



Rex Minerals Limited
(ACN 124 960 523)

Annual Financial Report
For the period from incorporation to
30 June 2007

CONTENTS	PAGE NO.:
Corporate Directory	3
Directors' Report	4
Income Statements	9
Balance Sheets	10
Statements of Cash Flows	11
Statements of Changes in Equity	12
Notes to the Financial Statements	13
Directors' Declaration	24
Independence Declaration	25
Independent Audit Report to the Members of Rex Minerals Limited	26

CORPORATE DIRECTORY

EXECUTIVE DIRECTORS

Steven Olsen (Managing Director)

NON-EXECUTIVE DIRECTORS

Paul Chapman (Chairman)

Richard Laufmann

COMPANY SECRETARY

Amber Rivamonte

PRINCIPAL & REGISTERED OFFICE

30 Merino Drive

ALFREDTON VIC 3350

Email: info@rexminerals.com.au

AUDITORS

KPMG

Level 31, Central Park

152-158 St George's Terrace

PERTH WA 6000

SHARE REGISTRARS

C/- Rex Minerals Limited

PO Box 626W

BALLARAT WEST VIC 3350

Email: info@rexminerals.com.au

BANKERS

ANZ Banking Group Limited

927 Sturt Street

BALLARAT VIC 3350

DIRECTORS' REPORT

Your directors present their report on Rex Minerals Limited (“the Company” or “Rex Minerals”) and its wholly owned subsidiaries (“the Group”) for the period from incorporation to 30 June 2007.

DIRECTORS

The names of directors in office at any time during or since the end of the period are:

Paul Chapman (appointed 18 April 2007)

Richard Laufmann (appointed 16 May 2007)

Steven Olsen (appointed 13 May 2007)

Prudence Chapman (appointed 18 April 2007, resigned 13 May 2007)

Andrew Chapman (appointed 18 April 2007, resigned 16 May 2007)

PRINCIPAL ACTIVITIES

The principal activity of the Group is minerals exploration.

There were no significant changes in the nature of the Group’s principal activities during the financial period.

OPERATING RESULTS

The loss of the Group for the financial period, after providing for income tax amounted to \$10,548.

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS

Highlights during this period include the following:

- On 18 April 2007, the Company was incorporated in Western Australia.
- On 4 May 2007, the Company entered into an agreement with Sedimentary Holdings Limited (“Sedimentary”) to purchase the St. Arnaud Gold Project in Victoria (“the Sedimentary Agreement”). Under the Sedimentary Agreement, Rex Minerals acquired EL4914 and Sedimentary’s rights under the option to purchase agreement with Glenelg Mining Pty Ltd (“the Glenelg Option”) and the joint venture agreement with Goldsearch Ltd (“the St Arnaud East Joint Venture”). The purchase consideration for the St. Arnaud Gold Project comprised the issue of 2,000,000 shares in Rex Minerals to AuSelect Limited. This transaction was completed on 18 June 2007. The St. Arnaud Gold Project is subject to native title claim.
- During the period the Company raised seed capital for the purpose of proceeding to an Initial Public Offering subsequent to 30 June 2007.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Rex Minerals was incorporated on 18 April 2007. On 31 May 2007, the Company issued 9,500,000 shares to founders and management of Rex Minerals as follows:

- at \$0.01 each to raise a gross \$50,000; and
- at \$0.001 each to raise a gross \$450.

In addition, on 31 May 2007, the Company issued 3,500,000 options to founders and management of Rex Minerals at an exercise price of \$0.25, exercisable at any time prior to 30 June 2011.

On 4th May, 2007, Rex Minerals (Victoria) Ltd (a wholly owned subsidiary of Rex Minerals) entered into an agreement with Sedimentary Holdings for the purchase of their St Arnaud licences and associated agreements for 2.0Mill shares in Rex Minerals Ltd.

FUTURE STRATEGY

The primary objective of Rex Minerals is to explore its tenements for potential gold and base metals mineralisation.

SUBSEQUENT EVENTS

Subsequent to 30 June 2007 the following events have occurred:

- On 2 July 2007, the Company entered into an agreement with Avoca Resources Limited ("Avoca") to purchase the Cowell and Moonta Projects in South Australia ("the Avoca Agreement"). Under the Avoca Agreement, Rex Minerals acquired Avoca's joint venture interest in the Cowell Project (EL's 3016, 3148, 3418 and ELA 150/02) and a 100% interest in the Moonta Project (EL's 3116 and 3459 and ELA's 143/07, 144/07 and 142/07). The purchase consideration for the Cowell and Moonta Projects comprised the issue of:
 - 6,000,000 shares in Rex Minerals; and
 - 1,000,000 options in Rex Minerals at an issue price of nil and an exercise price of \$0.30, exercisable at any time prior to 30 June 2011.

Completion of this transaction is subject to Rex Minerals achieving an ASX listing prior to 2 December 2007. The majority of the Moonta projects are on Freehold land and not subject to native title. Some parts of the Cowell project may be subject to native title with various land owner rights unresolved in the Cowell project area.

- On 18 July 2007, the Company entered into an agreement with Lihir Australian Holdings Pty Ltd and Ballarat West Goldfields Pty Ltd ("Lihir") to purchase the North Creswick Gold Project in Victoria ("the Lihir Agreement"). Under the Lihir Agreement, Rex Minerals acquired EL 4920. The purchase consideration for the North Creswick Gold Project comprised the following:
 - the issue to Lihir of 1,000,000 shares in Rex Minerals;

- the preferential allocation upon ASX listing to Lihir of 6,000,000 shares in Rex Minerals at a maximum subscription price of \$0.25 per share; and
- a 2% net smelter royalty.

Completion of this transaction is subject to Rex Minerals achieving an ASX listing prior to 17 January 2008. Ballarat West Goldfields has entered into a regional Indigenous Land Use Agreement (ILUA), with the native title claimants at Nth Creswick.

- On 20 July 2007, the Company entered into an agreement with Goldsearch Ltd (“Goldsearch”) to purchase Goldsearch’s interest in the St Arnaud East Joint Venture in Victoria (“the Goldsearch Agreement”). The purchase consideration for Goldsearch’s interest in the St Arnaud East Joint Venture comprised the following:
 - the issue to Goldsearch of 500,000 shares in Rex Minerals;
 - 500,000 options in Rex Minerals at an issue price of \$0.01 and an exercise price of \$0.30, exercisable at any time prior to 30 June 2011.

Goldsearch has entered into a regional ILUA with the native title claimants on their St Arnaud licence (EL4669).

- On 23 July 2007, the Company entered into an agreement with Titeline Drilling Pty Ltd (“Titeline”) to supply the Group with dedicated drilling services for approximately 30 months (“the Titeline Agreement”). The main terms of the Titeline Agreement are as follows:
 - Initial payment for 72 days drilling of \$1 million; and
 - For each subsequent 100 days of drilling up to a maximum of 600 days, the issue of 1,000,000 ordinary shares in Rex Minerals (maximum of 6,000,000 ordinary shares)..

Completion of this transaction is subject to Rex Minerals achieving an ASX listing.

ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

**Mr Paul Chapman (Age 48) - Non Executive Chairman
(B.Comm, ACA, Grad. Dip. Tax, CFTP(Snr), MAICD, SAFin)**

Mr Paul Chapman is a chartered accountant and has over twenty years resources experience gained in Australia and the US. He has worked in a number of commodity businesses including gold, nickel, manganese, bauxite/alumina and oil/gas.

Mr Chapman has held senior management roles in public companies of various sizes and is Chairman of ASX listed uranium explorer Encounter Resources Ltd, a director of Albidon Ltd and chairman of unlisted explorer Silver Lake Resources Ltd.

**Mr Steven Olsen (Age 37) - Managing Director
(B.Sc(Hons), M.Sc.(MinEx), Grad. Dip (F&I), MAusIMM)**

Mr Steven Olsen has worked as a mine geologist and exploration geologist over the past 14 years, predominantly in Western Australia and Canada, on nickel and gold deposits. Mr Steven Olsen has had continued exploration success for both nickel and gold mineralisation throughout his career.

From 2002 to 2007, Mr Steven Olsen was Chief Geologist at Ballarat Goldfields NL (BGF), leading the geological team at BGF which developed a highly successful geological model creating a Resource base of 1.4Mozs and the ongoing conversion of exploration targets to Resources. The technical geological success at BGF was the foundation of the Company's growth with its market capitalisation growing from \$10 million in 2002 to over \$350 million at the time of the merger between BGF and Lihir Gold Limited in March 2007.

Mr Steven Olsen's qualifications include a B.Sc. (Hons) University of Melbourne, a Masters in Mineral Exploration from Queens University, Ontario and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia.

**Mr Richard Laufmann (Age 44) - Non Executive Director
(B.Eng (Mining), MAusIMM, MAICD)**

Mr Richard Laufmann is a mining engineer with a proven track record in the resources sector both in Australia and overseas. He was Managing Director of Ballarat Goldfields NL from 2002 until 2007, at which time Ballarat Goldfields merged with Lihir Gold Limited. Mr Laufmann also previously led WMC Resources Limited's Gold Business as General Manager - Operations. His extensive operational experience includes three years as General Manager of St Ives Gold in Western Australia. Mr Laufmann is currently the Managing Director of Indophil Resources, an ASX listed company operating in the Philippines.

COMPANY SECRETARY

**Ms Amber Rivamonte (Age: 35) CPA, B. Bus (Acc)
Appointed 13 July 2007**

Amber was appointed to the position of company secretary in July 2007. Ms. Rivamonte previously held the role of company secretary for four years at Ballarat Goldfields NL and has over 14 years experience in the financial management of public listed exploration companies.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year each director held office and the number of meetings attended by each director are:

Director	Directors' Meetings	
	Meetings Attended	Number Eligible to Attend
Paul Chapman	6	6
Steven Olsen	4	4
Richard Laufmann	2	2
Prudence Chapman	2	2
Andrew Chapman	2	4

OPTIONS

At the end of the financial period, 3,500,000 options at an exercise price of \$0.25, expiring on 30 June 2011, were issued over unissued ordinary shares in the Company.

INDEMNIFYING OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2007 has been received and forms part of the director's report and can be found on page 25 of the financial report.

NON AUDIT SERVICES

No non-audit services were performed during the year by the entity's auditors.

This report is made in accordance with a resolution of the directors.



Paul I. Chapman
Chairman
25 July 2007

INCOME STATEMENTS
For the Period from 18 April 2007 to 30 June 2007

	Notes	Company \$	Group \$
REVENUES		-	-
Administration Expenses		(3,820)	(3,820)
Prospectus Expenses		(301)	(301)
Exploration Expenditure		-	(250)
Incorporation Fees		(880)	(1,680)
Marketing Expenses		(2,754)	(2,754)
Travel & Accommodation		(1,743)	(1,743)
		<hr/>	<hr/>
LOSS BEFORE INCOME TAX EXPENSE		(9,498)	(10,548)
Income Tax Benefit / (Expense)	2	-	-
		<hr/>	<hr/>
NET LOSS		(9,498)	(10,548)
		<hr/> <hr/>	<hr/> <hr/>
NET LOSS ATTRIBUTABLE TO MEMBERS OF REX MINERALS LIMITED		(9,498)	(10,548)
		<hr/> <hr/>	<hr/> <hr/>
Basic loss per share (cents per share)	13		(0.001)

The accompanying notes form part of these financial statements.

BALANCE SHEETS
As at 30 June 2007

	Notes	Company \$	Group \$
CURRENT ASSETS			
Cash Assets		432,396	432,396
Receivables	3	130,000	130,000
Other	4	-	10,000
TOTAL CURRENT ASSETS		562,396	572,396
NON-CURRENT ASSETS			
Exploration & Evaluation Expenditure	5	-	200,000
Receivables	3	211,030	-
Investments	6	20	-
TOTAL NON-CURRENT ASSETS		211,050	200,000
TOTAL ASSETS		773,446	772,396
CURRENT LIABILITIES			
Payables	7	5,994	5,994
TOTAL CURRENT LIABILITIES		5,994	5,994
TOTAL LIABILITIES		5,994	5,994
NET ASSETS		767,452	766,402
EQUITY			
Issued Capital	8	776,950	776,950
Accumulated Losses	9	(9,498)	(10,548)
TOTAL EQUITY		767,452	766,402

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS
For the Period from 18 April 2007 to 30 June 2007

	Notes	Company \$	Group \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to Suppliers		(3,504)	(4,554)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	10(a)	<u>(3,504)</u>	<u>(4,554)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to Subsidiaries		(11,050)	-
Payments for Environmental Bonds		-	(10,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(11,050)</u>	<u>(10,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Issue of Ordinary Shares		446,950	446,950
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>446,950</u>	<u>446,950</u>
NET INCREASE IN CASH HELD		432,396	432,396
Cash at Beginning of Period		-	-
CASH AT END OF PERIOD	10(b)	<u>432,396</u>	<u>432,396</u>

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
For the Period from 18 April 2007 to 30 June 2007

	Notes	Company \$	Group \$
Beginning of Period		-	-
Issue of shares		776,950	776,950
Net loss		(9,498)	(10,548)
30 June 2007	8	<u><u>767,452</u></u>	<u><u>766,402</u></u>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

1. SIGNIFICANT ACCOUNTING POLICIES

Rex Minerals Limited ("the Company") is a company domiciled in Australia. The consolidated financial report of the Company for the period ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated financial report was authorised for issue by the directors on 25 July 2007.

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standard Board ("AASB") and the *Corporations Act 2001*.

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP. The financial report of the consolidated entity also complies with IFRS and interpretations adopted by the International Accounting Standards board.

(b) Basis of preparation

The financial report is prepared in Australian dollars.

The financial report is presented on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as available-for-sale.

The preparation of a financial report in conformance with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances. The results of which forms the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied by all entities in the consolidated entity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

(c) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(d) Comparatives

Rex Minerals Limited was incorporated on 18 April 2007. Accordingly there are no comparative results for prior periods.

(e) Income Tax

Income tax expenses comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable the future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the relates dividend is recognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

(f) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, resulted in booking economically recoverable reserves, and active operations in, or relating to, this area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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

(g) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

(h) Cash

For the purpose of the Statement of Cash Flows, cash includes on hand and other funds held at call net of bank overdrafts.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(j) Earnings Per Share

Basic earnings per share are calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for an bonus element.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

(k) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

2. INCOME TAX

	Company \$	Group \$
The prima facie tax on loss is different to the income tax provided in the financial statements as follows:		
Prima facie tax benefit on loss at 30%	(2,849)	(3,164)
Add/(less) tax effect of permanent differences:		
Non-deductible expenditure	264	504
Tax losses not brought to account as future income tax benefits	2,585	2,660
Income tax (benefit)/expense	<u>-</u>	<u>-</u>
Income tax losses		
Future income tax benefit arising from tax losses not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.	<u>2,585</u>	<u>2,660</u>

3. RECEIVABLES

	Company \$	Group \$
CURRENT		
Share issue proceeds (i)	<u>130,000</u>	<u>130,000</u>
(i) As at 30 June 2007, shares had been allotted for which the cash consideration was received subsequent to 30 June 2007		
NON-CURRENT		
Loans to subsidiaries (i)	<u>211,030</u>	<u>-</u>
(i) Loans are interest free and repayable at call		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

4. OTHER (CURRENT ASSETS)

	Company \$	Group \$
Environmental Bond	-	10,000

5. EXPLORATION AND EVALUATION EXPENDITURE

	Company \$	Group \$
Exploration and evaluation costs carried forward in respect of minerals exploration areas of interest: - Exploration and evaluation phases	-	200,000
Opening balance	-	-
Exploration expenditure incurred on acquiring assets	-	200,000
Closing balance	-	200,000

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the mineral exploration areas of interest.

6. INVESTMENTS

	Company \$	Group \$
Investment in subsidiaries	20	-

7. PAYABLES

	Company \$	Group \$
Amounts Owing to Director and Director Related Entities *	5,994	5,994

* *In relation to reimbursement of expenses*

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

8. ISSUED CAPITAL

Ordinary shares fully paid		Number	16,765,000
(a) Movements in shares on issue		Number	\$
At the beginning of the period		-	-
Shares issued during the period:			
- Founders' shares	(i) & (ii)	9,500,000	50,450
- Seed capital provider's shares	(iii)	5,265,000	526,500
- St. Arnaud Gold Project consideration shares	(iv)	2,000,000	200,000
At end of reporting period		16,765,000	776,950

- (i) On 31 May 2007 the Company issued 5.0 million ordinary shares at \$0.01 each to directors for providing founding capital to the Company.
- (ii) On 31 May 2007 the Company issued 4.5 million ordinary shares at \$0.001 to a director for providing founding capital to the Company.
- (iii) On 29 June 2007 the Company issued 5.265 million ordinary shares at \$0.10 each to various parties for providing seed capital to the Company.
- (iv) On 18 June 2007 the Company issued 2 million ordinary shares at a fair value of \$0.10 each to AuSelect Limited in consideration for acquiring the St Arnaud Gold Project.

(b) Movements in options on issue		Number
At the beginning of the period		-
Shares issued during the period:		
- Founders' options	(i)	3,500,000
At end of reporting period		3,500,000

- (i) On 31 May 2007 the Company issued 3.5 million options at an exercise price of \$0.25 expiring on 30 June 2011 for providing founding capital to the Company.

Terms and conditions of issued capital*Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of 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 of the Company.

Options

Options have an exercise price of \$0.25 and expire on 30 June 2011.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

9. ACCUMULATED LOSSES

	Company \$	Group \$
Balance at the beginning of the period	-	-
Net loss attributable to members of Rex Minerals Limited	(9,498)	(10,548)
Balance at end of the period	(9,498)	(10,548)

10. STATEMENT OF CASH FLOWS

	Company \$	Group \$
(a) Reconciliation of the operating loss after tax to the net cash flows from operations:	-	-
Net loss	(9,498)	(10,548)
Changes in operating assets and liabilities		
Increase in payables and accruals	5,994	5,994
(Increase) in receivables	-	-
Net cash flows (used in) / from operating activities	(3,504)	(4,554)
(b) Reconciliation of cash:		
Cash balances comprises	432,396	432,396
- Cash at bank		

11. COMMITMENTS

The Company had no commitments at 30 June 2007.

12. SEGMENT INFORMATION

The Company operates predominantly in one geographical segment, being Australia, and in one industry, mineral mining and exploration.

13. LOSS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

Earnings used in calculation of diluted earnings per share	\$ <u>(10,548)</u>
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	Number <u>8,382,500</u>

14. RELATED PARTY DISCLOSURES

There were no related party transactions during the period other than in the normal course of business.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

15. REMUNERATION

\$

Amounts received or due and receivable by KPMG for:
- an audit of the financial report of the Company at the
financial year

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16. FINANCIAL INSTRUMENTS**(a) Interest rate risk**

The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

Financial Instrument	Floating Interest Rate \$	Non- Interest Bearing \$	Fixed Interest Maturing <1 Year \$	Total \$	Average Effective Interest Rate %
Financial Assets					
Cash Assets	-	432,396	-	432,396	-
Trade and Other Receivables	-	140,000	-	140,000	-
Total Financial Assets	-	572,396	-	572,396	-
Financial Liabilities					
Trade and Other Payables	-	5,994	-	5,994	-
Total Financial Liabilities	-	5,994	-	5,994	-

(b) Net fair values of financial assets and liabilities

Financial assets and liabilities have been recognised at the balance date at their net fair values. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised Financial Instruments

Cash and cash equivalents: The carrying amount approximates fair value because of their short-term maturity.

Receivables and payables: The carrying amount approximates fair value.

(c) Credit Risk Exposures

The Company's maximum exposure to credit risk at each balance date in relation to each class of recognized financial assets is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the balance sheet.

(d) Concentration of Credit Risk

The Company is not materially exposed to any individual overseas country or individual customer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

17. DIRECTORS' AND EXECUTIVES' DISCLOSURE**(a) Remuneration**

No remuneration was paid to Directors and Executives during the period.

(b) Shares and option holdings

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

Shares Held By Directors & Executives		Balance at Beginning of Period	Received as Remuneration	Options Exercised	Shares Acquired	Balance at End of Year
Paul Chapman	(i)	-	-	-	2,500,000	2,500,000
Richard Laufmann	(ii)	-	-	-	2,500,000	2,500,000
Steven Olsen	(iii)	-	-	-	4,500,000	4,500,000
Andrew Chapman		-	-	-	-	-
Prudence Chapman		-	-	-	-	-

(i) Held indirectly through Stone Poneys Nominees Pty Ltd as trustee for the Chapman Superannuation Fund and the Chapman Investment Fund. These are founder shares and were acquired at \$0.01 each.

(ii) Held indirectly through Natalie Laufmann. These are founder shares and were acquired at \$0.01 each.

(iii) Held indirectly through S&S Olsen Pty Ltd as trustee for the Olsen Family Trust.

These are founder shares and were acquired at \$0.001 each.

Options Held By Directors & Executives		Balance at Beginning of Period	Received as Remuneration	Options Exercised	Shares Acquired	Balance at End of Year
Paul Chapman	(i)	-	-	-	1,000,000	1,000,000
Richard Laufmann	(ii)	-	-	-	1,000,000	1,000,000
Steven Olsen	(iii)	-	-	-	1,500,000	1,500,000
Andrew Chapman		-	-	-	-	-
Prudence Chapman		-	-	-	-	-

(i) Held indirectly through Stone Poneys Nominees Pty Ltd as trustee for the Chapman Superannuation Fund and the Chapman Investment Fund. These are founder options.

(ii) Held indirectly through Natalie Laufmann. These are founder options.

(iii) Held indirectly through S&S Olsen Pty Ltd as trustee for the Olsen Family Trust. These are founder options

**(c) Other Transactions
Director Related Entities**

There were no other transactions with director related entities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

18. EMPLOYEE BENEFITS

At 30 June 2007, Rex Minerals has no employees.

19. SUBSEQUENT EVENTS

Subsequent to 30 June 2007 the following events have occurred:

- On 2 July 2007, the Company entered into an agreement with Avoca Resources Limited ("Avoca") to purchase the Cowell and Moonta Projects in South Australia ("the Avoca Agreement"). Under the Avoca Agreement, Rex Minerals acquired Avoca's joint venture interest in the Cowell Project (EL's 3016, 3148, 3418 and ELA 150/02) and a 100% interest in the Moonta Project (EL's 3116 and 3459 and ELA's 143/07, 144/07 and 142/07). The purchase consideration for the Cowell and Moonta Projects comprised the issue of:
 - 6,000,000 shares in Rex Minerals; and
 - 1,000,000 options in Rex Minerals at an issue price of nil and an exercise price of \$0.30, exercisable at any time prior to 30 June 2011.

Completion of this transaction is subject to Rex Minerals achieving an ASX listing prior to 2 December 2007. The majority of the Moonta projects are on Freehold land and not subject to native title. Some parts of the Cowell project may be subject to native title with various land owner rights unresolved in the Cowell project area.

- On 18 July 2007, the Company entered into an agreement with Lihir Australian Holdings Pty Ltd and Ballarat West Goldfields Pty Ltd ("Lihir") to purchase the North Creswick Gold Project in Victoria ("the Lihir Agreement"). Under the Lihir Agreement, Rex Minerals acquired EL 4920. The purchase consideration for the North Creswick Gold Project comprised the following:
 - the issue to Lihir of 1,000,000 shares in Rex Minerals;
 - the preferential allocation upon ASX listing to Lihir of 6,000,000 shares in Rex Minerals at a maximum subscription price of \$0.25 per share; and
 - a 2% net smelter royalty.

Completion of this transaction is subject to Rex Minerals achieving an ASX listing prior to 17 January 2008. Ballarat West Goldfields has entered into a regional Indigenous Land Use Agreement (ILUA), with the native title claimants at Nth Creswick.

- On 20 July 2007, the Company entered into an agreement with Goldsearch Ltd ("Goldsearch") to purchase Goldsearch's interest in the St Arnaud East Joint Venture in Victoria ("the Goldsearch Agreement"). The purchase consideration

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2007**

19. SUBSEQUENT EVENTS (CONTINUED)

- for Goldsearch's interest in the St Arnaud East Joint Venture comprised the following:
 - the issue to Goldsearch of 500,000 shares in Rex Minerals;
 - 500,000 options in Rex Minerals at an issue price of \$0.01 and an exercise price of \$0.30, exercisable at any time prior to 30 June 2011.
- Goldsearch has entered into a regional ILUA with the native title claimants on their St Arnaud licence (EL4669).
- On 23 July 2007, the Company entered into an agreement with Titeline Drilling Pty Ltd ("Titeline") to supply the Group with dedicated drilling services for approximately 30 months ("the Titeline Agreement"). The main terms of the Titeline Agreement are as follows:
 - Initial payment for 72 days drilling of \$1 million; and
 - For each subsequent 100 days of drilling up to a maximum of 600 days, the issue of 1,000,000 ordinary shares in Rex Minerals.

Completion of this transaction is subject to Rex Minerals achieving an ASX listing.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 9 to 23, are in accordance with the Corporations Act 2001;

(a) comply with Accounting Standards and the Corporations Regulations 2001;

(b) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the period from 18 April 2007 to 30 June 2007; and

2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Paul Chapman
Chairman
25 July 2007



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Rex Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the period from the incorporation to 30 June 2007 there have been:

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

KPMG

B C Fullarton
Partner

Perth
25 July 2007



Independent auditor's report to the members of Rex Minerals Limited

Report on the financial report

We have audited the accompanying financial report of Rex Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the period from incorporation to 30 June 2007, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with 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 financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, 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 control 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 control. 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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



Auditor's opinion

In our opinion:

- (a) the financial report of Rex Minerals Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance from date of incorporation to 30 June 2007; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

KPMG

B C Fullarton
Partner

Perth
25 July 2007