

ROX RESOURCES LIMITED

ABN 53 107 202 602

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

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ROX RESOURCES LIMITED

ABN 53 107 202 602

DIRECTORS REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Your directors submit the financial report of the Company for the half-year ended 31 December 2004. It should be noted that as the Company was incorporated on 27 November 2003 and was dormant until early in 2004.

DIRECTORS

The names of the Company's directors in office during the financial period and until the date of this report are:

Dr Alistair Cowden
Mr Michael Blakiston
Mr Ian Mulholland

Directors have been in office since the start of the financial period to the date of the report unless otherwise stated.

REVIEW OF OPERATIONS

The loss for the half-year ended 31 December 2004 was \$219,082.

During the period the Company has been consolidating results of all of its exploration programs carried out during 2004 at Menzies. A total of 10,119 metres of drilling was completed in the short time (8 months) since listing (3,355 metres of RC and 6,764 metres of RAB), together with new resource estimations and pit optimisations of the five major deposits.

The company has discovered new gold mineralisation at Ballarat Menzies, and defined extensions to known deposits at Lady Shenton North, Lady Harriet South and Wedderburn (First Hit South).

Resource estimation using new drilling data increased the resource by 11% to 170,900 ounces contained gold, with 77% in the Measured and Indicated category. Pit optimisations of these new resources identified 24,000 ounces that could be profitably mined.

The company is now planning deep drilling at Lady Shenton and Yunndaga to test extensions to the major lodes previously mined there at the turn of the 20th century.

Rox also discovered the Acacia Ridge nickel laterite deposit west of Yunndaga, with high-grade nickel hits of **14 metres at 0.91% Ni, 0.17% Co** and **15 metres at 0.76% Ni, 0.17% Co** being recorded. This has the potential to be a significant deposit for Rox,

and developments with Heron's adjacent Kalgoorlie Nickel project are being closely monitored.

The company is in a strong financial position, and as such regularly receives new projects to review. Rox will continue to evaluate new opportunities with a view to complement the Menzies project or demonstrate the opportunity to add significant value.

AUDITORS INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of Rox Resources Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is attached to the Independent Review Report to Members.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'A Cowden', followed by a long horizontal flourish.

A COWDEN
Chairman

Perth, Western Australia

Dated this 28th day of February 2005

ROX RESOURCES LIMITED

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**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

	Note	31 December 2004 (\$)
Revenues from ordinary activities	2	73,595
Depreciation and amortisation expense	2	(3,185)
Other expenses from ordinary activities	2	(289,492)
Loss from ordinary activities before income tax expense		(219,082)
Income tax relating to ordinary activities		-
Loss from ordinary activities after related income tax expense		(219,082)
Net Loss attributable to members		(219,082)
Total changes in equity other than those resulting from transactions with owners as owners		(219,082)
Basic loss per share (cents per share)		(0.7)
Diluted loss per share (cents per share)		(0.7)

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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2004

	31 December 2004 \$	30 June 2004 \$
CURRENT ASSETS		
Cash Assets	2,497,580	3,362,372
Receivables	6,749	805
Other	8,149	-
TOTAL CURRENT ASSETS	2,512,478	3,363,177
NON-CURRENT ASSETS		
Other financial assets	104,500	-
Property, Plant & Equipment	20,102	17,196
Other - capitalised exploration expenditure	1,760,267	1,287,483
TOTAL NON-CURRENT ASSETS	1,884,869	1,304,679
TOTAL ASSETS	4,397,347	4,667,856
CURRENT LIABILITIES		
Payables	46,665	101,826
Provisions	7,869	4,134
TOTAL CURRENT LIABILITIES	54,534	105,960
TOTAL LIABILITIES	54,534	105,960
NET ASSETS	4,342,813	4,561,896
EQUITY		
Contributed equity	4,626,327	4,626,327
Accumulated losses	(283,514)	(64,431)
TOTAL EQUITY	4,342,813	4,561,896

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**CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED
31 DECEMBER 2004****31 December 2004****\$****CASH FLOWS FROM OPERATING ACTIVITIES**

Payments to suppliers and employees	(254,205)
Interest received	73,095
Payments for exploration	(569,975)
Net cash used in operating activities	(751,085)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of non-current assets	500
Purchase of non-current assets	(9,707)
Net cash used in investing activities	(9,207)

CASH FLOWS FROM FINANCING ACTIVITIES

Security bonds paid	(104,500)
Net cash provided by financing activities	104,500
Net increase (decrease) in cash held	864,792
Cash at 1 July	3,362,372
Cash at 31 December	2,497,580

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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 Rox Resources Limited as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Rox Resources Limited during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

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 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention.

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

(b) Changes in accounting policies

The accounting policies are consistent with those applied in the 30 June 2004 annual report.

(c) Comparatives

The Company was incorporated on 27 November 2003 and was dormant until early in 2004. The Company became a disclosing entity on 27 April 2004. Therefore, there is no prior period comparative information in the Statement of Financial Performance and Statement of Cash Flows.

31 December 2004
\$

NOTE 2: LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax expense includes the following revenue and expenses whose discussion is relevant in explaining the financial performance of the entity:

(a) Revenues from ordinary activities	
Interest revenue	73,095
Proceeds from sale of non-current assets	500

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

NOTE 2: LOSS FROM ORDINARY ACTIVITIES (continued)

	31 December 2004
	\$
(b) Expenses	
Depreciation	3,185
	3,185
Staff expenses	70,713
Office operating	46,602
Corporate expenses	45,176
Travel expenses	18,022
Consultants	8,000
Exploration expenditure	52,749
Other	48,230
	289,492

NOTE 3: EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since the half year ended 31 December 2004 which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 4: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 5: SEGMENT INFORMATION

The Company operates in only one segment being the exploration for minerals and only in one geographic area being Western Australia.

NOTE 6: IMPACT OF ADOPTING AASB EQUIVILENTS TO IASB STANDARDS

The half year financial report has been prepared in accordance with the requirements of the Accounting Standards, Urgent Issues Group Consensus Views and the Corporations Act 2001. The financial information is based on Australian Accounting Standards effective at the date of this half year financial report and does not reflect the effect of the proposed transition to International Financial Reporting Standards ("IFRS") in 2005.

The Company will be required to comply with the IFRS for the financial reporting periods beginning 1 July 2005. Although Australia has been undertaking a harmonisation process for several years, there are still significant reporting differences between Australian Generally Accepted Accounting Principals ("GAAP") and IFRS, and conversion to IFRS may result in many changes to accounting policies and therefore consequential impact on financial performance and position.

The Company has commenced transitioning its accounting policies and financial reporting from current Accounting Standards to Australian equivalents of International Financial Reporting Standards. The Company's Audit and Risk Management Committee are monitoring developments in IFRS and are assessing the likely impact on the Company's financial statements, accounting policies and systems. Internal resources have been allocated to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As the Company has a 30 June financial year end, priority has been given to considering the preparation of an opening Statement of Financial Position in accordance with AASB equivalents to IFRS as at 1 July 2004.

At this stage, the Company has not been able to reliably quantify the potential impact on financial performance and the financial position of adopting IFRS. However, key implications on the Company from the adoption of IFRS may be as follows:

Financial instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, all financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are:

- loans and receivables - measured at cost; held to maturity - measured at amortised cost;
- held for trading - measured at fair value with fair value changes charged to net profit or loss; available for sale - measured at fair value with fair value changes taken to equity; and
- non trading liabilities - measured at amortised cost

This will result in a change in the current accounting policy that does not classify financial instruments. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Impairment of assets

Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Company's accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and the amount of write-downs greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Income taxes

Under AASB 112 Income Taxes, the Company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet

Share based payments

Under AASB 2 Share Based Payments, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance over the vesting period. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Under the current accounting policy no amounts are recognised in the financial accounts in relation to equity based compensation schemes in respect of options. Reliable estimation of future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Exploration and evaluation expenditure

AASB 6 "Exploration for and Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for the Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136.

The adoption of AASB 6 is not expected to lead to a change in the Company's accounting policy with respect to exploration and evaluation expenditure.

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DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. The accompanying financial statements and notes:
 - (a) comply with Accounting Standard AASB 1029 : Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position of the company as at 31 December 2004, and its performance for the half-year ended on that date.
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.

A handwritten signature in black ink, appearing to read 'A Cowden', followed by a long horizontal line.

A COWDEN
Director

Perth, Western Australia

Dated this 28th day of February 2005

Independent review report to the members of Rox Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Rox Resources Limited (the company), for the half year ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

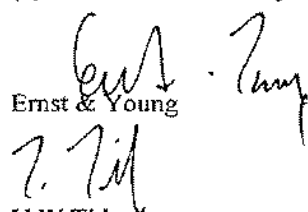
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the director's of the company a written Auditor's Independence Declaration, a copy of which follows this report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Rox Resources Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the company as at 31 December 2004 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



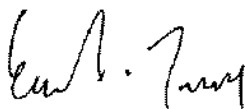
Ernst & Young

V W Tidy
Partner
Perth

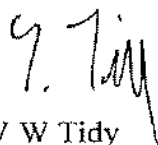
28 February 2005

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

In relation to our review of the financial report of Rox Resources Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'V. Tidy'.

V W Tidy
Partner
Perth
28 February 2005