/1318	All Minerals	*
	E53/1319	All Minerals	*
	E53/1465	All Minerals	*
	P53/1496	All Minerals	*
	P53/1497	All Minerals	*
	M53/127	All Minerals	*

* Option held by Rox Resources to acquire 100%

OTHER INFORMATION

The following information was applicable as at 15 September 2011.

(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	5.02
2	Avoca Resources Limited	20,000,000	5.02
3	Nefco Nominees Pty Ltd	10,833,192	2.72
4	Troca Entreprises Pty Ltd <Coulson Super A/C>	10,500,000	2.64
5	Teck Australian Pty Ltd	10,000,000	2.51
6	Forty Traders Pty Ltd	8,933,098	2.24
7	Mr Ian Robert Mulholland	5,929,743	1.49
8	Mr P A McCarthy + Mrs M H McCarthy <Family Super A/C>	5,600,000	1.41
9	National Nominees Limited	4,820,676	1.21
10	Mr G J Munyard + Mrs M A Munyard + Miss C H Munyard	4,670,000	1.17
11	Siam Teck Pty Ltd	4,650,000	1.17
12	Chin Nominees Pty Ltd <Chin Super Fund A/C>	4,500,000	1.13
13	Mr Siat Yoon Chin	4,250,000	1.07
14	Mr R B Woodland + Mrs E Woodland	4,020,500	1.01
15	Mrs Judith Emily Robinson	4,000,000	1.00
16	Mr Ian Robert Mulholland	3,950,965	0.99
17	Koch Corporation Pty Ltd <Koch Family A/C>	3,000,000	0.75
18	Legend International Holdings Inc.	3,000,000	0.75
19	Grandor Pty Ltd <Mark Scott Family A/C>	2,780,029	0.70
20	Mr Ianaki Semerdziev	2,726,000	0.68
		<u>138,164,203</u>	<u>34.68</u>

The name of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Rio Tinto Exploration Pty Ltd	20,000,000	5.02
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(b) Distribution of Shareholders Number

Category (size of Holding)	Number of holders	Number of Shares
1 – 1,000	79	9,488
1,001 – 5,000	86	309,538
5,001 - 10,000	149	1,282,517
10,001 - 100,000	770	38,311,244
100,001 and over	544	358,423,590
<u>Total</u>	<u>1628</u>	<u>398,336,377</u>
Holding less than a marketable parcel	363	2,194,546

There is a total of 398,336,377 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