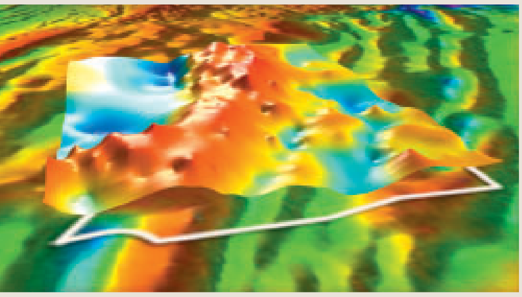
ANNUAL REPORT >> 2008



DISCOVER THE POTENTIAL

REX MINERALS LTD

REX MINERALS LTD
ABN 12 124 960 523

Corporate Directory

DIRECTORS
Paul Chapman (Chairperson)
Steven Olsen (Managing Director)
Richard Laufmann

COMPANY SECRETARY
Amber Rivamonte

PRINCIPAL and REGISTERED OFFICE
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Ballarat Victoria 3350

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770 Canning Highway
Applecross WA 6153

AUDITORS
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147 Collins Street
Melbourne Victoria 3000

BANKERS
ANZ Banking Group Limited
927 Sturt Street
Ballarat Victoria 3350

LEGAL ADVISORS
Baker McKenzie
525 Collins Street
Melbourne Victoria 3000

DISCOVER THE **POTENTIAL** >>

>> COPPER-GOLD >> IRON ORE >> GOLD >> GOLD-SILVER

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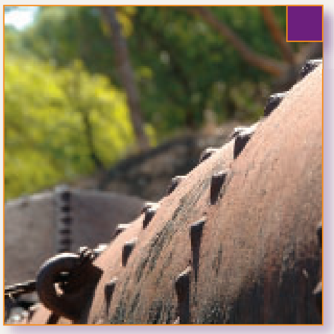

INTRODUCTION

Rex Minerals Ltd (Rex) is a diversified exploration company. Rex's strategy is to acquire highly prospective projects with the potential to host large resources in commodities that are in high demand. Headquartered in Ballarat, Victoria, Rex has ownership of projects covering the commodities of copper, gold, silver and iron. The projects are located in South Australia, Victoria and New South Wales and are within geological terrains that are known for their endowment of these commodities. Rex applies its extensive technical experience and existing drilling capacity to progress its projects, laying solid foundations for long term growth, enabling Rex to forge ahead as a diversified exploration and mining company.

HIGHLIGHTS

Successfully completed a $7.0M IPO.

New copper discovery (iron-oxide-copper-gold) in South Australia at Hillside,with a 100m intersection of copper mineralisation, in drill hole HDD006 averaging 0.65% copper.

Option to acquire 100% of the Mt Carrington gold-silver project with;

> Shallow 240,000 ozs gold equivalent resource,
> Large scale shallow silver potential, and
> Large and high grade gold potential at depth.

GOALS FOR 2009

> Key milestone of defining an initial inferred resource estimate for the Hillside copper project, South Australia.
> Update the gold and silver resources at Mt Carrington, New South Wales.
> Complete drilling to define a large, shallow silver resource at the White Rock prospect, Mt Carrington.
> Complete drilling to extend and increase the existing shallow gold resource at Mt Carrington.
> Confirm proof of concept that the Wandearah magnetic and gravity anomaly is associated with a large iron-oxide-copper-gold (IOCG) system.

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REX MINERALS LTD
ABN 12 124 960 523

LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR

For the year ended 30 June 2008

Dear Fellow Shareholder,

The past year has laid the foundation for Rex to create value through the discovery of mineral resources. The IPO completed in September last year raised $7.0 million which, combined with a two year contract with Titeline Drilling, gives Rex access to drilling well beyond the capacity of most junior explorers. This structure was established in recognition of the fact that a mineral discovery typically takes a substantial amount of drilling and re-interpretation before the value of that discovery can be realised.

A key influence at Rex is our belief that the long term demand for metals will continue to increase as the growth in developing countries (China, India, Brazil and others) drives world economic growth well into the foreseeable future. At the same time, the supply of many commodities will struggle to meet demand due to a lack of large mineral deposits in locations where they can be effectively developed.

High quality resources in favourable jurisdictions are difficult to find and, once discovered, can command a premium price. Our philosophy from inception has been to aggressively pursue and explore projects that offer the opportunity for a significant discovery in locations that allow for development and mining within a meaningful timeframe and security of tenure.

Rex delivered into its IPO a group of projects and a planned exploration program that could realise a meaningful discovery. To this aim, Rex has already made significant progress with a new Iron Oxide Copper Gold discovery at Hillside on the Yorke Peninsula in South Australia. This is an important project for Rex with the potential to deliver exciting copper-gold results as we uncover the extent of the copper-gold mineralisation at Hillside.

Another significant result since the IPO, was the purchase of an option to acquire 100% of the Mt Carrington project. Rex considers that this is a very significant strategic asset with the potential to host large, scale shallow silver mineralisation and large scale, high grade gold mineralisation at depth. Existing drilling shows extensive silver mineralisation and future infill drilling could prove up this potential. The style of mineralisation at Mt Carrington is also favourable for the presence of large scale, high grade gold deposits, similar to some of the most profitable gold mines in the world. Therefore, the Mt Carrington project represents a very exciting new opportunity for Rex and will undoubtedly form an important part of the portfolio in the coming years.

Within a very short timeframe, Rex has moved from a company with a number of good exploration projects, to a company ready to commence defining copper, gold and silver resources. Rex has on-going drilling capacity which will allow for resource definition at the Hillside and Mt Carrington projects over the coming year.

Yours sincerely,

Paul Chapman
Chairman

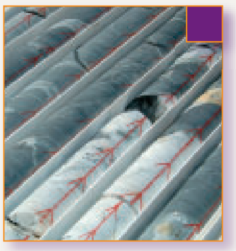
Steven Olsen
Managing Director

REVIEW OF OPERATIONS For the year ended 30 June 2008

SUMMARY

Over the past year, Rex has advanced its high priority targets, achieving a number of exploration and corporate milestones along the way. The key activities completed over the past year are summarised below.

July 2007	Acquired Moonta South and Wandearah copper-gold projects from Avoca Resources Ltd. Acquired North Creswick gold project from Lihir Australia Holdings Pty Ltd. Completed drilling agreement with Titeline Drilling to secure drilling services for a period of 2 years.
September 2007	The Company completed its IPO, raising $7.0 million and was subsequently admitted to the official list of the ASX on 20 September, 2007.
November 2007	Commenced drilling at Hillside, with a total of 1,056m and four drill holes completed by December 2007. Best intersections include 18m @ 0.2% copper and 37m @ 0.16% copper.
January 2008	Commenced drilling at St Arnaud, with a total of 5,230m and 11 drill holes completed by April 2008. Best intersections include 1m @ 1,174g/t gold and 1 m @ 11.2 g/t gold. Renegotiated Cowell Iron Ore project to obtain 100% ownership.
April 2008	Acquired rights to Mt Carrington gold-silver project, NSW. Mt Carrington project includes 240,000ozs gold equivalent resources. Commenced drilling at Hillside, with a total of 1,828m and five drill holes completed by June 2008. Best intersection of 30m @ 0.9% copper and 0.2g/t gold, within a number of structures cumulatively totalling 100m @ 0.65% copper. Drilling confirms economic grade copper mineralisation within a large iron-oxide-copper-gold (IOCG) system.
June 2008	Commenced drilling at Cowell Iron Ore project, with a total of 1,200m and six holes completed by July 08.



HILLSIDE COPPER-GOLD PROJECT

The Hillside copper-gold project in South Australia received considerable attention in late 2007 and the first half of 2008, with drilling intersections providing good evidence that Rex has discovered a new IOCG deposit. As each program was completed, stronger copper mineralisation was intersected and an improved understanding of this mineralised system was obtained.

The most significant observable copper mineralisation intersected in the nine drill holes completed to date was from HDD006. This drill hole was designed to test one of the more significant gravity anomalies defined on the project area (Figure 1). As drilling progressed in HDD006, the alteration and copper mineralisation increased, particularly from 367m onwards. This area corresponds with the location where the elongate gravity and magnetic anomalies overlap. The copper mineralisation was found to be closely associated with haematite, magnetic and pyrite and was supported by anomalism in other elements that are typical of large IOCG deposits such as Prominent Hill and Olympic Dam.

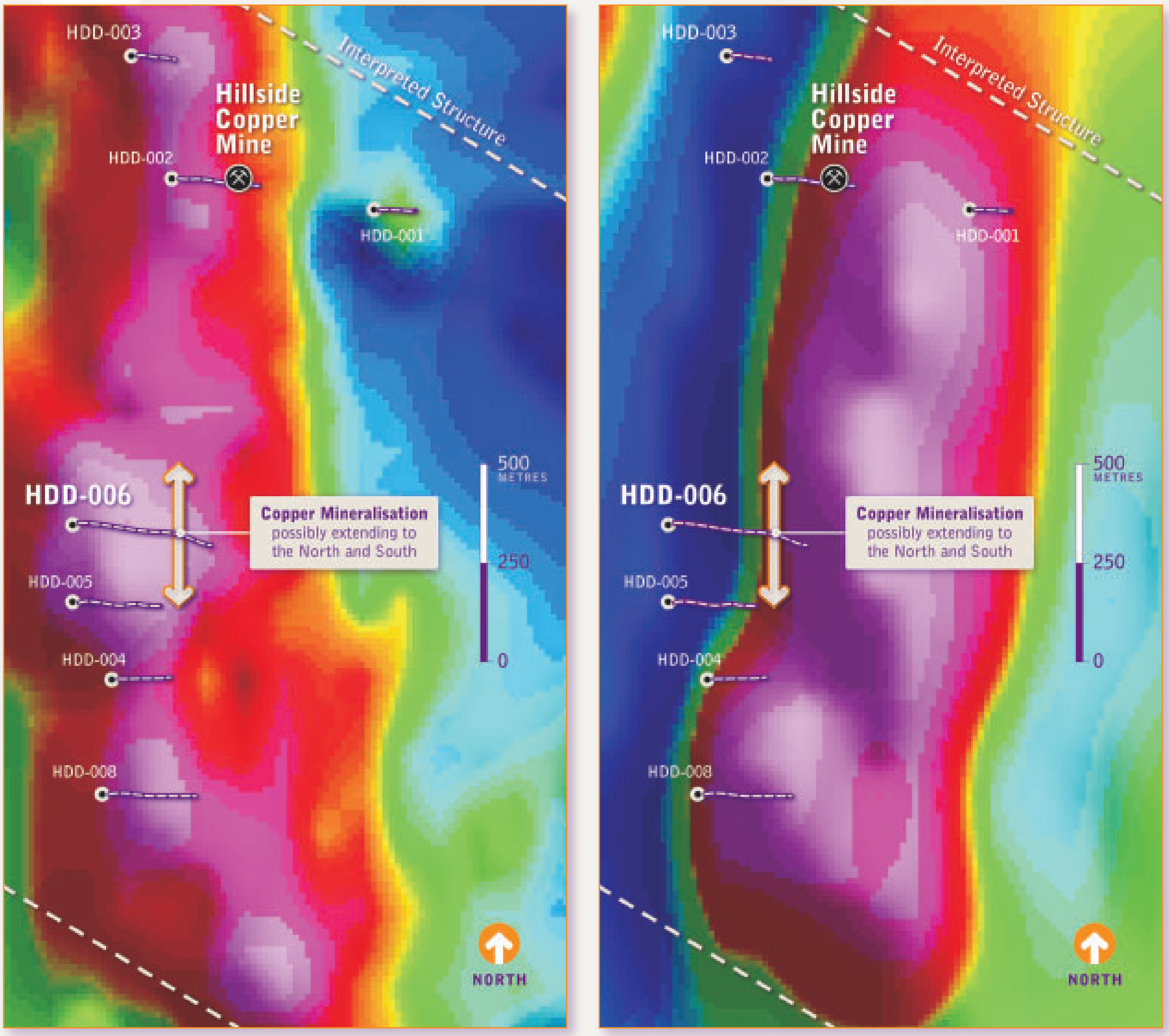


Figure 1: Gravity (left) and Magnetic (right) images at Hillside showing the drill hole locations.

Given the copper results at Hillside it is anticipated that Rex will focus a significant proportion of its drilling over 2008 and into 2009 towards defining the extent of the copper mineralisation in this area, and moving towards definition of an inferred resource.

WANDEARAH COPPER-GOLD PROJECT

The Wandearah project in South Australia has large scale copper-gold potential. Historical drilling at Wandearah has confirmed the presence of low grade copper mineralisation and iron-oxide alteration similar to that observed at Prominent Hill and Olympic Dam. Although this project exists underneath 300m of cover sediments, the gravity and magnetic anomalies suggest that a massive mineralised IOCG system could exist. The lateral expression of the Olympic Dam deposit, one of the world's largest copper deposits could easily fit within the gravity and magnetic signatures that exist at Wandearah (Figure 2). Detailed gravity and follow up drilling are scheduled for late 2008.

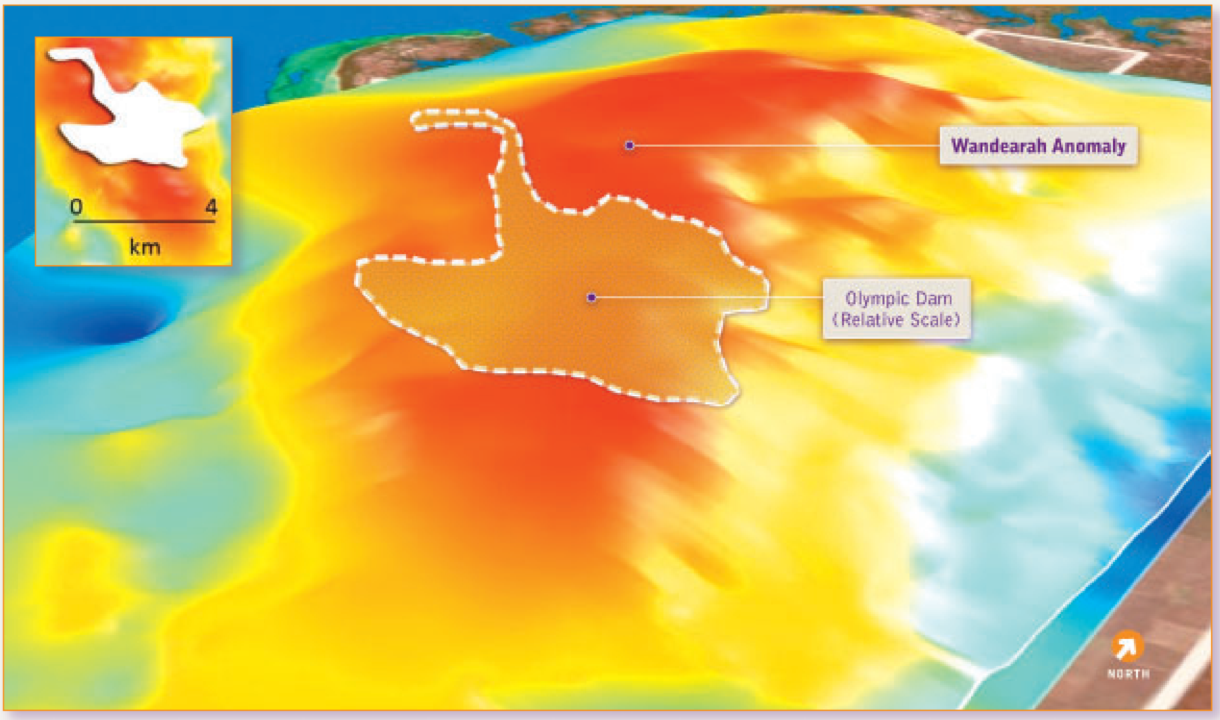


Figure 2: Oblique 3D view of the Wandearah magnetic anomaly, and the relative size of Olympic Dam (inset Top Left) for comparison.

MT CARRINGTON GOLD-SILVER PROJECT

In April 2008 Rex acquired an option over the Mt Carrington gold-silver project, located in north-eastern NSW. Rex recognised an opportunity for the discovery of a significant gold and/or silver resource, based on the existing drilling information, and the prospective geology of the large mineralised system at Mt Carrington.
The key attributes of Mt Carrington include:

- Shallow resources of 240,000ozs gold equivalent.
- Potential for large scale shallow gold mineralisation well beyond the existing resources.
- Immediate open pit development potential.
- Epithermal system with potential for large scale, high grade gold mineralisation at depth.
- Existing infrastructure (mains power, fresh water dam, tailings dam) in place and close to additional infrastructure at Lismore (suppliers, workforce, etc).

The improved geological understanding of this style of deposit, and increases in the gold and silver prices have transformed the outlook and economics of Mt Carrington. Accordingly, Rex considers that a well targeted drilling program could lead to the development of a large scale gold and silver operation at Mt Carrington.

Of particular note are the previous drilling results at the White Rock prospect which highlight the very large shallow silver potential at Mt Carrington. The White Rock deposit contains a high grade silver resource of 2.26M oz (207g/t) surrounded by extensive lower grade silver mineralisation. High grade silver also exists 600m to the north of the existing resource, and historical workings to the west also indicate the potential for extensive large scale mineralisation at White Rock.

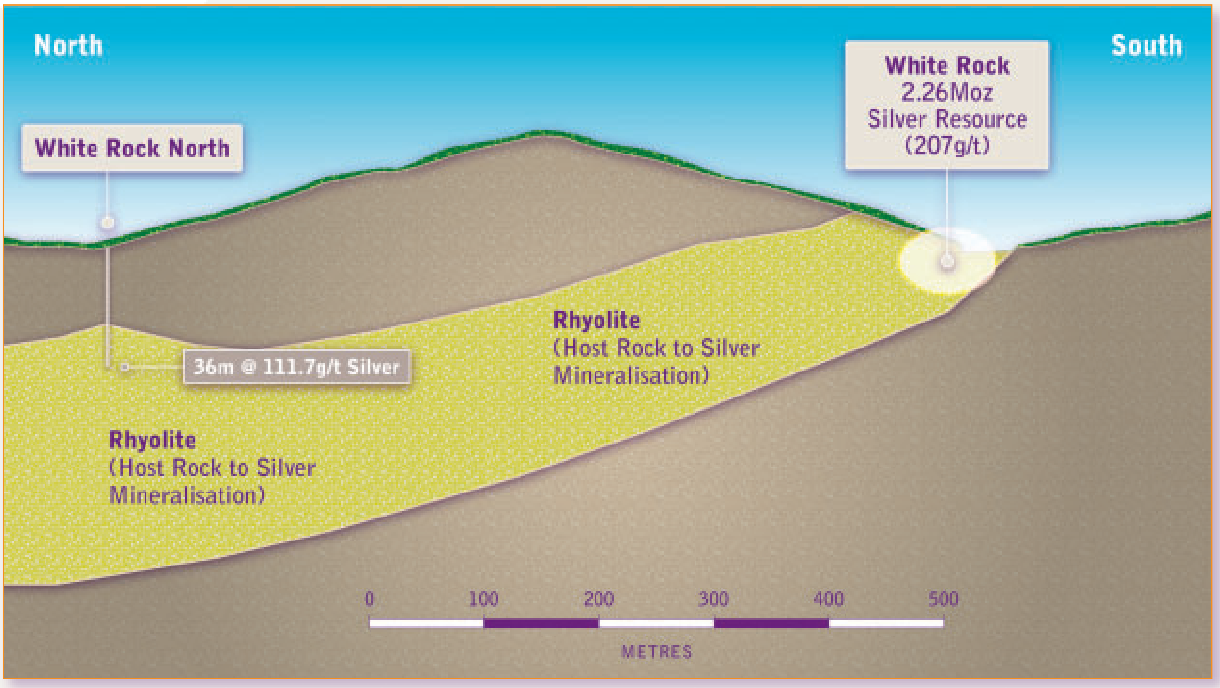


Figure 3: Cross section of the White Rock project, showing the location of the high grade silver mineralisation.

COWELL IRON ORE PROJECT

In January 2008, Rex entered into a new agreement with Stellar Resources Limited (Stellar) to enable Rex to maintain 100% ownership of an Iron Ore project near the township of Cowell on the Eyre Peninsula, South Australia.
A 12km long magnetic feature dominates this project which Rex interprets to be the southern covered extensions of the Middleback Ranges. The Middleback Ranges have historically produced over 200 million tonnes of iron ore from haematite deposits, with One Steel now producing Iron Ore from magnetite iron deposits in this area. The Middleback Ranges are disrupted to the south by a body of granite, with the interpreted prospective extensions south of the granite covered by younger sediments.

ST ARNAUD GOLD PROJECT

Rex completed a drilling campaign and aeromagnetic survey at St Arnaud in the first half of 2008. Drilling results were mixed, including a spectacular drill intersection at the Bristol target of 1m @ 1,174g/t gold. Geological mapping of an exposed open pit at Comstock, combined with interpretation of the geology intersected in the drilling, indicates that there is good potential for gold mineralisation beneath the historic workings at a number of locations within the Bristol and New Chum lines of mineralisation. The aeromagnetic survey is anticipated to assist in defining a number of new targets on the north-western extensions to the historical gold mines, where the host rocks to the gold mineralisation extend underneath younger shallow cover sediments.

NORTH CRESWICK GOLD PROJECT

Some preliminary targeting was completed at North Creswick during the year, in preparation of a drilling campaign to be undertaken in late 2008. North Creswick has recorded historical production of 1.7 Mozs from buried alluvial gold deposits known as "deep leads" with almost 1.0 Mozs interpreted to be sourced from a much smaller area (approximately 3km long and 3km wide). Evidence from other Victorian goldfields has shown that high grade quartz hosted gold deposits exist directly underneath the richest parts of the alluvial gold deposits. Rex therefore interprets that the best place to explore for high grade quartz deposits at North Creswick is directly underneath the highest concentration of gold defined by the historical deep lead mining.

TENEMENT SCHEDULE For the year ended 30 June 2008

Tenement	Locality	Lease Status	Area Type	Current Area	Grant Date
EL4914	St Arnaud	Granted	km²	51	15/12/2005
EL4363	St Arnaud	Granted	km²	58	12/07/2006
EL4669	St Arnaud	Granted	km²	83	06/09/2006
EL5105	St Arnaud	Granted	km²	84	19/06/2008
EL4920	Creswick	Granted	km²	106	17/01/2007
EL3875	Moonta South	Granted	km²	673	02/08/2007
EL3874	Moonta South	Granted	km²	1262	02/08/2007
EL3116	Moonta South	Granted	km²	27	04/08/2003
EL3876	Wandearah	Granted	km²	127	02/08/2007
EL3459	Wandearah	Granted	km²	154	29/11/2005
EL3418	Cowell	Granted	km²	85	16/09/2005

The Directors present their report together with the financial report of Rex Minerals Limited ("the Company") and of the Group, being the Company and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2008 and the auditors' report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Paul Chapman **Independent Chairperson** (B.Comm, ACA, Grad.Dip. Tax, CFPT(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 listed explorer Silver Lake Resources Ltd. Director since 2007.
Mr Richard Laufmann **Independent 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 Golfields 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. Director since 2007.
Mr Steven Olsen **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 15 years, predominantly in Western Australia and Canada, on nickel and gold deposits. Mr Olsen has had continued exploration success for both nickel and gold mineralisation throughout his career. From 2002 to 2007, Mr 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. Director since 2007.

2. COMPANY SECRETARY

Ms Amber Rivamonte CPA, B.Bus (Acc) was appointed to the position of Company Secretary and CFO in July 2007. Ms Rivamonte previously held the role of Company Secretary for four years at Ballarat Goldfields NL and has over 15 years experience in the financial management of public listed exploration companies.

3. DIRECTORS' MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings	
	A	B	A	B
Mr Paul Chapman	12	13	2	2
Mr Richard Laufmann	6	13	2	2
Mr Steven Olsen	13	13	2	2

A – Number of meetings attended.
B – Number of meetings held during the year whilst the Director held office.

4. CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Recommendation	Comment
4.1 Lay solid foundations for management and oversight	
4.1.1 Formalise and disclose the functions reserved to the Board and those delegated to management.	The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The respective roles and responsibilities of Board and the Managing Director are set out in the Company's Board Charter. The primary responsibility of the Board is to protect and advance the interest of shareholders. To fulfil this role, the Board has overall responsibility for developing and approving the Company's corporate strategy, appointing the Managing Director, monitoring management performance and approving the Company's risk and audit framework. The Board is also responsible for the Company's general corporate governance matters, including matters such as disclosures and the appointment and monitoring of any committees set up by the Board. The Managing Director has primary responsibility to the Board for the affairs of the Company. The Managing Director's responsibilities include implementing and monitoring (together with the Board) the strategic and financial plans for the Company, managing the appointment of senior management positions, being the primary channel of communication and point of contact between the Executive Management and the Board, providing strong leadership to, and effective management of, the Company and otherwise carrying out the day to day management of the Company.

4. CORPORATE GOVERNANCE STATEMENT (continued)

Recommendation	Comment
4.2 Structure the Board to add value	
4.2.1 A majority of the Board should be independent Directors.	This recommendation is satisfied.
4.2.2 The Chairperson should be an independent Director.	This recommendation is satisfied.
4.2.3 The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	This recommendation is satisfied.
4.2.4 The Board should establish a nomination committee.	The Board has not adopted a charter relevant to the specific functions of a nomination committee. Given the size of the Company and the Board, and the start up nature and straight forward structure of the Company, the Directors consider that any efficiencies achieved by the establishment of a nomination committee would be minimal, thereby not making its establishment cost effective.
4.3 Promoting ethical and responsible decision making	
4.3.1 Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key Executives.	This recommendation is satisfied.
4.3.2 Disclose the policy concerning trading in company securities by directors, officers and employees.	This recommendation is satisfied.
4.4 Safeguard integrity in financial reporting	
4.4.1 Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	This recommendation is satisfied.

4. CORPORATE GOVERNANCE STATEMENT (continued)

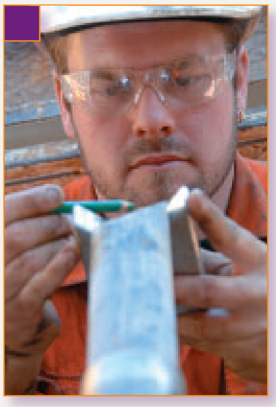
Recommendation	Comment
4.4.2 The Board should establish an audit committee.	This recommendation is satisfied. The primary role of the Audit Committee is to satisfy itself that the Company has an adequate control framework for the oversight of the external audit and the internal audit arrangements. The Committee is required to ensure reliable management and financial reporting, compliance with laws and regulations, and the maintenance of an effective and efficient audit. The members of the Audit Committee are Paul Chapman and Richard Laufmann. Richard Laufmann is the Chairman of the Audit Committee.
4.4.3 Structure the audit committee so that it consists of only Non-Executive Directors, a majority of independent Directors and an independent Chairperson, who is not a Chairperson of the Board.	This recommendation is satisfied.
4.4.4 The audit committee should have a formal charter.	This recommendation is satisfied.
4.5 Make timely and balance disclosure	
4.5.1 Establish written policies and procedures designed to ensure compliance with Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	This recommendation is satisfied. The Company has established written policies and procedures designed to ensure compliance with Listing Rule disclosure requirements and accountability for compliance.
4.6 Respect the rights of shareholders	
4.6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	The Company places a high priority on communications with its Shareholders. Although the Company does not have a standalone communications strategy, the Company considers that its Continuous Disclosure Policy, together with disclosure through the following means, should be sufficient to promote effective communications with shareholders: > announcements released to through the ASX company announcements platform; > notices of meetings to shareholders; and > provision of all relevant documentation released on the Company's website.
4.6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	This recommendation is satisfied.

4. CORPORATE GOVERNANCE STATEMENT (continued)

Recommendation	Comment
4.7 Recognise and manage risk	
4.7.1 The Board or appropriate Board Committee should establish policies on risk oversight and management.	Although there is no standalone risk management policy, the Board Charter provides that it is the Board's responsibility to approve the Company's risk and audit framework, systems of risk management and internal control, as well approving compliance with any risk and audit policies and protocols in place at the time.
4.7.2 The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that: The statement given in accordance with best practice recommendation 5.4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	This recommendation is satisfied.
4.8 Encourage enhanced performance	
4.8.1 Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key Executives.	This recommendation is satisfied in as much as should a new Director be appointed, the Company's Board Charter and other corporate governance documentation together with updated financial statements will be given to the new Directors, all of which will set out details in respect of: > the Company's financial, strategic, operational and risk management position; > each Director's rights, duties and responsibilities; and > the role of the Board and Management. The Directors otherwise consider that due to the size of the Company and its Board, a formal review procedures is not appropriate at this point in time and has instead adopted a self-evaluation process to measure its own performance.

4. CORPORATE GOVERNANCE STATEMENT (continued)

Recommendation	Comment
4.9 Remunerate fairly and responsibly	
4.9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand: i. the costs and benefits of those policies; and ii. the link between remuneration paid to Directors and key Executives and corporate performance.	This recommendation is satisfied in as much as the details have been included in the Remuneration report.
4.9.2 The Board should establish a remuneration committee.	This recommendation is not satisfied. Given the size of the Company and the Board, and the start up nature and straight forward structure of the Company, the Directors consider that any efficiencies achieved by the establishment of a remuneration committee would be minimal, not making its establishment cost effective.
4.9.3 Clearly distinguish the structure of Non-Executive Director's remuneration from that of Executives.	This recommendation is satisfied. However, Board members are entitled to options as set out in this Annual Report having regard to the small number of the Company's management team.
4.9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	This recommendation is satisfied, insofar as options issued to the Managing Director were determined on formation of the Company and his remuneration arrangements are summarised in the Remuneration report.
4.10 Recognise the legitimate interests of stakeholders	
4.10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	This recommendation is satisfied. The Company has established a formal code of conduct.



5. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was minerals exploration in Australia. There were no significant changes in the nature of the Group's principal activities during the year.

Rex is a diversified exploration company. Rex's strategy is to acquire highly prospective projects with the potential to host large resources in commodities that are in high demand. Headquartered in Ballarat, Victoria, Rex has ownership of projects covering the commodities of Copper, Gold, Silver and Iron. The projects are located in South Australia, Victoria and New South Wales and are within geological terrains that are known for their endowment in these commodities. Rex applies its extensive technical experience and existing drilling capacity to progress its projects, laying solid foundations for long term growth, enabling Rex to forge ahead as a diversified exploration and mining company.

5.1 Objectives

The Group's principal objective is to create value through the discovery, development and mining of mineral resources. To progress with the Group's primary objective, the following targets have been set for 2009 and later financial years.

- Key milestone of defining an initial inferred resource estimate for the Hillside copper project, South Australia.
- Update the gold and silver resources at Mt Carrington, New South Wales.
- Complete drilling to define a large, shallow silver resource at the White Rock prospect, Mt Carrington.
- Complete drilling to extend and increase the existing shallow gold resource at Mt Carrington.
- Confirm proof of concept that the Wandearah magnetic and gravity anomaly is associated with a large iron-oxide-copper-gold (IOCG) system.

6. OPERATING AND FINANCIAL REVIEW

The income statement shows a loss after tax of $857,987 (2007 loss: $10,548) for the year. The Group has no bank debt. As at 30 June 2008 the Group had a cash position of $3,876,807 (2007: $432,396). Operating activities incurred a cash outflow for the year of $804,247 (2007:$4,554).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, other than reported in the Directors' report and in the Letter from the Chairman and Managing Director, there were no significant changes in the state of affairs of the Group during the year ended 30 June 2008.

8. 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.

9. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2008 there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

10. LIKELY DEVELOPMENTS

Likely developments are the continued minerals exploration on the tenements owned or controlled by the Group.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

11. DIRECTORS' INTERESTS

The relevant interest of each Director in the shares or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Rex Minerals Limited	
	Ordinary shares	Options over ordinary shares
Mr Paul Chapman	2,500,000	1,000,000
Mr Richard Laufmann	2,500,000	1,000,000
Mr Steven Olsen	4,500,000	1,500,000

12. SHARE OPTIONS

12.1 Options granted to Directors and Officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following Directors and to the following of the five most highly remunerated Officers of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Directors			
Mr Paul Chapman	–	–	–
Mr Richard Laufmann	–	–	–
Mr Steven Olsen	–	–	–
Executives			
Ms Amber Rivamonte	600,000	$0.25	30 June 2011
Mr Geoffrey Lowe	600,000	$0.25	30 June 2011

All options were granted during the financial year. No options have been granted since the end of the financial year.

12.2 Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

All options expire on the expiry date, unless the options have not vested and the employee is terminated then options will lapse.

Expiry date	Exercise price	Number of shares
30 June 2011	$0.25	5,700,000
30 June 2011	$0.30	1,500,000
30 June 2011	$0.365	300,000
Total		7,500,000

12.3 Shares issued on exercise of options

During or since the end of the financial year, the Company did not issue ordinary shares as a result of the exercise of options.

13. INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company provides insurance to cover legal liability and expenses for the Directors and Executive Officers of the Company. The Directors and Officers Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the Officers in their capacity as Officers. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and certain Officers to indemnify these individuals against any claims and related expenses, which arise as a result of their work in their respective capacities.

The Company has not provided any insurance or indemnity for the auditor of the Company.

14. NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has also acted as investigating accountant for the IPO (see note 31 for disclosure of actual payment).

15. REMUNERATION REPORT – AUDITED

15.1 Principles of compensation

Remuneration is referred to as compensation through this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including Directors of the Company and other Executives. Key management personnel comprise the Directors of the Company and Executives for the Company and the Group including the five most highly remunerated Company and Group Executives.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Board obtains independent advice of the appropriateness of compensation packages of both the Company and the Group given trends in comparative companies and the objectives of the Company's compensation strategy.

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

15.1.1 Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group. In addition external consultants provide analysis and advice to ensure the Directors' and Senior Executives' compensation is competitive in the market place.

15.1.2 Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives.

15.1.3 Short-term incentive bonus

The short-term incentive (STI) is a discretionary bonus provided in the form of cash, which is calculated based on an assessment of key performance indicators, including share price performance, business growth, exploration success and safety, environment and community issues.

15.1.4 Long-term incentive

The long-term incentive (LTI) is provided as options over ordinary shares of the Company.

15. REMUNERATION REPORT – AUDITED (continued)

15.1.5 Service agreements

It is the Group's policy that employment contracts for key management personnel, excluding the Chief Executive Officer are unlimited in term but capable of termination on 3 months' notice and that the Group retains the right to terminate the contract immediately, by making payment equal to 3 months' pay in lieu of notice.

The Group has entered into contracts with each key management person, excluding the Chief Executive Officer, that are capable of termination on three month's notice. The Group retains the right to terminate a contract immediately by making payment equal to three month's pay in lieu of notice. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The employment contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the Senior Executive and any changes required to meet the principles of the compensation policy.

Mr Steven Olsen, Chief Executive Officer, has a contract of employment dated 1 July 2007 with the Company and terminates on the 30 June 2010. The contract specifies the duties and obligations to be fulfilled by the Chief Executive Officer and provides that the Board and Chief Executive Officer will consult and agree objectives for achievement each year.

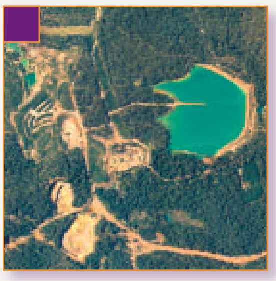
The Chief Executive Officer has no entitlement to termination payment in the event of removal for misconduct or gross negligence.

Discretionary bonus payments are allowable under the current management employment contracts including the Chief Executive Officer for meeting and/or exceeding performance milestones and upon approval by the Board.

Non-Executive Directors

Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2007 AGM, is not to exceed $300,000 per annum and is set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies. Directors' base fees are presently up to $95,000 per annum.

The Chairperson and Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board activities and membership of committees.



15. REMUNERATION REPORT – AUDITED (continued)

15.2 Directors' and Executive Officers' remuneration (Company and Group)

Details of the nature and amount of each major element of remuneration of each Director of the Company, each of the five named Company Executives and relevant Group Executives who receive the highest remuneration and other key management personnel are:

		Short-term				Post-employment		Share-based payments			
		Salary & fees $	STI cash bonus $ (A)	Non-monetary benefits $	Total $	Super-annuation benefits $	Term-ination benefits $	Fair Value Options $ (B)	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors											
Non-Executive Directors											
Mr Paul Chapman (Chairperson)	2008	50,000	–	–	50,000	4,500	–	–	54,500	–	–
	2007	–	–	–	–	–	–	–	–	–	–
Mr Richard Laufmann	2008	45,000	–	–	45,000	4,050	–	–	49,050	–	–
	2007	–	–	–	–	–	–	–	–	–	–
Executive Directors											
Mr Steven Olsen – Managing Director	2008	200,000	–	–	200,000	18,000	–	–	218,000	–	–
	2007	–	–	–	–	–	–	–	–	–	–
Executives											
Ms Amber Rivamonte – Company Secretary	2008	144,423	–	–	144,423	12,998	–	59,974	217,395	–	27.5
Appointed July 2007	2007	–	–	–	–	–	–	–	–	–	–
Mr Geoffrey Lowe – Exploration Manager	2008	119,359	15,000	20,000	154,359	10,742	–	59,974	225,075	6.6	26.6
Appointed August 2007	2007	–	–	–	–	–	–	–	–	–	–
Total compensation: key management personnel (company and Group)	2008	558,782	15,000	20,000	593,782	50,290	–	119,948	764,020	1.9	15.6
	2007	–	–	–	–	–	–	–	–	–	–

15. REMUNERATION REPORT – AUDITED (continued)

15.2 Directors' and Executive Officers' remuneration (Company and Group) (continued)

Notes in relation to the table of Directors' and Executive Officers' remuneration

A. The short-term incentive bonus is for performance during the respective financial year using the criteria set out in the Remuneration Report. The amount was finally determined after performance reviews were completed and approved by the Board. No amounts vest in future years in respect of the bonuses paid.

B. The fair value of the unlisted options granted has been calculated at the date of grant based upon the Black Scholes option pricing model. The fair value is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate
31st July 2007	3.92 years	$0.121	$0.25	$0.25	55%	6.15%

15.3 Equity Instruments

All options refer to options over ordinary shares of Rex Minerals Ltd, which are exercisable on a one-for-one basis.

15.3.1 Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

	Number of options granted during 2008	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2008
Directors						
Mr Paul Chapman	–	–	–	–	–	–
Mr Richard Laufmann	–	–	–	–	–	–
Mr Steven Olsen	–	–	–	–	–	–
Executives						
Ms Amber Rivamonte	600,000	31 July 2007	$0.121	$0.25	30 June 2011	200,000
Mr Geoffrey Lowe	600,000	31 July 2007	$0.121	$0.25	30 June 2011	200,000

No options were granted as compensation to a key management person during the 2007 financial year. No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

15.3.2 Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

15. REMUNERATION REPORT – AUDITED (continued)

15.3 Equity Instruments (continued)

15.3.3 Exercise of options granted as compensation

During the reporting period, no options were exercised in regards to previously granted compensation.

15.3.4 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person, and each of the five named Company Executives and Group Executives is detailed below.

	Granted in year $ (A)	Value of Options Exercised in year $ (B)	Lapsed in year $ (C)
Directors			
Mr Paul Chapman	–	–	–
Mr Richard Laufmann	–	–	–
Mr Steven Olsen	–	–	–
Executives			
Ms Amber Rivamonte	59,974	–	–
Mr Geoffrey Lowe	59,974	–	–
	119,948	–	–

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option pricing model as described in note 23.
The total value of the options granted is included in the table above.
This amount is allocated to remuneration over the vesting period.

(B) There were no options exercised during this year.

(C) No options lapsed during the year.

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 48 and forms part of the Directors' report for the year ended 30 June 2008.

Dated at Melbourne this 24th day of September 2008.

Signed in accordance with a resolution of the Directors:

Steven Olsen
Managing Director

> REX MINERALS LTD

BALANCE SHEETS As at 30 June 2008

	Note	**Group** 2008 $	Group 2007 $	**Company** 2008 $	Company 2007 $
Current Assets					
Cash assets	10	3,876,807	432,396	3,876,807	432,396
Receivables	11	133,719	130,000	133,719	130,000
Other assets	12	304,576	10,000	304,576	–
Total current assets		**4,315,102**	**572,396**	**4,315,102**	**562,396**
Non-current assets					
Receivables	11	–	–	5,084,069	211,030
Investments	13	–	–	30	20
Exploration and evaluation expenditure	14	5,207,774	200,000	196,160	–
Property, plant and equipment	16	336,128	–	155,987	–
Total non-current assets		**5,543,902**	**200,000**	**5,436,246**	**211,050**
Total assets		**9,859,004**	**772,396**	**9,751,348**	**773,446**
Current Liabilities					
Trade payables	17	312,176	5,994	203,470	5,994
Non cash drilling accruals	18	827,713	–	827,713	–
Employee benefits	19	29,474	–	29,474	–
Total current liabilities		**1,169,363**	**5,994**	**1,060,657**	**5,994**
Total liabilities		**1,169,363**	**5,994**	**1,060,657**	**5,994**
Net assets		**8,689,641**	**766,402**	**8,690,691**	**767,452**
Equity					
Issued capital	20(i)	9,195,395	776,950	9,195,395	776,950
Reserves	20(iii)	362,781	–	362,781	–
Accumulated losses		(868,535)	(10,548)	(867,485)	(9,498)
Total equity		**8,689,641**	**766,402**	**8,690,691**	**767,452**

The notes on pages 26 to 46 are an integral part of these financial statements.

> REX MINERALS LTD

INCOME STATEMENTS For the year ended 30 June 2008

	Note	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Finance income	7	192,415	–	192,415	–
Administrative expenses		(310,579)	(5,813)	(310,579)	(5,563)
Prospectus expenses		–	(301)	–	(301)
Depreciation expense		(24,751)	–	(24,751)	–
Incorporation fees		–	(1,680)	–	(880)
Employee benefits expense	8	(646,007)	–	(646,007)	–
Marketing expenses		(69,065)	(2,754)	(69,065)	(2,754)
Loss before tax		**(857,987)**	**(10,548)**	**(857,987)**	**(9,498)**
Income tax (expense) benefit	9	–	–	–	–
Loss for the period		**(857,987)**	**(10,548)**	**(857,987)**	**(9,498)**
Loss per share attributable to ordinary equity holders					
Basic and diluted loss per share (cents)	22	(1.91)	(0.001)	(1.91)	(0.001)

The notes on pages 26 to 46 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY For the year ended 30 June 2008

Attributable to equity holders of the Group

	Share Capital Reserves $	Reserves $	Retained Earnings $	Total Equity $
Balance at 18 April 2007	–	–	–	–
Issue of ordinary shares	776,950	–	–	776,950
Loss for the period	–	–	(10,548)	(10,548)
Balance at 30 June 2007	**776,950**	**–**	**(10,548)**	**766,402**
Balance at 1 July 2007	776,950	–	(10,548)	766,402
Issue of ordinary shares	8,418,445	–	–	8,418,445
Issue of ordinary shares	–	362,781	–	362,781
Loss for the period	–	–	(857,987)	(857,987)
Balance at 30 June 2008	**9,195,395**	**362,781**	**(868,535)**	**8,689,641**

Attributable to equity holders of the Company

	Share Capital Reserves $	Reserves $	Retained Earnings $	Total Equity $
Balance at 18 April 2007	–	–	–	–
Issue of ordinary shares	776,950	–	–	776,950
Loss for the period	–	–	(9,498)	(9,498)
Balance at 30 June 2007	**776,950**	**–**	**(9,498)**	**767,452**
Balance at 1 July 2007	776,950	–	(9,498)	767,452
Issue of ordinary shares	8,418,445	–	–	8,418,445
Issue of ordinary shares	–	362,781	–	362,781
Loss for the period	–	–	(857,987)	(857,987)
Balance at 30 June 2008	**9,195,395**	**362,781**	**(867,485)**	**8,690,691**

The notes on pages 26 to 46 are an integral part of these financial statements.

> REX MINERALS LTD

STATEMENTS OF CASH FLOWS For the year ended 30 June 2008

	Note	**Group** 2008 $	Group 2007 $	**Company** 2008 $	Company 2007 $
Cash flows from operating activities					
Cash paid to suppliers and employees		(996,662)	(4,554)	(996,662)	(3,504)
Interest received		192,415	–	192,415	–
Net cash (used in) from operating activities	21	**(804,247)**	**(4,554)**	**(804,247)**	**(3,504)**
Cash flows from investing activities					
Exploration and evaluation payments		(2,055,616)	–	(181,012)	–
Payment for environmental bond		–	(10,000)	–	–
Acquisition of property, plant and equipment		(364,171)	–	(180,738)	–
Net cash from (used in) investing activities		**(2,419,787)**	**(10,000)**	**(361,750)**	–
Cash flows from financing activities					
Funds advanced to controlled entities		–	–	(2,058,037)	(11,050)
Proceeds from issue of share capital		7,155,000	446,950	7,155,000	446,950
Payment of transaction costs		(486,555)	–	(486,555)	–
Net cash from (used in) financing activities		**6,668,445**	**446,950**	**4,610,408**	**435,900**
Net increase in cash and cash equivalents		3,444,411	432,396	3,444,411	432,396
Cash and cash equivalents at beginning of the period		432,396	–	432,396	–
Cash and cash equivalents at period end	10	**3,876,807**	**432,396**	**3,876,807**	**432,396**

The notes on pages 26 to 46 are an integral part of these financial statements.

1. REPORTING ENTITY

Rex Minerals Limited (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is 24 Skipton Street, Ballarat, Victoria, 3350. The Group financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in minerals exploration.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 24 September 2008.

(b) Basis of measurement

The Group financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These Group financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 23 – measurement of share-based payments
- notes 19 and 26 – employee benefits and contingencies
- note 14 – exploration and evaluation expenditure

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Group financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power 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 currently are exercisable are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Group financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(i) Receivables – other debtors

Other debtors are reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment allowance is raised for any doubtful accounts.

(ii) Receivables – sale of non-current assets

The net gain (loss) on the sale of goods is included as revenue or expense at the date control of the assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(iv) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services provided to the Company prior to the end of the reporting period and are stated at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

> buildings 40 years
>
> vehicles 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Exploration and evaluation

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date represent obligations resulting from employee's services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(ii) Share-based payments

Equity-based compensation will be recognised as an expense in respect of the services received, or as capitalised exploration expenditure as appropriate.

The fair value of options granted is recognised as an asset or expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees became unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(g) Revenue Recognition

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenues are recognised at fair value of the consideration received net of the amount of GST. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revaluations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Tax

(i) Income taxes

Income tax expense 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 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 to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. 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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(ii) Tax consolidation

The Company has not chosen to implement tax consolidation at this time.

(iii) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows 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.

(i) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(j) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(k) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

> Revised AASB 3 **Business Combinations** changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements.

> AASB 8 **Operating Segments** introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

> Revised AASB 101 **Presentation of Financial Statements** introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

> AASB 2008-1 **Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations** changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii) Share-based payments

Equity-based compensation will be recognised as an expense in respect of the services received, or as capitalised exploration expenditure as appropriate.

The fair value of options granted is recognised as an asset or expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees became unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

5. FINANCIAL RISK MANAGEMENT

(i) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, or issue new shares. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities and currently has no external borrowings.

The Group encourages employees to be shareholders through the Employee Share Option Plan.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

(iii) Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

6. SEGMENT REPORTING

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

7. FINANCE INCOME AND EXPENSE

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Finance income – interest income on bank deposits	192,415	–	192,415	–
Finance expense	–	–	–	–
Net finance income and expense	192,415	–	192,415	–

8. EMPLOYEE BENEFITS EXPENSE

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Wages and salaries	561,149	–	561,149	–
Share based payments expense	55,384	–	55,384	–
Increase in liability for annual leave	29,474	–	29,474	–
Total employee benefits expense	646,007	–	646,007	–

9. INCOME TAX EXPENSE
NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX ACCOUNTING LOSS

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Loss for the period	(857,987)	(10,548)	(857,987)	(9,498)
Income tax using the domestic corporation tax rate of 30% (2007: 30%)	(257,396)	(3,164)	(257,396)	(2,849)
Increase in income tax due to:				
Non-deductible expenses	39,759	504	39,759	264
Decrease in income tax expense due to:				
Effect of tax losses not recognised	(217,637)	2,660	(217,637)	2,585
Total income tax expense (benefit) on pre-tax net profit	–	–	–	–

10. CASH ASSETS

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Bank balances	3,876,807	432,396	3,876,807	432,396
Cash and cash equivalents in the statement of cash flows	3,876,807	432,396	3,876,807	432,396

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24.

11. RECEIVABLES

	Group	Group	Company	Company
	2008 $	2007 $	2008 $	2007 $
Current				
Other receivables	133,719	130,000	133,719	130,000
Total current receivables	133,719	130,000	133,719	130,000
Non-current				
Loans to subsidiaries (i)	–	–	5,084,069	211,030
Total non-current receivables	–	–	5,084,069	211,030

(i) The recovery of the carrying value of loans to controlled entities is dependent on the successful development and commercial exploitation, or sale of interest held by controlled entities.

12. OTHER ASSETS

	Group	Group	Company	Company
	2008 $	2007 $	2008 $	2007 $
Prepayments	9,018	–	9,018	–
Drilling contract prepayments	295,558	–	295,558	–
Environmental bonds	–	10,000	–	–
Total other assets	304,576	10,000	304,576	–

13. INVESTMENTS IN SUBSIDIARIES

	Group	Group	Company	Company
	2008 $	2007 $	2008 $	2007 $
Investments in subsidiaries	–	–	30	20
Total investments	–	–	30	20

14. EXPLORATION AND EVALUATION EXPENDITURE

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Cost				
Balance at 1 July	200,000	–	–	–
Acquisitions	2,224,071	200,000	150,000	–
Additions	2,783,703	–	46,160	–
Expenditure written off	–	–	–	–
Balance at 30 June	5,207,774	200,000	196,160	–
Amortisation and impairment losses				
Balance at 1 July	–	–	–	–
Balance at 30 June	–	–	–	–
Carrying amounts				
At 1 July	200,000	–	–	–
At 30 June	**5,207,774**	**200,000**	**196,190**	–

The recoverability of the carry amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

15. UNRECOGNISED DEFERRED TAX ASSETS

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Net deferred tax assets have not been recognised in respect of the following				
Tax losses	2,935,453	–	819,455	–
Total tax assets / (liabilities) not recognised	**2,935,453**	–	**819,455**	–

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

16. PROPERTY, PLANT AND EQUIPMENT

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Cost				
Balance at 1 July	–	–	–	–
Acquisitions	364,171	–	180,738	–
Disposals	–	–	–	–
Balance at 30 June	364,171	–	180,738	–
Depreciation and impairment losses				
Balance at 1 July	–	–	–	–
Depreciation charge for the year	24,751	–	24,751	–
Depreciation charged to exploration projects	3,292	–	–	–
Disposals	–	–	–	–
Balance at 30 June	28,043	–	24,751	–
Carrying amounts				
At 1 July	–	–	–	–
At 30 June	**336,128**	–	**155,987**	–

17. TRADE PAYABLES

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Current				
Other trade payables and accrued expenses	312,176	5,994	203,470	5,994
Total current trade and other payables	**312,176**	**5,994**	**203,470**	**5,994**

18. NON CASH DRILLING ACCRUALS

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Current				
Drilling contract accrual payable in fully paid ordinary shares	827,713	–	827,713	–
Total non cash drilling accruals	**827,713**	–	**827,713**	–

On 23 July 2007, the Company entered into an agreement with Titeline Drilling Pty Ltd ("Titeline") pursuant to which Titeline has agreed to provide the Company with certain drilling and related services. The services will be provided for a period of 672 days of drilling. The services are to comprise all activities and costs associated with diamond and percussion drilling. The Company has agreed to pay Titeline as follows:

(a) A cash payment of $1,000,000 (plus GST). This amount was prepaid and based on drilling services provided to date, $704,442 has been capitalised with the balance carried forward as a prepayment, refer note 12.

18. NON CASH DRILLING ACCRUALS (continued)

(b) The issue to Titeline Property Pty Ltd of up to 6,000,000 shares. The shares issuable to Titeline under this agreement are expected to be issued over the period from July 2008 to December 2009 as drilling is undertaken. To the extent that shares have been earned prior to 30 June 2008, they have been accrued based on the value of drilling services provided (refer table above).

(c) The issue to Titeline Property Pty Ltd of 1,000,000 options over shares at an exercise price of $0.25 per option exercisable at any time before 30 June 2011. These options are only exercisable by Titeline after the agreement has been completed to the satisfaction of the Company. These options have been issued and vest on the basis described above. To the extent that services have been rendered in satisfaction of these options, they have been charged to the share based payments reserve.

19. EMPLOYEE BENEFITS

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Current				
Liability for annual leave	29,474	–	29,474	–
Total employee benefits	29,474	–	29,474	–

20. ISSUED CAPITAL

	Date of issue	No of shares	Issue price $	$
(i) Movements in shares on issue:				
Opening balance at 1 July 2007		16,765,000		776,950
Issue of ordinary shares – seed capital	20/07/2007	300,000	0.10	30,000
Issue of ordinary shares – to acquire EL4669	20/07/2007	500,000	0.25	125,000
Issue of ordinary shares – initial public offering (IPO)	13/09/2007	28,000,000	0.25	7,000,000
Less costs to the IPO issue		–	–	(486,555)
Issue of ordinary shares – to acquire all SA licences	13/09/2007	6,000,000	0.25	1,500,000
Issue of ordinary shares – to acquire EL4920	10/04/2008	1,000,000	0.25	250,000
Closing balance at 30 June 2008		52,565,000		9,195,395
Opening balance at 18 April 2007		–		–
Issue of ordinary shares – founding Directors	13/05/2007	9,500,000	0.10	50,450
Issue of ordinary shares – seed capital	18/06/2007	5,265,000	0.10	525,500
Issue of ordinary shares – to acquire St Arnaud project	29/06/2007	2,000,000	0.10	200,000
Closing balance at 30 June 2007		16,765,000		776,950

20. ISSUED CAPITAL (continued)

	Date of issue	No of options	Exercise price $	Expiry date
(ii) Movements in options on issue:				
Opening balance at 1 July 2007		3,500,000		
Issue of options – to acquire EL4669	20/07/2007	500,000	0.30	30/06/2011
Issue of options – to employees	20/07/2007	1,200,000	0.25	30/06/2011
Issue of options – to acquire all SA licences	13/09/2007	1,000,000	0.30	30/06/2011
Issue of options – for contract drilling services	13/09/2007	1,000,000	0.25	30/06/2011
Issue of options – to employees	03/12/2007	300,000	0.365	30/06/2011
Closing balance at 30 June 2008		7,500,000		
Opening balance at 18 April 2007		–		
Issue of options – founding Directors	31/05/2007	3,500,000	0.25	30/06/2011
Closing balance at 30 June 2007		3,500,000		

	$
(iii) Movements in share based payment reserve:	
Opening balance at 1 July 2007	–
Employee share based payments – to employees	168,974
Options issued – to acquire EL4669 and all SA licences	159,000
Options issued – for contract drilling services	34,807
Closing balance at 30 June 2008	362,781

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2008 $	Group 2007 $	**Company** 2008 $	Company 2007 $
Cash flows from operating activities				
Loss for the period	(857,987)	(10,548)	(857,987)	(9,498)
Adjustments for non cash items:				
Depreciation	24,751	–	24,751	–
Share based payment transactions	55,384	–	55,384	–
Operating loss before changes in working capital and provisions	(777,852)	(10,548)	(777,852)	(9,498)
(Increase)/decrease in trade and other receivables	(137,737)	–	(137,737)	–
(Decrease)/increase in trade and other payables	102,712	5,994	102,712	5,994
(Decrease)/increase in employee benefits	8,630	–	8,630	–
Net cash (used in) from operating activities	(804,247)	(4,554)	(804,247)	(3,504)

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (continued)

During the financial year, the Group had the following non-cash investing and financing activities which are not reflected in the statement of cash flows (refer note 20):

(a) Acquisition of Victorian and South Australian licences for a combination of share and option consideration.

(b) Issue of options to employees, some of which have been capitalised as exploration expenditure.

(c) Drilling services provided by Titeline drilling for a combination of share and option consideration.

22. LOSS PER SHARE

	Group	Group
	2008 $	2007 $
Loss per share		
Basic loss per share – cents	(1.91)	(0.001)
Diluted loss per share – cents	(1.91)	(0.001)

(a) **Basic loss per share**

The calculation of basic earnings (loss) per share (EPS) at 30 June 2008 was based on the loss attributable to ordinary equity holders of $857,987 (2007: $10,548) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008 of 44,852,124 (2007: 8,382,500).

(b) **Diluted loss per share**

The calculation of diluted earnings (loss) per share at 30 June 2008 is the same as basic earnings per share.

23. SHARE BASED PAYMENTS

The Company established a share option plan that entitles employees (other than Directors) to purchase shares in the Company.

The following options were granted during the financial year ending 30 June 2008:

Employees entitled	Grant date	No of options	Expiry date
Key management personnel (A)	20/07/2007	1,200,000	30/06/2011
Other employees (B)	03/12/2007	300,000	30/06/2011
Total		**1,500,000**	

There were no options forfeited or exercised during the period.

Options issued in 2007 are founding options and not granted as compensation to key management personnel.

Key management personnel options (A) are exercisable at a price of 25 cents each, employee options (B) are exercisable at a price of 36.5 cents each, vesting one third immediately, one third on 30 June 2008, one third on 30 June 2009 and expiring 30 June 2011. Each option entitles the holder to subscribe for 1 ordinary share in the Company.

All options vest on the vesting date, unless the options have not vested and the employee is terminated, in which case these options will lapse. These options do not entitle the holder to participate in any share issue of the Company or any other related entity.

23. SHARE BASED PAYMENTS (continued)

(a) Fair value of share options and assumptions

The fair value of the unlisted options have been calculated at the date of the grant based upon the Black Scholes option pricing model. The fair value is allocated to each reporting evening over the period from grant date to vesting date. The value disclosed below (employee expenses) is the portion of the fair value of the options allocated to this reporting period.

Employees entitled	(A)	(B)
Fair value at grant date	$0.121	$0.207
Share price at date of grant*	$0.25	$0.365
Exercise price	$0.25	$0.365
Expected volatility	55%	60%
Option life (years)	3.92	3.57
Risk free interest rate	6.15%	6.17%

*Issue price under the prospectus for options issued on or around the date the prospectus lodged with ASIC on 10 August 2007 and for the options issued following listing and trading the 5 day volume weighted average price.

The common method for valuing options is the Black Scholes option pricing model. Black Scholes option pricing model looks at the past share price as an indicator of the future share price. Black Scholes option pricing model assumes that high volatility in the share prices is an indicator for a higher valuation as there is a greater chance of the share price moving significantly (upwards or downwards). The model also assumes that the options are exercised at or near the expiry date of the options.

(b) Employee expenses

	Group	Group	**Company**	Company
	2008 $	2007 $	**2008 $**	2007 $
Share options granted in 2007	–	–	–	–
Share options granted in 2008 – recognised in income statement	55,384	–	55,384	–
Share options granted in 2008 – capitalised to exploration projects	113,590	–	113,590	–
Total expense recognised as employee costs	**168,974**	–	**168,974**	–

24. FINANCIAL INSTRUMENTS

Exposure to credit risk and interest rate risks arose in the normal course of the Group's business.

(a) Credit risk

Management monitors the exposure to credit risk on an ongoing basis. The Company does not require collateral in respect of financial assets. At reporting date, cash is held with a reputable financial institution. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Fair value

The financial assets and financial liabilities included in assets and liabilities approximate net fair values.

24. FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

The following are the contractual maturities of financial liabilities excluding derivatives.

Financial liabilities **Group**	Carrying amount $	Contractual cash flows $	1 year or less $	1-2 years $
2008				
Trade and other payables	312,176	(312,176)	(312,176)	–
	312,176	**(312,176)**	**(312,176)**	–
2007				
Trade and other payables	5,994	(5,994)	(5,994)	–
	5,994	**(5,994)**	**(5,994)**	–

Financial liabilities **Company**	Carrying amount $	Contractual cash flows $	1 year or less $	1-2 years $
2008				
Trade and other payables	203,470	(203,470)	(203,470)	–
	203,470	**(203,470)**	**(203,470)**	–
2007				
Trade and other payables	5,994	(5,994)	(5,994)	–
	5,994	**(5,994)**	**(5,994)**	–

(d) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's short-term deposits. At balance date, the Group had the following financial assets exposed to variable interest rate risk:

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Cash and cash equivalents	3,876,807	432,396	3,876,807	432,396

At balance date, the Group has no financial liabilities exposed to variable interest rate risks.

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables constant, profit and or loss and equity would have been affected as follows:

24. FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk (continued)

	> Profit or loss higher/(lower)		> Equity higher/(lower)	
	2008 $	2007 $	2008 $	2007 $
Group				
+1% (100 basis points)	24,462	–	24,462	–
-1% (100 basis points)	(24,462)	–	(24,462)	–
Company				
+1% (100 basis points)	24,462	–	24,462	–
-1% (100 basis points)	(24,462)	–	(24,462)	–

The movements in profit or loss are due to higher/lower interest earnings from variable rate cash balances. The movements in equity are directly linked to movements in the Income Statement.

(e) Impairment losses

None of the Group's receivables are post due (2007: nil).

25. EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements. These obligations are expected to be fulfilled in the normal course of operations. Mining interests may be relinquished or joint ventured to reduce this amount. The various State governments has the authority to defer, waive or amend the minimum expenditure requirements.

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Not later than one year	1,125,300	1,311,850	–	–
Later than one year but not later than five years	4,626,500	4,460,800	–	–

26. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefit will be required or the amount is not capable of reliable measurement.

The Company's bankers have guaranteed $40,000 (2007: $10,000) in the event the Company is called upon to rehabilitate exploration sites. The guarantee is secured against land and buildings.

There are no other contingent liabilities or assets at the date of this report.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Name	Position held	Appointment detail
Non-Executive Directors		
Mr Paul Chapman	Chairperson	Appointed 18 April 2007
Mr Richard Laufmann	Chairperson – Audit Committee	Appointed 16 May 2007
Executive Directors		
Mr Steven Olsen	Managing Director	Appointed 13 May 2007
Executives		
Ms Amber Rivamonte	Company Secretary & CFO	Appointed 16 July 2007
Mr Geoffrey Lowe	Exploration Manager	Appointed 27 August 2007

There have been no changes to key management personnel between 1 July 2008 and the date of this report.

The key management personnel compensation included in "Employee Benefits Expenses" (see note 8) and "Exploration and Evaluation" (see note 14) are as follows:

	Group	Group	**Company**	Company
	2008 $	2007 $	2008 $	2007 $
Short term employee benefits	573,782	–	573,782	–
Post employment benefits	50,290	–	50,290	–
Share based payments	119,948	–	119,948	–

(a) Key management personnel compensation disclosures

Information regarding individual Directors and Executives compensation and some equity instrument disclosures as permitted by Corporation Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' Report on pages 17 to 21.

No key management personnel has entered into a material contract or related party transactions with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Rex Minerals Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2008	Note	Held at 1 July 2007	Granted as compensation	Vested during year	Held at 30 June 2008	Vested and exercisable at 30 June 2008
Directors						
Mr Paul Chapman	(i) (iv)	1,000,000	–	–	1,000,000	1,000,000
Mr Richard Laufmann	(ii) (iv)	1,000,000	–	–	1,000,000	1,000,000
Mr Steven Olsen	(iii) (iv)	1,500,000	–	–	1,500,000	1,500,000
Executives						
Ms Amber Rivamonte		–	600,000	200,000	600,000	200,000
Mr Geoffrey Lowe		–	600,000	200,000	600,000	200,000

2007	Note	Held at 18 April 2007	Options acquired*	Vested during year	Held at 30 June 2007	Vested and exercisable at 30 June 2007
Directors						
Mr Paul Chapman	(i) (iv)	–	1,000,000	–	1,000,000	1,000,000
Mr Richard Laufmann	(ii) (iv)	–	1,000,000	–	1,000,000	1,000,000
Mr Steven Olsen	(iii) (iv)	–	1,500,000	–	1,500,000	1,500,000
Executives						
Ms Amber Rivamonte		–	–	–	–	–
Mr Geoffrey Lowe		–	–	–	–	–

* The options acquired in 2007 are founding options and not granted as compensation to key management personnel.

Options over ordinary shares that were held by related parties of key management personnel are disclosed below.

(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.

(iv) Interests held are subject to ASX escrow until 24 months after listing (ie 20 September 2009)

No options were exercised during the financial years ending 2007 & 2008.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Movements in shares

The movement during the reporting period in the number of ordinary shares in Rex Minerals Ltd held, directly, indirectly or beneficially, by key management person, including their related parties, is as follows:

2008	Note	Held at 1 July 2007	Purchases	Sales	Held at 30 June 2008
Directors					
Mr Paul Chapman	(i)	2,500,000	–	–	2,500,000
Mr Richard Laufmann	(ii)	2,500,000	–	–	2,500,000
Mr Steven Olsen	(iii)	4,500,000	–	–	4,500,000
Executives					
Ms Amber Rivamonte		250,000	–	–	250,000
Mr Geoffrey Lowe		–	10,000	–	10,000

2007	Note	Held at 18 April 2007	Purchases	Sales	Held at 30 June 2007
Directors					
Mr Paul Chapman	(i)	–	2,500,000	–	2,500,000
Mr Richard Laufmann	(ii)	–	2,500,000	–	2,500,000
Mr Steven Olsen	(iii)	–	4,500,000	–	4,500,000
Executives					
Ms Amber Rivamonte		–	250,000	–	250,000
Mr Geoffrey Lowe		–	–	–	–

Shares that were held by related parties of key management personnel are disclosed below.

(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 $0.01 each.

(d) Director related entities

There were no other transactions with Director related entities.

28. RELATED PARTIES

(a) Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 29), and with its key management personnel (see note 27).

(b) Subsidiaries

Loans are made by the Company to wholly owned subsidiaries. Loans outstanding between the Company and its subsidiaries have no fixed date of repayment but are repayable at call, and are non-interest bearing. During the year ended 30 June 2008, such loans totalled $2,058,037 (2007: $211,050).

29. GROUP ENTITIES

	Country of Incorporation	Ownership Interest 2008	2007
Parent entity			
Rex Minerals Ltd	Australia		
Subsidiaries			
Rex Minerals (SA) Pty Ltd	Australia	100%	100%
Rex Minerals (Vic) Pty Ltd	Australia	100%	100%
Rex Minerals (Iron Ore) Pty Ltd	Australia	100%	–

The subsidiaries are small proprietary companies and are not required to prepare financial statements. Consequently no individual audit reports have been issued for them.

30. SUBSEQUENT EVENTS

There have been no subsequent events to 30 June 2008 to disclose at the date of this report.

31. AUDITORS' REMUNERATION

	Group 2008 $	Group 2007 $	**Company 2008 $**	Company 2007 $
KPMG Australia				
Audit services	37,000	–	37,000	–
Other services	16,500	–	16,500	–

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Rex Minerals Ltd ('the Company'):

   a) the financial statements and notes set out on pages 22 to 46, and the Remuneration report in the Directors' report, set out on pages 17 to 21, are 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 2008 and of their performance, for the financial year ended on that date; 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 2(a);

   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2008.

Dated at Melbourne this 24th day of September 2008.

Signed in accordance with a resolution of the Directors:

Steven Olsen
Managing Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

KPMG

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 financial year ended 30 June 2008 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

KPMG

Alison Kitchen
Partner

Melbourne

24 September 2008

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration set out on pages 22 to 47 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.

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 Australian 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.

KPMG

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 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report Rex Minerals Limited also complies with International Financial Reporting standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in section 15 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Rex Minerals Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

AMKitchen

Alison kitchen
Partner

Melbourne
24 September 2008

ADDITIONAL SHAREHOLDER INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

(a) **Substantial shareholders lodged with the Company as at 31 August 2008**

Name of Ordinary Shareholder	Number of Shares	% of Shares Held
Lihir Australia Holdings PL	7,000,000	13.32
Avoca Resources Ltd	6,000,000	11.41
S&S Olsen PL	4,500,000	8.56

(b) **Listing of 20 largest shareholders as at 31 August 2008**

Rank	Name	Designation	Number of Shares Held	% of Issued Capital
1	Lihir Australia Holdings PL		7,000,000	13.32%
2	Avoca Resources Ltd		6,000,000	11.41%
3	S & S Olsen PL		4,500,000	8.56%
4	Natalie Laufmann		2,500,000	4.76%
5	Auselect Ltd		2,000,000	3.8%
6	J P Morgan Nominees Australia Ltd		2,000,000	3.8%
7	Stone Poneys Nominees PL	Chapman S/F A/C	1,250,000	2.38%
8	Stone Poneys Nominees PL	Chapman Inv Fund	1,250,000	2.38%
9	Philippa Jean Laufmann	Laufmann Family A/C	1,000,000	1.9%
10	Lyrebird PL	Lyrebird S/F A/C	660,000	1.26%
11	Goldsearch Ltd		500,000	0.95%
12	James Ronald Selkirk		500,000	0.95%
13	CL Smith & Associates PL	Colin Smith S/F A/C	300,000	0.57%
14	Stephen Twyerould	SCT & CCC S/F A/C	300,000	0.57%
15	Geoffrey Van Lear	B209 A/C	279,000	0.53%
16	Amber Rayne Rivamonte		250,000	0.48%
17	P B & C A Johnston	Johnston Family A/C	250,000	0.48%
18	Flagstaff Place PL		207,000	0.39%
19	Tectonex Geoconsultants PL	Etheridge S/F A/C	200,000	0.38%
20	Thylacine PL	Brian Phillips S/F	200,000	0.38%
Total			**31,146,000**	**59.25%**

(c) **Distribution of shareholders as at 31 August 2008**

Range	Total Holders	Units	% of Issued Capital
1-1,000	1	1,000	0.00%
1,001-5,000	73	237,044	0.45%
5,001-10,000	154	1,322,860	2.52%
10,001-100,000	365	13,143,443	25.00%
100,001 - over	59	37,860,653	72.03%
Total	**652**	**52,565,000**	**100.00%**

(d) **Number of shareholders holding less than a marketable parcel as at 31 August 2008**

Fifteen.

(e) **Voting rights**

On a show of hands every shareholder of fully paid ordinary shares present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

(f) **Stock exchange listing**

Rex Minerals Ltd is listed on the Australian Stock Exchange. The Company's ASX code is **RXM**.

NOTES

ANNUAL **REPORT** >> **2008**

Designed and Produced by **Celtink Creative** Ballarat. info@celtink.com

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