AUROX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 32 106 793 560

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2009

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DIRECTORS' REPORT

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

DIRECTORS

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

Charles Schaus	(Managing Director)
Michael Sillcock	(Executive Director)
Peter Bilbe	(Non-Executive Director)
Zhang Xiangqing	(Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

The consolidated net loss after income tax for the half year was $1,063,903 (Dec 2008: $18,692,827).

During the half-year the economic entity achieved several important milestones and made significant progress in relation to its West Pilbara Balla Balla Project. Most importantly it completed its engineering and cost study for the integrated production of iron ore, vanadium and titanium at its West Pilbara Balla Balla Project.

The study confirms Balla Balla as a world class low cost producer with strong financial returns from a low risk, low cost operation. Based on 16 year JORC ORE Reserves Phase I operations are planned to commence in the first half of 2012 with the production of 6 million tonne per annum (Mtpa) iron (Fe) concentrate and 280,000 tpa of titanium (TiO_2) concentrate. This will be followed by a Phase II expansion to 10 Mtpa of iron concentrate within 4 years. The planned expansion in Phase II will include the construction of a facility capable of producing 7,000 tpa ferrovanadium (FeV-80). In addition, an average of 470,000 tpa of titanium concentrate will be recovered.

The integrated project provides the benefit of three product revenue streams across iron ore, vanadium and titanium, with the estimated life of mine average net cash operating costs comparing very favourably to other existing and potential sources of iron ore from Western Australia.

The economic entity was also able to confirm the size and quality of Balla Balla with Project Ore Reserves increasing 15% from 207 to 238 million tonnes with 79% being classified in the Proved Ore Reserve category. The Ore Reserve increase is a result of pit optimisation and design work carried on near surface mineral resources located in the Far West Area of the Balla Balla deposit.

The economic entity also completed the Pilbara Water Reuse Initiative Scoping Study which has resulted in a number of positive outcomes including the prospect that up to 5 gigalitres per annum (GLpa) of low-end water can be delivered to Utah Point at Port Hedland at relatively low capital and operating costs. The proposed uses for the low-end water, which is filtered from Balla Balla concentrate slurry, include dust suppression and equipment wash-down. It is now being proposed that a detailed definitive feasibility study be conducted into the Pilbara Water Reuse Initiative.

Since the end of the half year the economic entity announced that it had entered into a binding Heads of Agreement (**Agreement**) with China's MCC in relation to proposed arrangements for the provision of EPC services and assistance with the provision of debt finance for the development of the Balla Balla project.

As part of the Agreement, MCC will assist the economic entity in procuring suitable debt finance from a Chinese banking institution to support the development of the Project. The economic entity has already been provided with a formal indication of interest from a leading Chinese banking institution. MCC and the Company have agreed that Balla Balla must be financed in such a way as to have a superior long-term competitive advantage in order to meet its goal of becoming one of the most cost competitive suppliers of iron ore to China. The procurement of finance is a condition precedent to the provision of the EPC services by MCC.

DIRECTORS' REPORT (CONT'D)

As described in note 11 Events after balance sheet date the economic entity entered into the following two agreements:

- The economic entity entered into the Utah Point Cooperation Agreement with Atlas Iron Limited (**Atlas**). Pursuant to the terms of an earlier agreement with the Port Hedland Port Authority (**PHPA**) the final instalment of the economic entities user contribution, being an amount of $13.86m (inclusive of GST), was due to be paid by 31 March 2010. The PHPA payment was made on 2 March 2010 following receipt of funds advanced by Atlas pursuant to the terms of the Cooperation Agreement.

- The economic entity entered into a Scheme Implementation Agreement ("SIA") for the purpose of bringing into affect a proposed merger with Atlas. As announced, the terms of the merger imply a price per Aurox share of $0.74 based on the Atlas closing price immediately prior to entering into the SIA of $2.21, representing a premium of 173%. Upon successful implementation of the merger, the Company and its subsidiary will come become wholly owned entities of Atlas. As Part of the SIA, Atlas has agreed to extend an unsecured, interest-bearing loan of up $7,700,000 to Aurox Resources for the purpose of redeeming outstanding convertible notes maturing on the 30 June 2010, if required, The Board of Aurox has unanimously recommended that, in the absence of a superior proposal, all Aurox security holders vote in favour of the Scheme.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2009.

Signed in accordance with a resolution of the directors.

Charles Schaus
Managing Director

Perth, 15 March 2010

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Aurox Resources Limited for the half year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Aurox Resources Limited and the entities it controlled during the half year.

PKF
Chartered Accountants

Chris Nicoloff
Partner

Dated at Perth, Western Australia on this 15th day of March 2010.

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

		Consolidated	
		31 Dec 2009	31 Dec 2008
	Notes	$	$
Interest income		148,562	1,246,178
Foreign exchange gain		381,522	-
Finance income – adjustment on recognition to amortised cost		1,376,423	-
Revenue		1,906,507	1,246,178
Impairment of property, plant and equipment		-	(15,700,000)
Other expenses	2	(2,203,667)	(1,653,083)
Finance costs	2	(766,743)	(2,585,922)
Loss before income tax		(1,063,903)	(18,692,827)
Income tax (expense)/benefit		-	-
Loss from continuing operations		(1,063,903)	(18,692,827)
Loss from discontinued operations		-	-
Loss for the period		(1,063,903)	(18,692,827)
Other comprehensive income		-	-
Total comprehensive income for the period		(1,063,903)	(18,692,827)
Loss and total comprehensive income attributable to owners of the parent		(1,063,903)	(18,692,827)
Basic loss per share for period (cents per share)		(0.55)	(12.36)

The economic entity does not have any potentially dilutive securities on issue and therefore has not disclosed the diluted loss per share.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

		Consolidated	
	Notes	31 Dec 2009 $	30 Jun 2009 $
Assets			
Current assets			
Cash and cash equivalents		6,076,214	9,561,536
Trade and other receivables		181,498	610,111
Other assets		400,303	288,168
Total current assets		6,658,015	10,459,815
Non-current assets			
Trade and other receivables		290,963	-
Property, plant and equipment		29,620,022	30,612,414
Deferred exploration, evaluation and development expenditure		45,689,473	43,566,607
Total non-current assets		75,600,458	74,179,021
Total assets		82,258,473	84,638,836
Current liabilities			
Trade and other payables	4	865,799	663,611
Interest bearing borrowings	3	7,541,104	7,406,697
Provisions		234,217	220,359
Total current liabilities		8,641,120	8,290,667
Non-current liabilities			
Trade and other payables	4	4,289,543	6,252,455
Interest bearing borrowings	3	74,205	74,205
Provisions		37,901	37,902
Total non-current liabilities		4,401,649	6,364,562
Total liabilities		13,042,769	14,655,229
Net assets		69,215,704	69,983,607
Equity			
Issued capital	5	116,899,760	116,899,760
Reserves		5,331,872	5,035,872
Accumulated losses		(53,015,928)	(51,952,025)
Total equity		69,215,704	69,983,607

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Consolidated	Issued capital $	Accumulated losses $	Other reserves $	Attributable to owners of parent $	Total $
Balance at 1 Jul 2008 (Restated)	79,077,312	(21,348,751)	5,035,872	62,764,433	62,764,433
Loss for the period	-	(18,692,827)	-	(18,692,827)	(18,692,827)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	(18,692,827)	-	(18,692,827)	(18,692,827)
Balance at 31 Dec 2008	79,077,312	(40,041,578)	5,035,872	44,071,606	44,071,606
Balance at 1 Jul 2009	116,899,760	(51,952,025)	5,035,872	69,983,607	69,983,607
Loss for the period	-	(1,063,903)	-	(1,063,903)	(1,063,903)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	(1,063,903)	-	(1,063,903)	(1,063,903)
Share based payments	-	-	296,000	296,000	296,000
Balance at 31 Dec 2009	116,899,760	(53,015,928)	5,331,872	69,215,704	69,215,704

CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

		Consolidated	
		31 Dec 2009	31 Dec 2008
	Notes	$	$
Cash flows from operating activities			
Payments to suppliers and employees		(1,895,556)	(846,625)
Interest received		149,249	1,386,421
Receipt from research and development tax offset		397,550	-
Finance costs		(5,417)	(1,679,757)
Net cash flows used in operating activities		(1,354,174)	(1,139,961)
Cash flows from investing activities			
Payments for exploration, evaluation and development expenditure		(2,097,260)	(9,455,659)
Payments for property, plant and equipment		(6,367)	(137,489)
Payments for construction in progress		(13,551)	(15,715,379)
Net cash flows used in investing activities		(2,117,178)	(25,308,527)
Cash flows from financing activities			
Repayment of borrowings		(13,970)	(16,840)
Net cash flows used in financing activities		(13,970)	(16,840)
Net decrease in cash and cash equivalents		(3,485,322)	(26,465,328)
Cash and cash equivalents at beginning of period		9,561,536	54,498,465
Cash and cash equivalents at end of period	7	6,076,214	28,033,137

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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

The financial report of Aurox Resources Limited and consolidated entities ("the economic entity") for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 15 March 2010. Aurox Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the economic entity are described in note 8.

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

The half-year financial report should be read in conjunction with the annual Financial Report of Aurox Resources Limited as at 30 June 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by Aurox Resources Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

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

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

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

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies and basis of computation as those used and disclosed in the Company's 2009 annual financial report for the financial year ended 30 June 2009 other than as described below:

Accounting Standards not previously applied

The economic entity has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

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

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- Other financial statements are renamed in accordance with the Standard; and
- Presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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

Operating Segments
From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the company's chief operating decision maker which, for the economic entity, is the Board of Directors.

Going Concern

The economic entity incurred a loss after tax for the half year of $1,063,903 (2008: $18,692,827) and had net current liabilities at 31 December 2009 of $1,983,105 (30 June 2009: surplus $2,169,148). The net current liability position principally relates to the existence of convertible notes (refer note 3) with a face value of $7,670,380. The convertible notes are redeemable at maturity (30 June 2010), if not converted earlier into ordinary shares.

These conditions give rise to a material uncertainty that may cast significant doubt about the ability of the economic entity to continue as a going concern.

The half year financial report has been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors believe this to be appropriate for the following reasons:

- On 10 March 2010 the economic entity and Atlas Iron Limited ("Atlas") announced to ASX their intention to merge and that they had entered into a Scheme Implementation Agreement ("SIA") for the purpose of bringing into affect the proposed merger by way of scheme of arrangement in accordance with the Corporations Act. As announced, the terms of the merger imply a price per Aurox share of $0.74 based on the Atlas closing price immediately prior to entering into the SIA, representing a premium of 173%. The Board of Aurox has unanimously recommended that, in the absence of a superior proposal, all Aurox security holders vote in favour of the Scheme. Upon successful implementation of the merger, currently anticipated to occur in June 2010, the Company and its subsidiary will come become wholly owned entities of Atlas. As Part of the SIA, Atlas has agreed to extend an unsecured, interest-bearing loan of up $7,700,000 to the economic entity for the purpose of redeeming outstanding convertible notes maturing on 30 June 2010, if required; and

- The economic entity has a committed and undrawn equity line of credit facility with YA Global Master SPV Ltd (**YA Global**). Under the terms of the facility, Aurox may, at its discretion, issue shares to YA Global at any time during its 5 year term, up to a total of A$10,000,000. Aurox may draw down up to A$300,000 in any period of 10 trading days.

Subject to the financing arrangements outlined above and the successful implementation of the Atlas scheme of arrangement, which has the unanimous recommendation of directors, the directors believe that sufficient financial resources are available to the economic entity to meet its working capital requirements for the foreseeable future, including satisfying the redemption of the convertible notes, if required.

Based on the above, the directors are satisfied that, the going concern basis of preparation is appropriate. The half-year financial report has therefore been prepared on a going concern basis, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

However, should the economic entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, at amounts that differ from those stated in the half-year financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the economic entity be unable to continue as a going concern.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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

(c) Basis of Consolidation

The half-year consolidated financial statements comprise the financial statements of Aurox Resources Limited and its controlled entities ("the economic entity").

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

2 REVENUES AND EXPENSES

(a) Specific Items

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

	Consolidated	
	31 Dec 2009 $	31 Dec 2008 $
(i) Other expenses		
Depreciation	45,960	53,798
Consultancy fees	533,513	174,447
Accounting & audit expenses	64,180	39,205
Corporate expenses	468,490	575,500
Occupancy costs	153,346	109,624
Employee benefits	638,199	692,804
Share based payments	296,000	-
Other operating expenses	3,979	7,705
	2,203,667	1,653,083
(ii) Finance costs		
Interest expense	276,087	1,698,096
Borrowing costs	72,572	415,294
Accretion expense	418,084	472,532
	766,743	2,585,922

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

3 INTEREST BEARING LIABILITIES

	Consolidated	
	31 Dec 2009 $	30 Jun 2009 $
Current		
Obligations under finance leases and hire purchase contracts	15,458	29,428
Convertible notes		
- Liability component	7,595,811	7,520,006
- Borrowing costs at amortised cost	(70,165)	(142,737)
	7,541,104	7,406,697
Non current		
Obligations under finance leases and hire purchase contracts	74,205	74,205
	74,205	74,205

Nature of convertible notes

The economic entity has 8,074,084 unsecured convertible notes ("notes") on issue, with the following key terms:

- The total face value of the notes on issue is $7,670,380
- The notes have a face value of $0.95 each and carry a coupon rate of 7% and may be redeemed by the holder on maturity at 30 June 2010, if not converted earlier
- Interest is payable semi-annually in arrears
- Noteholders may convert notes into shares at $0.95 per share (on a 1:1 basis) at any time in the 10 business day period commencing on the day of the announcement by the economic entity to ASX of a subsequent combined share and convertible note issue of greater than A$100 million worth of securities ("New Combined Offering")
- Noteholders may convert notes into shares at $0.95 per share (on a 1:1 basis) at any time during the 20 business day period immediately prior to 30 June 2010
- The economic entity may redeem notes at the note face value on the occurrence of a takeover event or tax event, or if less than 5,000,000 notes are outstanding
- The notes also contain provisions to protect the noteholder against dilution in the event of a new combined offering and a negative pledge covenant by the company in respect of incurring new bank debt or structural debt (other than a $2m overdraft facility or debt, other than structural debt, incurred in the ordinary course of business) prior to the announcement of a new combined offering

An accretion expense of $75,805 (Dec 2008: $472,532) was recognised for the period to adjust the carrying amount of the liability component of the notes to their assessed present value at balance date.

Borrowing costs measured at amortised cost using the effective interest rate method have been off-set against the liability component of the notes. Borrowing costs of $72,572 (Dec 2008: $415,294) were expensed during the period.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

4 TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2009 $	30 Jun 2009 $
Current		
Trade payables	303,583	367,934
Sundry payables and accrued expenses	562,216	295,677
	865,799	663,611
Non current		
Sundry payables and accrued expenses	4,289,543	6,252,455
	4,289,543	6,252,455

Nature of sundry payables and accrued expenses
The amount outstanding for sundry payables and accrued expenses includes a deferred liability of €3,200,000 where payment is required to be made at least 12 months from balance date. The deferred liability has been measured at its assessed fair value represented by the present value of the accrued liability translated at the prevailing exchange rate, resulting in a gain to the statement of comprehensive income of $1,450,013.

An accretion expense of $346,832 was recognised for the period to adjust the carrying amount of the deferred liability to its amortised cost or assessed present value at balance date.

5 ISSUED CAPITAL

	Consolidated	
	31 Dec 2009 $	30 June 2009 $
(a) Ordinary shares		
193,494,413 fully paid ordinary shares	116,899,760	116,899,760
	Shares	**$**
Movements in ordinary shares on issue		
Balance at 1 Jul 2009	193,494,413	116,899,760
Issued	-	-
Balance at 31 Dec 2009	193,494,413	116,899,760

(b) Options over unissued ordinary shares	**Number of Options**
Balance at 1 Jul 2009	7,400,000
Lapsed on expiry date unexercised	(4,050,000)
Employee incentive options granted on 23 Nov 2009 - exercisable at $0.50	3,700,000
Balance at 31 Dec 2009	7,050,000

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

6 SHARE BASED PAYMENTS

The economic entity established the Aurox Option Incentive Plan ("Plan") on 24 November 2005. All employees and directors, subject to prior shareholder approval, are entitled to participate in the Plan. The Plan provides for the grant of options over unissued shares equating to not more than 5% of the economic entity's issued capital. When deciding to invite an employee to apply for Plan options, the Board may in its absolute discretion determine the exercise price, which must be at least equal to the market value of one share. Unless otherwise determined by the Board, if a participant ceases employment or ceases to hold office as a Director, for any reason other than retirement, permanent disablement, redundancy or death, all Options held by the participant will automatically lapse within 30 days. The Plan was refreshed for the purposes of ASX Listing Rule 7.1 by shareholders in 2008.

On 23 November 2009 the Board approved the grant of 3,700,000 employee options with an exercise price of $0.50 and an expiry date of 30 June 2013. The board also determined that the options to be issued in two tranches, being tranche 'A' and tranche 'B'. Both tranches vested fully when granted, however unexercised tranche 'B' options will lapse if not exercised within 30 days of the participant ceasing employment, under the terms mentioned above.

Using the Binominal model, taking into consideration the terms and conditions upon which the options were granted, it was determined that the assessed fair value of each option is $0.08. Resulting in a share based payment cost of $296,000 to the statement of comprehensive income.

The following table lists the input assumptions to the Binomial model for the six months ended 31 December 2009:

	Tranche A		**Tranche B**	
	Low	High	Low	High
Contractual expiry date	30 Jun 2013	30 Jun 2013	30 Jun 2013	30 Jun 2013
Weighted average share price	$0.26	$0.26	$0.26	$0.26
Weighted average exercise price	$0.50	$0.50	$0.50	$0.50
Expected volatility	70.0%	85.0%	70.0%	85.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	5.0%	5.0%	5.0%	5.0%
Theoretical value per option range	$0.07	$0.09	$0.07	$0.09

7 CASH AND CASH EQUIVALENTS

For the purposes of the Condensed statement of cash flows, cash and cash equivalents comprise the following:

	Consolidated	
	31 Dec 2009	**31 Dec 2008**
	$	**$**
Bank accepted bills and deposits	5,865,642	27,800,476
Cash at bank and in hand	210,572	232,661
	6,076,214	28,033,137

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

8 OPERATING SEGMENTS

The economic entity predominantly operates in the exploration and development of mineral resources within Australia, with the principal activity being the Balla Balla Project. The board of directors, being the chief decision makers have considered the requirements of the operating segments standard and concluded that it does not at this time have separately identifiable segments.

9 CAPITAL COMMITMENTS

At balance date there were no significant changes to those commitments disclosed in the most recent annual financial report. However, subsequent to balance date, the matter detailed in note 11 occurred.

10 CONTINGENT ASSETS AND LIABILITIES

Pursuant the terms of a termination deed, the economic entity is entitled to certain amounts that the counterparty to the deed recovers from the sale of certain equipment under fabrication. In the event of a sale of all equipment under the termination deed, it is estimated that the economic entity will be entitled to a net receivable of $4,360,000 from counterparty.

The termination deed entitles the economic entity a minimum net recovery of $360,000 by 30 April 2012, which has been recognised as a receivable in these financial statements.

Other than the foregoing matter, there have been no changes to the most recent annual financial report.

11 EVENTS AFTER THE BALANCE SHEET DATE

On 22 February 2010 the economic entity announced, it had entered into the Utah Point Cooperation Agreement with Atlas Iron Limited (**Atlas**). As part of the agreement, Atlas agreed to advance the economic entity $13.86m for the purpose of meeting a payment obligation to the Port Hedland Port Authority (**PHPA**) under the Utah Point Facility Agreement dated 8 June 2008 (as varied). The payment of $12.6 million (plus GST) represented the final instalment of the economic entities pre-paid facility charges under the terms of its arrangements with PHPA. This amount was paid on 2 March 2010.

In consideration for the loan, and subject to PHPA consent, the economic entity agreed to grant Atlas certain rights to utilise any of the economic entities unused or spare capacity that may become available and to share in any additional capacity allocation obtained by the economic entity through efficiency gains at Utah Point. The parties have agreed to work together to optimise the efficient operation of the Utah Point facility.

The loan is unsecured, interest free and repayable by no later than 12 months from the date of the Agreement and may be repaid earlier at the economic entities discretion. If the loan is not repaid within 12 months, then Atlas may elect to extend the time for repayment or (subject to the consent of the PHPA) require the economic entity to assign to it any pre-paid facility charges (up to the outstanding balance on the loan) in settlement of the loan. Interest shall commence to accrue on the outstanding balance of the loan if Atlas elects to extend the term of the loan.

On 10 March 2010 the economic entity entered into a Scheme Implementation Agreement ("SIA") for the purpose of bringing into affect a proposed merger with Atlas. Upon successful implementation of the merger, the Company and its subsidiary will come become wholly owned entities of Atlas. As Part of the SIA, Atlas has agreed to extend an unsecured, interest-bearing loan of up $7,700,000 to Aurox Resources for the purpose of redeeming outstanding convertible notes maturing on the 30 June 2010, if required, The Board of Aurox has unanimously recommended that, in the absence of a superior proposal, all Aurox security holders vote in favour of the Scheme

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

- (i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
- (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

On behalf of the Board

Charles Schaus
Managing Director

Perth, 15 March 2010

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AUROX RESOURCES LIMITED

Report on the Financial Report

We have reviewed the accompanying half-year financial report of Aurox Resources Limited, which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

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Chartered Accountants
& Business Advisers

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the half-year Financial Report which indicates that at 31 December 2009, the consolidated entity had net current liabilities of $1.983 million and had incurred a loss after tax for the half-year then ended of $1.064 million. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the half-year Financial Report.

PKF

PKF
Chartered Accountants

Chris Nicoloff

Chris Nicoloff
Partner

Dated in Perth, Western Australia on this 15th day of March 2010.