



SECOND QUARTER OF FISCAL 2010

Consolidated Financial Statements

For the periods ended September 30, 2009

(Unaudited)

In accordance with National Instrument 51-102 release by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the six month period ended September 30, 2009.

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REX DIAMOND MINING CORPORATION

Management's Discussion and Analysis



For the six months ended September 30, 2009
(All amounts are in US dollars, unless otherwise stated)

The following discussion of the financial condition and results of the operations of Rex Diamond Mining Corporation (the "Company" or "Rex") constitutes management's review of the factors that affected the first semester of the Company's financial and operating performance in fiscal 2010 (April 1, 2009 – September 30, 2009) and factors reasonably expected to impact on future operations and results. The following should be read in conjunction with the Interim Consolidated Financial Statements and related notes thereto which appear elsewhere in this report. All figures in the following section are in US dollars (\$), unless stated otherwise. The Consolidated Financial Statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

In accordance with National Instrument 51-102 release by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the six month period ended September 30, 2009.

OVERVIEW

Rex is a Canadian incorporated, public company. On September 26, 2006, the Toronto Stock Exchange ("TSX") determined to suspend trading of Rex's common shares, due to the Company's failure to comply with the continued listing requirements of the TSX. On October 27, 2006, Rex's shares were de-listed from the TSX.

On May 23, 2008 Rex completed the sale of its Belgian diamond trading subsidiaries, Rex Mining Company NV ("Rex NV") and Rex Diamonds NV, to Mr. Muller. The main benefit of this transaction is the elimination from the Company's consolidated financial statements, of \$3,741,600 of debt. The sale closed with an effective date of March 31, 2008.

The Company's only remaining assets consists of 30 million shares of African Gem Resources Ltd. ("Afgem") and the Afgem royalty receivable. On March 7, 2007, Afgem suspended trade in its shares on the Johannesburg Stock Exchange ("JSE"). Due to the uncertainty of the recoverability of the investment in the Afgem shares, management decided to write down the investment to \$1, resulting in a charge in fiscal 2007 of \$2.8 million to operations.

GOING CONCERN

The accompanying interim consolidated financial statements have been prepared in accordance with Canadian GAAP on a going concern basis, which assumes the Company will continue in operation for the foreseeable future and accordingly will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company incurred an operating loss of \$123,669 and had a net cash outflow of \$13,270 from operations for the six month period ended September 30, 2009. The Company has an accumulated deficit of \$97.5 million as at September 30, 2009 and its ability to continue as a going concern is dependent upon its ability to obtain additional financing. Although to date, the Company has been successful in obtaining financing from an officer and director of the Company and corporations controlled by the same individual, there can be no assurance that the Company will be successful in obtaining further financing.

During fiscal 2006, the Company responded to inquiries from the Staff of the Ontario Securities Commission ("OSC") during the course of an investigation into, amongst other things, past instances of the Company's public disclosure. The OSC issued a notice of hearing commencing on December 10, 2007, seeking an order that Rex submit to a review of its practices and procedures. On August 21, 2008, the OSC issued its Reasons and Decision concluding the Company acted contrary to the public interest. The Company has filed notice of appeal which is pending. On August 11, 2009, the OSC issued Reasons and Decisions on Sanctions and Costs ordering the Company to pay \$60,000 towards the costs of or related to the investigation and hearing incurred by the OSC. The Company has not provided for these costs as at September 30, 2009 as management believes that the outcome of the appeal is uncertain at this time.

The September 30, 2009 consolidated financial statements do not include any adjustments to the recoverability and classification of certain recorded asset amounts and classification of certain liabilities that might be necessary, if the Company were unable to continue as a going concern. Such adjustments could be material.

REX DIAMOND MINING CORPORATION

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(All amounts are in US dollars, unless otherwise stated)

QUARTERLY SELECTED FINANCIAL INFORMATION

	Sept. 30, 2009	June 30, 2009	March 31, 2009	Dec. 31, 2008
Total revenue	-	-	-	-
Net (loss)	(60,550)	(63,119)	(24,053)	(53,192)
Basic and diluted (loss) per share	(0.001)	(0.001)	(0.000)	(0.001)

	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec. 31, 2007
Total revenue	-	-	1,335,891	1,488,596
Net (loss)	(88,627)	(68,745)	(484,475)	(230,605)
Basic and diluted (loss) per share	(0.001)	(0.001)	(0.005)	(0.002)

RESULTS OF OPERATIONS

Trading of rough and polished diamonds

On May 23, 2008 Rex completed the sale of its Belgian diamond trading subsidiaries (Rex NV and Rex Diamonds NV) to Mr. Muller. The sale closed with an effective date of March 31, 2008.

Administration and other costs

General and administrative expenses decreased from \$146,413 for the six months ended September 30, 2008 to \$99,418 for the six months ended September 30, 2009. For the three month period ended September 30, 2009, general and administrative expenses decreased from \$81,576 for the three month period ended September 30, 2008 to \$40,389 due to a decrease in legal and operational expenses.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As a result of the sale of the Belgian subsidiaries in fiscal 2008 including their debts, the change in the working capital deficiency of the Company will depend on the amount of general and administrative expenses of the operations during the period.

The working capital deficiency increased from \$512,704 at March 31, 2009 to \$636,373 at September 30, 2009. The increase amounts to \$123,669 and equals the net loss for the six month period.

Financing

On May 23, 2008 Rex completed the sale of its Belgian diamond trading subsidiaries (Rex NV and Rex Diamonds NV) to Mr. Muller. The main benefit of this transaction was the elimination from the Company's consolidated financial statements, of \$3,741,600 of loans payable and \$994,554 of accounts payable and accrued liabilities. The sale closed with an effective date of March 31, 2008. The remaining loan payable to Rex NV of \$250,000 bears interest at 6% per annum, is unsecured and due on demand. Since April 1, 2008, Rex NV advanced further loans of \$104,769 with the same terms and conditions (\$56,281 for the six months ended September 30, 2009).

The Company has no off-balance sheet financing arrangements or significant capital or operating lease arrangements, purchase obligations or other contractual commitments that could materially reduce its level of liquidity.

RELATED PARTY TRANSACTIONS

(a) The loan payable as at September 30, 2009 of \$381,275 (March 31, 2009 - \$315,195) disclosed in Note 4 is owed to a corporation controlled by a director who is also an officer of the Company. These amounts are unsecured, due on demand and bear interest at 6% per annum.

REX DIAMOND MINING CORPORATION

Management's Discussion and Analysis



For the six months ended September 30, 2009
(All amounts are in US dollars, unless otherwise stated)

(b) Included in accounts payable and accrued liabilities as at September 30, 2009 is \$18,000 (March 31, 2009 – \$12,000) due to a director and officer of the Company for director's fees. These amounts are unsecured, non-interest bearing, and are due on demand.

(c) During the six-month period ended September 30, 2009, the Company incurred management fees of \$60,000 (2008 - \$60,000) included in general and administrative expense, payable to a corporation controlled by a director who is also an officer of the Company. Included in accounts payable and accrued liabilities as at September 30, 2009 is \$180,000 (March 31, 2009 – \$120,000) owing to this corporation for management fees. These amounts are unsecured, non-interest bearing, and are due on demand.

(d) For the six-month period ended September 30, 2009, the Company incurred legal fees of \$3,603 (2008 - \$9,803) included in general and administrative expense, payable to a law firm of which a director of the Company is a partner. Included in accounts payable and accrued liabilities as at September 30, 2009 is \$7,926 (March 31, 2009 - \$2,638) owing to this law firm. This amount is unsecured, non-interest bearing and is due on demand.

CRITICAL ACCOUNTING ESTIMATES

Long-term investments

The cost method is used for investment in entities for which the Company does not have the ability to exercise significant influence over the operations of the entity, as the Afgem shares do not have a quoted market price in an active market. The Company periodically reviews the carrying value of its investments. When a decline in the value of an investment is other than temporary, the investment is written down to its net realizable value.

Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on the differences between the tax bases of assets and liabilities and the amounts reported in the financial statements. The future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to reverse. Future tax assets

are recognized to the extent that they are considered more likely than not to be realized.

CHANGES IN ACCOUNTING POLICIES AND NEW PRONOUNCEMENTS

Goodwill and Intangible Assets

The Canadian Accounting Standards Board has also issued a new Section 3064, "Goodwill and Intangible Assets", to replace current Section 3062, "Goodwill and Other Intangible Assets". The new section establishes revised standards for recognizing, measuring, presenting and disclosing goodwill and intangible assets and was adopted by the Company effective April 1, 2009. The adoption of this standard had no impact on the interim financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

Section 1582 - Business Combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company will adopt this standard on April 1, 2011

REX DIAMOND MINING CORPORATION

Management's Discussion and Analysis



For the six months ended September 30, 2009
(All amounts are in US dollars, unless otherwise stated)

Section 1601 – Consolidations and Section 1602 – Non-Controlling Interests

CICA Handbook Sections 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - "Consolidated and Separate Financial Statements", for non-controlling interests. The Company will adopt this standard on April 1, 2011.

FINANCIAL INSTRUMENTS

The carrying values of the Company's short-term financial instruments, comprising cash, amounts receivable, accounts payable and accrued liabilities and loan payable approximate their fair values.

Foreign exchange risks

The US dollar is the functional currency of the Company and is the currency in which the financial statements are presented. The Company operates currently in Canadian and US dollars, and the Euro, and as such may be negatively impacted by fluctuations in foreign exchange rates. The Company manages this risk by minimizing the number of transactions that result in the settlement currency differing from the currency of the initial transaction.

Interest rate risk

The Company has currently no outstanding variable interest bearing loans and, therefore the Company is not exposed to interest rate risk through fluctuations in the prime interest rate.

Political and economic risks

The Company is subject to the considerations and risks of having equity interests and royalty income in South Africa. These include risks associated with the political and economic environment, foreign currency exchange and changes in legislation. These economies differ significantly from the economies of North American and European nations in such respects as structure, level of development, resource allocation, self-sufficiency, rate of inflation and the level of development and enforcement of existing laws.

Credit risk

As a result of the sale of the Belgian operations during fiscal 2008, the Company has no significant concentration of credit risk arising from operations.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

RISK AND UNCERTAINTIES

The consolidated financial statements, to which this management's discussion and analysis relate, have been prepared using Canadian generally accepted accounting principles (GAAP). The accounting policies for the purpose of Canadian GAAP are described in Note 2 to the audited consolidated financial statements for the year ended March 31, 2009 and are applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business.

FORWARD LOOKING STATEMENTS

Certain of the statements in this MD&A are forward-looking statements, which are by their very nature, not guarantees of the Company's future operational or financial performance. These statements involve known and unknown risks, uncertainties and other factors that may cause the Company's or its industry's actual results, levels of activity, performance or achievements or other future events to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include developments in world diamond markets, diamond valuations, local, regional or global political developments, results of drilling and sampling and other mineral exploration activities, changes in government regulation or permitting, financing availability and other factors. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", "continue" or the negative of these terms or comparable terminology. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels

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(All amounts are in US dollars, unless otherwise stated)

of activity, performance or other future events. Readers of this MD&A are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date of this MD&A.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on the SEDAR website at www.sedar.com.

Antwerpen, November 15, 2009

A handwritten signature in blue ink, appearing to read "Ben Holemans", with a long horizontal stroke extending to the left.

Ben Holemans
Chief Financial Officer
Rex Diamond Mining Corporation

REX DIAMOND MINING CORPORATION

Consolidated Balance Sheets



(All amounts are in US dollars)

	As at September 30, 2009 (unaudited)	As at March 31, 2009
ASSETS		
Current		
Cash	\$ 45,600	\$ 2,589
Amounts receivable	5,078	6,260
	50,678	8,849
Investment		
	1	1
	\$ 50,679	\$ 8,850
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 305,776	\$ 206,358
Loan payable (Notes 4 and 6)	381,275	315,195
	687,051	521,553
Commitments and contingencies (Notes 1 and 9)		
Shareholders' (deficiency)		
Share capital (Note 3)	92,652,999	92,652,999
Deficit	(97,476,757)	(97,353,088)
Contributed surplus	4,187,386	4,187,386
	(636,372)	(512,703)
	\$ 50,679	\$ 8,850

Going concern (Note 1)
See accompanying notes to the consolidated financial statements.

Approved by the Board,

(Signed) "James P. Boyle"
Director

(Signed) "Serge Muller"
Director

REX DIAMOND MINING CORPORATION
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS,
 COMPREHENSIVE LOSS AND DEFICIT



For the periods ended September 30
 (All amounts are in US dollars)

	For the six months ended September 30 2009	For the six months ended September 30 2008	For the three months ended September 30 2009	For the three months ended September 30 2008
Expenses				
General and administrative (Note 6)	99,418	146,413	40,389	81,576
Interest expense (Note 4)	9,799	7,811	4,992	4,030
Foreign exchange loss	14,452	3,148	15,169	3,021
(Loss) before income taxes	(123,669)	(157,372)	(60,550)	(88,627)
Income taxes	-	-	-	-
Net (loss) and comprehensive (loss) for the period	(123,669)	(157,372)	(60,550)	(88,627)
(Deficit), beginning of period	(97,353,088)	(97,118,471)	(97,416,207)	(97,187,216)
(Deficit), end of period	\$ (97,476,757)	\$ (97,275,843)	\$ (97,476,757)	\$ (97,275,843)
Basic and diluted (loss) per share	\$ (0.001)	\$ (0.002)	\$ (0.001)	\$ (0.001)
Weighted average number of shares outstanding	95,417,152	95,417,152	95,417,152	95,417,152

See accompanying notes to the unaudited interim consolidated financial statements.

REX DIAMOND MINING CORPORATION
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS



For the periods ended September 30
 (All amounts are in US dollars)

	For the six months ended September 30 2009	For the six months ended September 30 2008	For the three months ended September 30 2009	For the three months ended September 30 2008
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
Operating activities				
Net (loss) for the period	\$ (123,669)	\$ (157,372)	\$ (60,550)	\$ (88,627)
Items not affecting cash flow				
Accrued interest on term loans	9,799	7,811	4,992	4,030
	(113,870)	(149,561)	(55,558)	(84,597)
Net change in non-cash working capital balances (Note 7)	100,600	66,365	45,841	53,629
	(13,270)	(83,196)	(9,717)	(30,968)
Financing activities				
Loans payable (Note 4)	56,281	24,486	47,633	24,486
Increase (decrease) in cash during the period	58,281	(58,710)	37,916	(6,482)
Cash beginning of period	2,589	62,297	7,684	10,069
Cash end of period	\$ 45,600	\$ 3,587	\$ 45,600	\$ 3,587
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Interest paid	\$ -	\$ -	\$ -	\$ -
Income taxes paid	-	-	-	-

See accompanying notes to the unaudited interim consolidated financial statements

For the periods ended September 30, 2009
(All amounts are in US dollars)

1. BASIS OF PRESENTATION AND GOING CONCERN

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. The preparation of these interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the annual financial statements, except as disclosed in Note 2. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements. Operating results for the six-month period ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full year ended March 31, 2010. The consolidated balance sheet at March 31, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended March 31, 2009.

As at September 30, 2009, the Company had a working capital deficiency of \$636,373. The Company's ability to continue operations is dependent on management's ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurances that it will be able to do so in the future.

These consolidated financial statements have been presented using accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and be able to realize assets and satisfy liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of certain recorded asset amounts and classification of certain liabilities that might be necessary, if the Company were unable to continue as a going concern. Such adjustments could be material.

2. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Goodwill and intangible assets

The Canadian Accounting Standards Board has also issued a new Section 3064, "Goodwill and Intangible Assets", to replace current Section 3062, "Goodwill and Other Intangible Assets". The new section establishes revised standards for recognizing, measuring, presenting and disclosing goodwill and intangible assets. The Company adopted this section effective April 1, 2009. The adoption of this standard had no impact on these financial statements.

International financing reporting standards

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

Section 1582 - Business Combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company will adopt this standard on April 1, 2011.

Section 1601 – Consolidations and Section 1602 – Non-Controlling Interests

CICA Handbook Sections 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International

For the periods ended September 30, 2009
 (All amounts are in US dollars)

Accounting Standard 27 - "Consolidated and Separate Financial Statements", for non-controlling interests. The Company will adopt this standard on April 1, 2011.

3. SHARE CAPITAL

Authorized and issued

The authorized share capital of the Company consists of an unlimited number of common shares.

A summary of the outstanding share capital of the Company is as follows:

Common shares	Number	Amount
Outstanding, March 31, 2009 and September 30, 2009	95,417,152	\$92,652,999

Share option plan

There are no outstanding options.

Warrants

There are no outstanding warrants.

4. LOAN PAYABLE

Comprising of:	Sept. 30 2009	March 31 2009
Loan Payable	\$ 381,275	\$ 315,195

Pursuant to the sale of the Belgian diamond trading operations effective March 31, 2008, the only remaining loan owed by the Company to Rex Mining Company NV amounts to \$381,275. This loan bears interest at 6% per annum, is unsecured and due on demand. As at September 30, 2009, the total accrued interest amounted to \$9,799 (\$4,992 for the three months period ended September 30, 2009). During the six month period, Rex NV advanced a loan of Cdn\$61,000 (Cdn\$25,000 for the three month period ended September 30, 2009) with the same terms and conditions.

5. LOSS PER SHARE

Loss per share is calculated based on the weighted average number of shares issued and outstanding during the year. Diluted loss per common share, when applicable, considers the potential exercise of outstanding options and warrants using the treasury-based method.

6. RELATED PARTY TRANSACTIONS

(a) The loan payable as at September 30, 2009 of \$381,275 (March 31, 2009 - \$315,195) disclosed in Note 4 is owed to a corporation controlled by a director who is also an officer of the Company. These amounts are unsecured, due on demand and bear interest at 6% per annum.

(b) Included in accounts payable and accrued liabilities as at September 30, 2009 is \$18,000 (March 31, 2009 - \$12,000) due to a director and officer of the Company for director's fees. These amounts are unsecured, non-interest bearing, and are due on demand.

(c) During the six-month period ended September 30, 2009, the Company incurred management fees of \$60,000 (2008 - \$60,000) included in general and administrative expense, payable to a corporation controlled by a director who is also an officer of the Company. Included in accounts payable and accrued liabilities as at September 30, 2009 is \$180,000 (March 31, 2009 - \$120,000) owing to this corporation for management fees. These amounts are unsecured, non-interest bearing, and are due on demand.

(d) For the six-month period ended September 30, 2009, the Company incurred legal fees of \$3,603 (2008 - \$9,803) included in general and administrative expense, payable to a law firm of which a director of the Company is a partner. Included in accounts payable and accrued liabilities as at September 30, 2009 is \$7,926 (March 31, 2009 - \$2,638) owing to this law firm. This amount is unsecured, non-interest bearing and is due on demand.

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 (All amounts are in US dollars)

7. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

For the six month period ended September 30	2009	2008
Amounts receivable	\$ 1,182	\$ (3,365)
Accounts payable and accrued liabilities	99,418	69,730
Total	\$ 100,600	\$ 66,365

For the three month period ended September 30	2009	2008
Amounts receivable	\$ 1,841	\$ (1,927)
Accounts payable and accrued liabilities	44,000	55,556
Total	\$ 45,841	\$ 53,629

8. FUTURE INCOME TAXES

Taxable income for the period ended September 30, 2009 is \$Nil (2008 - \$Nil). Based upon the level of historical taxable income, it cannot be reasonably determined if the Company will realize the benefits from future income tax assets. Consequently, the future recovery arising from differences in tax values and accounting values have been reduced by an equivalent estimated taxable temporary difference valuation allowance. The valuation allowance will be adjusted in the period that it can be determined that it is more likely than not that some or all of the future tax assets will be realized.

For further information about the Company's losses for tax purposes, refer to the audited March 31, 2009 consolidated financial statements. The benefits of these losses and the estimated loss for the period are not recognized in these financial statements.

9. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company is involved in legal proceedings and claims which arise in the ordinary course of its business. In the opinion of the management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, results of operations or cash flows of the Company.

(a) On February 22, 2005, charges were filed against a former director and an officer of Rex's subsidiary that operated the Loxton mine in South Africa and an officer of the Company. The charges alleged that misrepresentations were made to employees of the mine between August 2003 and July 2004 regarding contributions made towards the pension and provident funds established for the employees. On August 5, 2004, Rex signed an agreement with African Gem Resources Ltd. ("Afgem"), an arm's length corporation, for the sale of Rex's South African operating subsidiaries, including the subsidiary holding the Loxton mine, whereby Afgem assumed all liabilities. Afgem reached a settlement with the creditors in terms of section 311 of the Companies Act of South Africa, which was then sanctioned by the South African High Court on April 14, 2005. All outstanding debts, including these contributions, were then settled by Afgem and the sale of Rex's operational subsidiaries to Afgem was completed in June 2005. On February 20, 2007, the National Union of Mineworkers has withdrawn its claim against Rex Mining Corporation LTD. In May 2007, the charges were withdrawn against the former director and an officer of Rex's subsidiary that operated the Loxton mine in South Africa. The case against the officer of the Company has not yet been withdrawn. The Company considers that these legal proceedings are without merit and is vigorously defending its position.

b) During fiscal 2006, the Company responded to inquiries from the Staff of the Ontario Securities Commission ("OSC") during the course of an investigation into, amongst other things, past instances of the Company's public disclosure. The OSC issued a notice of hearing commencing on December 10, 2007, seeking an order that Rex submit to a review of its practices and procedures. On August 21, 2008, the OSC issued its Reasons and Decision concluding the

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(All amounts are in US dollars)

Company acted contrary to the public interest. The Company has filed notice of appeal which is pending. On August 11, 2009, the OSC issued Reasons and Decisions on Sanctions and Costs ordering the Company to pay \$60,000 towards the costs of or related to the investigation and hearing incurred by the OSC. The Company has not provided for these costs as at September 30, 2009 as management believes that the outcome of the appeal is uncertain at this time.

(c) During fiscal 2006, a dispute arose between Afgem and the Company relating to the remaining payable towards Afgem of ZAR6.7 million (\$923,843). From these amounts a total of \$875,000 was deducted for the royalty receivable from Afgem during fiscal 2007 and \$48,843 during fiscal 2008.

Afgem asserts that the total payable amounts to ZAR8.5 million (\$1.2 million) and that the royalty is not guaranteed for 16 years to a yearly amount of \$700,000 and should not be offset against the payable. The Company believes this to be without merit and is vigorously pursuing its claim.

10. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

As a result of the sale of the Belgian operations during fiscal 2008, the Company has no significant concentration of credit risk arising from operations.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Market risk

a) Interest rate risk: The Company does not currently have any outstanding variable interest bearing loans and, therefore the Company is not exposed to interest rate risk through fluctuations in the prime interest rate.

b) Foreign currency risk: The Company operates currently in Canadian and US dollars, and the Euro, and as such may be negatively impacted by fluctuations in foreign exchange rates. The Company manages this risk by minimizing the number of transactions that result in the settlement currency differing from the currency of the initial transaction.

c) Political and economic risks: The Company is subject to the considerations and risks of having equity interests and royalty income in South Africa. These include risks associated with the political and economic environment, foreign currency exchange and changes in legislation. This economy differs significantly from the economies of North American and European nations in such respects as structure, level of development, resource allocation, self-sufficiency, rate of inflation and the level of development and enforcement of existing laws.

Financial Instruments

The Company has designated its cash as held-for-trading, which is measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and loan payable are classified as other financial liabilities, which are measured at amortized cost.

Sensitivity Analysis

As at September 30, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately the same.

As at September 30, 2009 the Company did not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

For the periods ended September 30, 2009
(All amounts are in US dollars)

11. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, accumulated deficit, contributed surplus and loan payable. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended September 30, 2009. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

BOARD OF DIRECTORS

Serge Muller

Director and member of the audit committee

James P. Boyle

Director and member of the audit committee

OFFICERS

Serge Muller

President and Chief Executive Officer

Ben Holemans

Chief Financial Officer

OFFICES

Canada

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WEBSITE

www.rexmining.com

SHARE TRANSFER AGENT

Olympia Transfer Services Inc.

Toronto

AUDITORS

Canada

McGovern, Hurley, Cunningham, LLP

Toronto

LEGAL COUNSELS

Canada

Boyle & Co. LLP

Toronto

Crawley Meredith LLP

Toronto

SHARE INFORMATION

Shares outstanding

95,417,152

Warrants and options

nil