ORREX RESOURCES LTD

ABN: 29 107 371 497

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2011 and any public announcements made by Orrex Resources Ltd during the interim report period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CORPORATE INFORMATION

This half year report covers Orrex Resources Ltd as an individual entity. The company's functional and presentation currency is AUD ($).

Directors

Mark Stowell (Chairman)
Sonja Felderhof (Managing Director, Chief Executive Officer)
David Frances (Non-Executive Director)
Christopher Stephens (Non-Executive Director)

Company Secretary

Jonathan Asquith

Registered office

20 Howard Street
Perth WA 6000
Australia

Telephone: +61 8 9486 4862
Facsimile: +61 8 9481 2394
Website: www.orrexresources.com
Email: info@orrexresources.com

Auditors

Stantons International
Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Bankers

Bank of Western Australia
Bank West Tower
St Georges Terrace
Perth WA

Share Registrar

Security Transfer Registrars
770 Canning Highway
Applecross
WA 6153

Solicitors

Johnson Winter Slattery
Level 1, London House
216 St Georges Terrace
Perth WA

DIRECTOR'S REPORT

The directors of Orrex Resources Ltd (**Orrex** or the **Company**; ASX: ORX) submit herewith the financial report of Orrex for the half year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company during or since the end of the half-year are:

Mr. M. Stowell	Chairman
Ms. S. Felderhof	Managing Director
Mr. D. Frances	Non-executive Director
Mr. C. Stephens	Non-executive Director

The above named directors all held office during and since the end of the half-year.

REVIEW OF OPERATIONS

Overview

Orrex operates as a mineral explorer in Western Australia and has two gold exploration projects, the Golden Mile South Project and the Barlee Project. The Golden Mile South Project is located in the heart of the Kalgoorlie region with potential for discovery of various styles of large gold deposits similar to those of the Eastern Goldfields. The Barlee Project is located in the Central Yilgarn Craton and is comprised of greenfields exploration terrain with potential for gold and base metal deposits.

Orrex incurred an after tax loss for the half-year ended 31 December 2011 of $539,825 (31 December 2010: $266,939).

Golden Mile South Project, Eastern Goldfields, WA (ORX 95-100%)

Orrex owns 95 to 100% interest in the tenements comprising the Golden Mile South Project. It is the Company's flagship project and represents an opportunity for discovery of various styles of large gold deposits. It is a large tenement package of approximately 100km^2 (25 km^2 of which is under application). It is located in the heart of the Kalgoorlie region approximately 5km southeast of the Kalgoorlie Super Pit and 5km north of the New Celebration/Jubilee gold mine. The proximity of the Golden Mile South Project to Kalgoorlie makes exploration relatively cheap given easy access to infrastructure and facilities.

There are currently thirteen target areas delineated for drilling and exploration. Orrex initially advanced the Golden Mile South Project by completing three aircore drill programs consisting of regional and infill lines over three target areas. A number of anomalous results which strengthened target potential were intersected within weathered bedrock samples and in transported cover.

In particular, the Lakeside Prospect was progressed by defining a number of northeast trending zones of anomalous gold, hosted within a sequence of intermediate volcanoclastics and sediments. The strongest of these is associated with an alteration zone up to 75m wide and extends over a strike length of at least 400m (open to the north and south). Of note was the presence of a 4m composite returning 69.3 g/t Au in drill hole 11LKA484[1]. This hole also contained iron-rich gravel overlying the mineralisation, interpreted to be iron after sulphide suggesting a nearby primary source for the gold.

An RC drill program was completed at the Lakeside Prospect to test only a portion of this alteration zone. A gold mineralised structure was identified and has the intensity of alteration and tenor of mineralisation consistent with those hosting major gold deposits in the Eastern Goldfields and could develop into a substantial gold target. Gold mineralisation was intersected in four drill holes along the central line of drilling within a 30m wide zone of alteration and included a best result of 1m at 7.09g/t Au in 11LKC062[2] at the end of hole.

[1] 361,530 mE and 6,587,398 mN
[2] 361,277 mE and 6,587,458 mN

Prior to this program, very few RC holes testing bedrock had ever been drilled on the entire 100km^2 project area. The positive result on the Company's first program to test beyond the weathering zone and into fresh bedrock is highly encouraging for the Lakeside Prospect and for the entire Golden Mile South Project. New programs are planned based on the results from these programs.

In addition to the Lakeside Prospect, the prospectivity of the greater Lakeside area was recognised and a regional aircore drilling program was undertaken to identify additional anomalous gold zones which could be targeted for follow-up drilling. Widespread anomalous gold (>20 ppb Au) in bedrock within the greater Lakeside area was defined, including three new zones of significant gold mineralisation (>200 ppb Au (>0.2g/t)). These zones include two to the north of the Lakeside Prospect and a third to the south of it. Programs are being planned to test these new zones.

In addition, Orrex accepted up to $150,000 under the Exploration Incentive Scheme financed by the State of WA acting through the Department of Mines & Petroleum. This funding will be used to target the Golden Mile Dolerite with a deep diamond drill hole during the 2012 calendar year. The target was defined by 3-D inversion modelling which clearly shows a WSW dipping unit trending SE from the Super Pit and under Orrex's Golden Mile South tenements. A threshold used to replicate the response observed over the Super Pit (+70 Moz Au) was used to generate the model. The drill hole is designed to intersect the target where it folds/thrusts back toward surface. The aim is to confirm the presence of the Golden Mile Dolerite and prospective structural settings at an economical extraction depth.

Barlee Project, Central Yilgarn Craton, WA (ORX 90%)

The Company also owns 90% interest in the Barlee Project. It is located in the Central Yilgarn Craton approximately 130 km east of Paynes Find and 30 km south of Youanmi. It is comprised of approximately 687km^2 (105km^2 of which is under application) of greenfields exploration terrain with potential for gold and base metal deposits.

The Company commenced its first pass auger sampling program at the Barlee Project in December 2010. The program covered priority target areas that were identified through a review of magnetic data and historical anomalous soil sampling. Four priority target areas were identified. These areas were strengthened by follow-up geophysical analysis which was completed using the available aeromagnetic and gravity data. Programs to test these targets are planned for 2012. [3]

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

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

On behalf of the Directors

S Felderhof
Managing Director
17 January 2012

---

[3] The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. John Bartlett, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Bartlett is the principal of Ore(plus) Geology Solutions Pty Ltd and a consultant to the company. He has sufficient experience which is relevant to the style of mineralisation and type of deposits 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. Bartlett consents to their inclusion in the report of the matters based on his information in the form and context in which it appears.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	As at 31 December 2011 $	As at 30 June 2011 $
Current Assets			
Cash and cash equivalents	4	2,621,796	3,195,526
Trade and other receivables		36,677	53,332
Total Current Assets		2,658,473	3,248,858
Non Current Assets			
Exploration assets		626,825	601,825
Total Non Current Assets		626,825	601,825
Total Assets		3,285,298	3,850,683
Current Liabilities			
Trade and other payables		78,927	124,853
Provisions		18,077	2,711
Total Current Liabilities		97,004	127,564
Total Liabilities		97,004	127,564
Net Assets		**3,188,294**	**3,723,119**
Equity			
Contributed Equity	5	5,998,453	5,993,453
Reserves		344,649	344,649
Accumulated Losses		(3,154,808)	(2,614,983)
Total Equity		**3,188,294**	**3,723,119**

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	Half year ended 31 December 2011 $	Half year ended 31 December 2010 $
Revenue		83,855	34,801
Exploration expenses		(377,450)	(190,888)
Wages, salaries and related costs		(181,969)	(65,124)
Other expenses		(64,261)	(45,728)
Loss before income tax		(539,825)	(266,939)
Income tax expense		-	-
Loss for the half year		(539,825)	(266,939)
Loss attributable to members of the entity		(539,825)	(266,939)
Other comprehensive income		-	-
Other comprehensive loss for the half year		-	-
Total comprehensive loss for the half year		(539,825)	(266,939)
Total comprehensive loss for the half year attributable to members of the entity		(539,825)	(266,939)
Basic and diluted loss per share attributable to ordinary equity holders of the entity (cents)	6	(1.47)	(1.25)

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Issued capital $	Accumulated losses $	Other reserves $	Total equity $
At 1 July 2010	2,330,762	(1,808,803)	267,000	788,959
Loss attributable to members of the entity	-	(266,939)	-	(266,939)
Other comprehensive income	-	-	-	-
Total income/(expense) for the half year	-	(266,939)	-	(266,939)
Issue of share capital	4,035,000	-	-	4,035,000
Cost of issue of share capital	(357,189)	-	-	(357,189)
At 31 December 2010	**6,008,573**	**(2,075,742)**	**267,000**	**4,199,831**
At 1 July 2011	**5,993,453**	**(2,614,983)**	**344,649**	**3,723,119**
Loss attributable to members of the entity	-	(539,825)	-	(539,825)
Other comprehensive income	-	-	-	-
Total income/(expense) for the half year	-	(539,825)	-	(539,825)
Issue of share capital	5,000	-	-	5,000
At 31 December 2011	**5,998,453**	**(3,154,808)**	**344,649**	**3,188,294**

The above condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	Half year ended 31 December 2011 $	Half year ended 31 December 2010 $
Cash flows from operating activities			
Payments to suppliers and employees		(615,878)	(110,527)
Interest received		62,148	20,161
Net cash used in operating activities		(553,730)	(90,366)
Cash flows from investing activities			
Payments for mining tenements		(20,000)	-
Net cash used in investing activities		(20,000)	-
Cash flows from financing activities			
Net proceeds from issue of shares and options		-	3,698,917
Loan received		-	51,894
Net cash provided by financing activities		-	3,750,811
Net increase(decrease) in cash and cash equivalents		(573,730)	3,660,445
Cash and cash equivalents at the beginning of half year		3,195,526	211,722
Cash and cash equivalents at end of half year	4	2,621,796	3,872,167

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2011

1. CORPORATE INFORMATION

The financial report of Orrex Resources Ltd (the Company) for the financial half year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 17 January 2012.

Orrex Resources Ltd is a company limited by shares incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities are described on pages 1 to 2 in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of accounting

The half-year financial report is a general-purpose financial statement, 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 for financial assets that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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 Company as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of Orrex Resources Ltd as at 30 June 2011.

It is also recommended that the half year financial report be considered together with any public announcements made by Orrex Resources Ltd during the half year ended 31 December 2011 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2011

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2011:

- AASB 124 Related Party Disclosures (amendment) effective 1 January 2011
- AASB 132 Financial Instruments: Presentation (amendment) effective 1 February 2010
- AASB Int 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- Improvements to AASBs (May 2010)

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Transactions (Amendment)
The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

AASB 132 Financial instruments: Presentation (Amendment)
The AASB issued an amendment that alters the definition of a financial liability in AASB 132 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these type of instruments.

AASB Int 14 Prepayments of a Minimum Funding Requirement (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Company.

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of those amendments had no impact on the financial position or performance of the Company.

The Company has not elected to early adopt any of the new standards or amendments that are issued but not yet effective.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2011

	31 December 2011 $	30 June 2011 $
4. **Cash and cash equivalents**		
For the purposes of the cash flow statement, cash and cash equivalents comprise the following		
Cash at bank and on hand	2,621,796	3,195,526
	2,621,796	3,195,526
5. Contributed Equity		
36,685,000 Fully paid ordinary shares (30 June 2011: 36,660,000)	5,998,453	5,993,453

	$	No.
Movement in ordinary shares on issue		
At 1 July 2011	5,993,453	36,660,000
Issue of shares in lieu of payments	5,000	25,000
At 31 December 2011	5,998,453	36,685,000

Share Options

At 31 December 2011 there were the following options over unissued fully paid ordinary shares on issue:

- 5,000,000 unlisted options exercisable at 30 cents per option before 12 April 2015.
- 15,529,783 unlisted options exercisable at 25 cents per option before 30 November 2012 issued at $0.005 each.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 31 DECEMBER 2011

	31 December 2011 $	31 December 2010 $
6. Loss per share		
Basic loss per share amounts are calculated by dividing net loss for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the half year. The following reflects the income and share data used in the basic loss per share computations: Net loss attributable to equity holders of the Company	(539,825)	(266,939)
	Cents per share	**Cents per share**
Basic Loss per share	(1.47)	(1.25)
	No. 000's	**No. 000's**
The weighted average number of ordinary shares on issue during the half year used in the calculation of basic loss per share	36,680,788	21,325,819

The diluted loss per share is the same as the basic loss per share as the options are out of the money and the Company has incurred a loss for the period.

7. Segment Reporting
The Company operated solely in Western Australia in exploration.

8. Events after the balance sheet date
There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen after the end of the half year, that has 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 future financial years.

9. Contingent Liabilities
The Company has no material contingent liabilities at 31 December 2011.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Orrex Resources Ltd I state that:

1. In the opinion of the directors

   (a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including;

   (i) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half year ended on that date, and

   (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) There are 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

Sonja Felderhof

Sonja Felderhof
Director
Perth
17 January 2012

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ORREX RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Orrex Resources Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Orrex Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Standards on Review Engagements ASRE 2410 *Review of a 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 2011 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 Orrex 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Orrex Resources Limited on 17 January 2012.

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 Orrex Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

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

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

John P Van Dieren
Director

West Perth, Western Australia
17 January 2012

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

17 January 2012

Board of Directors
Orrex Resources Limited
Level 1
20 Howard Street
PERTH WA 6000

Dear Directors

RE: ORREX RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Orrex Resources Limited.

As Audit Director for the review of the financial statements of Orrex Resources Limited for the six months ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

John Van Dieren
Director