

ASX Code:	AXO
Issued shares	193.5
Fully diluted shares (excl Convertible notes)	198.3M
Cash on exercise of options	\$4.1M
12mth range Cents	7 – 49

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Executive Director



30 October 2009

e-lodgement

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2 The Esplanade
Perth WA 6000

HIGHLIGHTS

- Integrated Iron-Vanadium-Titanium Study Advances
- Aurox Secures \$10M Placement Facility
- FLSmidth Contract Concluded

Aurox Developing Resources
Shareholders Developing Wealth

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THE BALLA BALLA PROJECT - UPDATE

IRON-VANADIUM-TITANIUM INTEGRATED STUDY ADVANCES

Aurox is finalizing its engineering and cost study for integrated production of iron and titanium concentrates and ferrovanadium at its West Pilbara Balla Balla Project.

In 2006 Aurox completed a Bankable Feasibility Study (“BFS”) for the production of ferrovanadium (“FeV”) from a stand-alone operation at Balla Balla. FeV is an essential alloy used to strengthen all grades of steel, especially tool, heat-treated, and structural steels. Although the BFS results for the standalone FeV Project were favourable, the reliance on spot-market sales of the lone FeV commodity increased the potential volatility of revenues and in turn project risk. These issues were addressed when the Company decided in favour of producing a vanadium-rich iron concentrate and thereafter secured binding off-take sale agreements with Chinese steel-vanadium makers Chengde Iron & Steel and the RockCheck Steel Group.

In 2009 the Balla Balla FeV Project was revisited as part of the staged expansion of the Balla Balla iron concentrate project from 6 million to 10 million tonnes per annum (“tpa”). Investigations show that 7,000 tonnes of FeV could be produced annually from 1.75 million tpa of titanomagnetite feed. Importantly, the FeV plant produces 1million tpa of iron concentrate as a co-product which grades +60% Fe and is suited for blending with the iron concentrate produced from Balla Balla’s 10 million tpa iron concentrate operation. The blended iron concentrate will be transported to Port Hedland via a buried slurry pipeline where Aurox has secured a renewable 15 year agreement with the Port Hedland Port Authority for use of the new Utah Point multi-user berth and shipping facility.

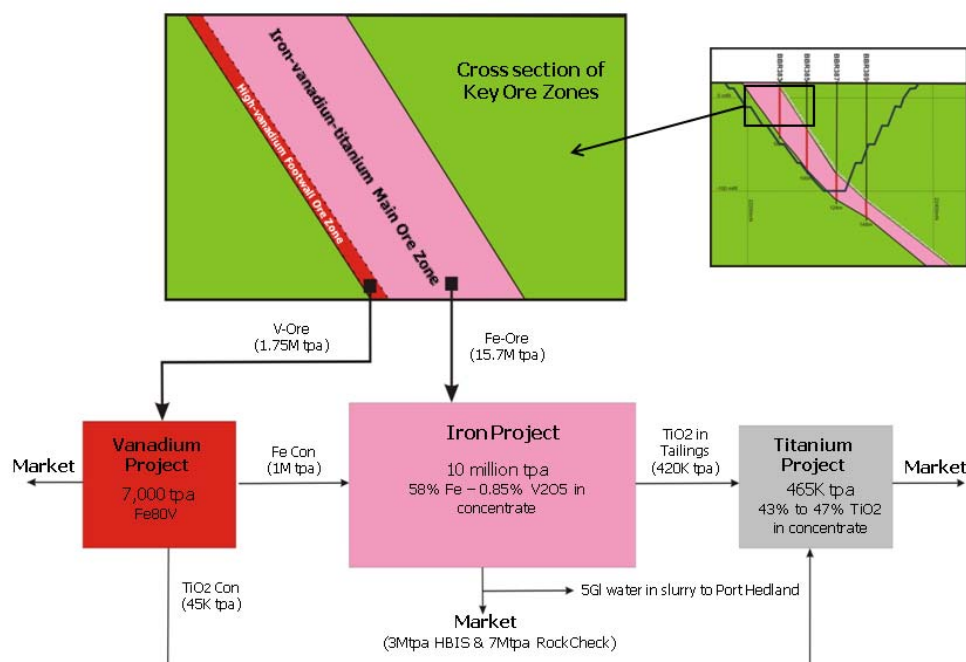
Preliminary financial analysis shows the sale of 7,000 tpa of FeV plus 1million tpa iron concentrate puts the Balla Balla Vanadium Project on par with the world’s largest, lowest cost ferrovanadium producers. This is attributable to;

- shared capital and operating costs amongst production of three commodities
- economies of scale
- the ability to feed the process-intensive vanadium circuit with only the highest grade ore from the footwall of the titanomagnetite orebody
- sale of iron and titanium co-products

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The weakly-magnetic material produced as tails during the production of iron concentrate contains 10% to 12% TiO₂ (as ilmenite). Ilmenite is used mainly as raw material for pigment production and is a readily saleable product in China when concentrated to contain 43% to 47% TiO₂. Metallurgical studies by Aurox have confirmed that over 465,000 tpa of titanium concentrate grading between 43% and 47% TiO₂ can be recovered from the Balla Balla tailings once iron concentrate production reaches 10 million tpa.

The figure below illustrates the ‘mine to market’ flow-sheet of the integrated 3-product Balla Balla Project.



The efficiencies gained from synergies of producing 3 products from a single deposit translate to considerable capital and operating cost savings which significantly enhance the return on capital and profitability of the Balla Balla Project.

GR Engineering Services Pty Ltd (GRES) re-estimated the capital and operating costs ($\pm 15\%$) for the 3-product operation taking into account the cost-saving synergies listed above. The first draft of the GRES cost study was completed in late September and key information is now being independently cross-checked and incorporated into a detailed financial model. Results of the study will be announced once the validation and analytical work is complete.

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IRON CIRCUIT

Aurox has finalized investigative and subsequently follow-on confirmatory testwork on the iron circuit for the Balla Balla orebody.

TITANIUM CIRCUIT

A bulk testwork program with Amdel Ltd (Amdel) was commissioned by Aurox in March 2009, the aim being to generate a large iron tailings sample to finalise the titanium testwork. The bulk program was completed earlier this quarter, enabling Aurox to commence the titanium circuit optimisation program of work (PoW). Aurox has been working with potential customers to ensure concentrate specifications match their requirements.

CONSTRUCTION MATERIAL FOR CIVIL WORKS IDENTIFIED

Sand and rock required for civil works, cement and foundations has been identified within reasonable proximity of the Balla Balla site. Laboratory tests will be undertaken to ensure the material is appropriate for use in engineered footings, such as those under mill installations.

UTAH POINT BERTH CONSTRUCTION DUE FOR JUNE 2010 COMPLETION

The Utah Point multi-user berth from which Aurox will be exporting its products is now due for completion and commissioning June 2010. Pictured below is the installation of berth pilings (foreground) with dredging activities being undertaken in background.



Courtesy Port Hedland Port Authority

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FURTHER WATER RESOURCE POTENTIAL IDENTIFIED FROM AUROX STUDY CO-FUNDED BY GOVERNMENT

The part Government funded water re-use scoping study Aurox is undertaking is largely complete. The study is investigating the concept of Aurox leaving filter decant water at Port Hedland, instead of pumping it back to the Balla Balla site where it would have been used again in the process circuit. The desired outcome is to be able to leave Aurox's water at the Port for low end uses such as dust suppression and equipment wash down, instead of scarce, good quality potable water being used for these purposes.

One of the main areas of the study was to compile a comprehensive database of geological and hydrology data within about 35 km of the Balla Balla site. This data was organized in GIS format where multiple layers could be superimposed, so targets for water exploration could be identified and rated according to the likelihood of finding sustainable water supplies that aligned with the preferred criteria of salinity and flow rates.

Due to extensive experience from the water exploration and bore establishment programmes already completed at Balla Balla, there is a high level of confidence that there is potential to define further water resources to;

- enable Aurox to leave its process water at the Port
- undertake expansions as planned
- enable the Government to establish fit for purpose water supplies for Ports and other industries in the Pilbara
- displace many current uses of potable water and conserve it for town growth

Given there is a positive overall outcome to the scoping study, it is intended, in liaison with Government Departments and Stakeholders that criteria for a detailed definitive feasibility study are formulated and a study is completed.

The benefits to the company, Government, other Stakeholders and environment as a result of a co-operative and holistic approach to water management are manifold and they should assist to stimulate sustainable, long term development in the Pilbara.

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ENVIRONMENTAL

Aurox continues to achieve its environmental obligations. As a requirement of the Ministerial Approval granted for the Balla Balla Project in April 2009, Aurox has submitted a Compliance Assessment Plan (CAP) to the Department of Environment and Conservation (DEC) to establish a system for monitoring and reporting compliance with the implementation of the conditions of the Approval.

CAP's are recent additions to the DEC compliance management and Aurox is working closely with environmental groups to continue the Company commitment to the environment and relevant stakeholders.

CORPORATE

FINANCING

Balla Balla Project Funding

The Company is working closely with its advisors, Sigiriya Capital, to secure debt and equity funding for the Balla Balla project. A number of large overseas groups have shown interest in participating at both the corporate and project level. Preliminary discussions are underway with the move to formal due diligence occurring upon sign-off of the Iron-Vanadium-Titanium Study and organization of the new data-room in late October – early November.

\$10M Equity Placement Facility Secured

On 4 September 2009 the Company announced that it had secured a A\$10,000,000 facility with US-Based Investment Fund YA Global Master SPV Ltd (YA Global). Managed by US-Based Yorkville Advisors LLC, the YA Global Group of Funds has a solid reputation in the US and UK financial markets and a rapidly growing reputation in Australia for structuring convertible loans and equity participation agreements. To date, the YA Global Group has made available in excess of over A\$300,000,000 for over 20 ASX-listed companies.

Under the terms of the facility, Aurox may, at its discretion, issue shares to YA Global at any time over the next 60 months, up to a total of A\$10,000,000. Aurox may draw down up to A\$300,000 in any period of 10 trading days. Subject to certain conditions, shares issued to YA Global at the completion of the draw down notice will be priced at the higher of the market

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price or the minimum acceptable price specified by Aurox in the relevant draw down notice. A commission of 4.5% will be payable by Aurox at the time of issue. Aurox is free to obtain additional or alternative financing elsewhere without restriction or incurring penalties.

FLSMIDTH ENGINEERING & MANUFACTURING CONTRACT CONCLUDED

Aurox and engineering and mining equipment supplier, FLSmidth Pty Ltd (“FLSmidth”) have agreed to conclude the uncompleted process of detailed engineering and procurement activities for key plant items at the Balla Balla magnetite project.

In April 2008 Aurox announced that it had entered into a contract with FLSmidth to initiated detailed design and engineering work and secure the manufacture of key plant items for the Balla Balla magnetite project. The contract provided for an initial phase of work to be undertaken by FLSmidth pending notification by Aurox of its decision to proceed with the Project upon receipt of government approvals and project funding.

Unfortunately the dramatic changes to credit markets brought about by the GFC in late 2008 meant that the Company was unable to secure project funding in the timeframe originally contemplated. With the initial phase of work completed and the timing of project funding uncertain it was determined to be in the best interest of both parties to close the current agreement. As part of the mutually agreed closure process FLSmidth will provide a full release of all plant design information established to date for future use by Aurox in the development of the Balla Balla Project. Both parties have also agreed to pursue opportunities for recovery of capital from previous procurement related activities.

The finalisation of the agreement with FLSmidth concludes arrangements put in place in early 2008 and derailed by the global financial crisis. By closing the agreement the Company gains flexibility in strategy and development options.

CASH RESERVES

Cash reserves total approximately \$8.3 million at the end of the September 2009 quarter.

ANNUAL REPORT AND ANNUAL GENERAL MEETING

The 2009 Aurox Annual report is available on the Company website at www.aurox.com.au.

Aurox will hold its annual general meeting at 11:00am (WST) on 27 November 2009 in the Conference Suite, Level 8, Exchange Plaza, The Esplanade, Perth WA.

The Company cordially invites all shareholders to attend. A copy of the Notice of Meeting is also available on the Company’s website.

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FUTURE ACTIVITIES SUMMARY

During the December 2009 Quarter, exploration and development activities will include:

- Validate and report results of Iron-Vanadium-Titanium Study
- Progress project funding
- Finalise Pilbara Water Reuse Initiative Scoping Study
- Further Titanium optimisation testwork in Australia
- Continuation of marketing activities related to titanium and vanadium
- Confirmation testwork to ascertain suitability of civil materials required for construction

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

AUROX RESOURCES LIMITED

ABN

32 106 793 560

Quarter ended ("current quarter")

30 SEPTEMBER 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration, evaluation and development	(907)	(907)
	(b) administration	(788)	(788)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	89	89
1.5	Interest and other costs of finance paid	(3)	(3)
1.6	Income taxes paid – R&D Tax offset	399	399
1.7	Other (refer to note 6)	67	67
	Net Operating Cash Flows	(1,143)	(1,143)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(10)	(10)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	2	2
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
	Net investing cash flows	(8)	(8)
1.13	Total operating and investing cash flows (carried forward)	(1,151)	(1,151)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,151)	(1,151)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings - convertible notes	-	-
1.17	Repayment of borrowings - hire purchase	(7)	(7)
1.18	Dividends paid	-	-
1.19	Other (<i>refer to note 8</i>)	(109)	(109)
	Net financing cash flows	(116)	(116)
	Net increase (decrease) in cash held	(1,267)	(1,267)
1.20	Cash at beginning of quarter/year to date	9,562	9,562
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	8,295	8,295

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	250
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-
3.3 Other (refer to note 7)	10,000	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration, evaluation and development	1,500
4.2 Administration	1,100
Total	2,600

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	48	201
5.2 Deposits at call	8,247	9,361
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	8,295	9,562

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E59/1054	Holder	100%	0%
6.2 Interests in mining tenements acquired or increased	P47/1521	Holder	0%	100%
	P47/1522	Holder	0%	100%
	E47/2147	Holder	0%	100%
	E47/2148	Holder	0%	100%
	E47/2149	Holder	0%	100%
	E47/2152	Holder	0%	100%
	M47/1432	Holder	0%	100%
	G47/1238	Holder	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	193,494,413	193,494,413	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(7% 30 June 2010 unsecured convertible notes)</i>	8,074,084	8,074,084	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	2,500,000 850,000 500,000 500,000 500,000	- - - - -	<i>Exercise price</i> \$0.40 \$0.75 \$1.30 \$1.65 \$2.05	<i>Expiry date</i> 27 May 2010 4 May 2011 15 November 2009 15 November 2009 15 November 2009
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	2,550,000	-	\$0.60	11 July 2009
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 30 October 2009

Print name: CRAIG FERRIER – COMPANY SECRETARY

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6 Item 1.7 consists of inflows during the relevant period of \$30,000 from goods and services tax and a certain government grant of \$37,000.
- 7 On 4 September 2009 the Company announced that it had secured a A\$10,000,000 facility with US-Based Investment Fund YA Global Master SPV Ltd (YA Global).

Under the terms of the facility, Aurox may, at its discretion, issue shares to YA Global at any time over the next 60 months, up to a total of A\$10,000,000. Aurox may draw down up to A\$300,000 in any period of 10 trading days. Subject to certain conditions, shares issued to YA Global at the completion of the draw down notice will be priced at the higher of the market price or the minimum acceptable price specified by Aurox in the relevant draw down notice. A commission of 4.5% will be payable by Aurox at the time of issue. Aurox is free to obtain additional or alternative financing elsewhere and there will not be any restrictions or penalties.
- 8 Item 1.19 represent costs associated with financing arrangements.

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