

# **MONAX MINING LIMITED**

ACN 110 336 733

## **Annual Financial Report**

30 June 2005

# Monax Mining Limited

## Directors Report

### For the period ended 30 June 2005

The directors present their report together with the financial report of Monax Mining Limited ("the Company") for the year ended 30 June 2005 and the auditor's report thereon.

#### Directors

The directors of the Company at any time during or since the end of the financial year are Robert Michael Kennedy, Reginald George Nelson, Glenn Stuart Davis, Neville Forster Alley. Details of directors' qualifications, experience and special responsibilities are as follows:

**Robert Michael Kennedy**, Non-Executive Chairman - ASAIT, Grad Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD

A Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded. He is also the Chairman of Flinders Diamonds Limited, Ramelius Resources Limited, Beach Petroleum Limited, Maximus Resources Limited, GTL Energy Limited and Greyhound Racing SA Limited and is also a Director of the Friendly Societies Medical Association Limited, and Greyhounds Australasia.

Special responsibilities include membership of the Audit, Remuneration and Nomination Committees.

**Reginald George Nelson**, Non Executive Director - BSc, FAusIMM, FAICD, Life Member Society of Exploration Geophysicists

Reg has over thirty years' experience in the exploration, evaluation and management of mining and petroleum projects.

He is a former Director of Mineral Development for the South Australian Government, in which capacity he was involved in mining and energy policy matters at State and Federal Government levels. He was appointed to a special Resources Task Force of industry executives established by the Premier of South Australia in 1999 to review the mineral industry in the State and recommend initiatives to stimulate its development.

Since 1992, he has acted as chief executive or as a director of a number of public companies involved in mining and petroleum activities, including as chairman of the Nevoria Gold Mine Joint Venture.

Reg has a proven record in pursuing excellence in environmental matters concerned with petroleum projects. He was strongly involved in initiating and implementing environmental codes of practice for petroleum exploration operations in South Australia from 1983-89. He has also had involvement in achieving successful resolution of negotiations associated with Native Title.

He was awarded honorary Life Membership of the USA-based Society of Exploration Geophysicists in 1989. He is presently Group Chief Executive Officer

and a director of Beach Petroleum Limited. Reg is also a director of GTL Energy Limited and Ramelius Resources Limited.

Special responsibilities include membership of the Remuneration and Nomination Committees.

**Dr Neville Alley**, Executive Technical Director/Chief Executive - PhD

Neville is an internationally known earth science researcher and has wide experience in geological mapping and research in Australia and overseas. He formulated the recent research effort to unravel palaeochannel systems in southern Australia. In 2004 he was awarded the Verco Medal for his contribution and leadership in the earth sciences. He has extensive experience at senior levels in Government in Canada and as Director, Minerals, MESA and PIRSA and has a high level understanding of Government policy, regulation and legislation. He was a Member of the Resources Taskforce and made a significant contribution in setting the SA Government's strategies for reinvigorating the minerals industry and led the development of Government initiatives such as TEISA and PACE. Neville has worked closely with Aboriginal people and the community in developing a higher profile for the resources industry. He is also a Non Executive Director of Internet Limited and a Visiting Research Fellow, School of Earth and Environmental Sciences, The University of Adelaide. Special responsibilities include membership of the Nomination Committee.

**Mr Glenn Stuart Davis**, Non Executive Director - LLB, BEc

Glenn is a Partner in DMAW Lawyers. He has considerable expertise and experience in capital raisings, capital reductions, acquisitions and takeovers, managed investment schemes, director's duties and the requirements of the Corporations Act and the ASX listing rules. He also has specialist skills and knowledge about the resources industry.

Special responsibilities include membership of the Audit Committee.

# Monax Mining Limited

## Directors' Report (continued)

### Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	A	B
R M Kennedy	12	12
RG Nelson	12	12
G S Davis	12	12
N F Alley	8	8

A - Number of meetings attended

B - Number of meetings held during the time the director held office during the year

It should be noted that the directors have used Circular Resolutions to determine the outcome of particular issues.

### Directors' holdings of shares and share options

Directors and their director related parties relevant interests in shares and options of the Company are set out below:

Director	Shares	Options*
R M Kennedy	2,260,001	700,000 - (a) 350,000 - (b) 350,000 - (c)
R G Nelson	1,920,001	700,000 - (a) 350,000 - (b) 350,000 - (c)
G S Davis	2,410,001	700,000 - (a) 350,000 - (b) 350,000 - (c)
N F Alley	3,000,000	800,000 - (a) 400,000 - (b) 400,000 - (c)

### \*Option details

	Exercise price	Exercise date
(a)	\$0.25c	Any date before 30/6/08
(b)	\$0.30c	Any date before 30/6/09
(c)	\$0.40c	Any date before 30/6/10

During or since the end of the financial year the company issued 9,590,000 shares to the directors and their director related entities.

During or since the end of the financial year, the company granted options over unissued ordinary shares to the directors and their director-related entities as follows.

Director	Options Granted
R M Kennedy	700,000 - (a) 350,000 - (b) 350,000 - (c)
R G Nelson	700,000 - (a) 350,000 - (b) 350,000 - (c)
G S Davis	700,000 - (a) 350,000 - (b) 350,000 - (c)
N F Alley	800,000 - (a) 400,000 - (b) 400,000 - (c)

### Principal activities

The company's principal activity is gold, uranium, nickel and minerals exploration.

### Review and results of operations

The net loss after extraordinary items and income tax was \$13,295.

The company was incorporated on 3 August 2004. Mr R M Kennedy, G S Davis and R G Nelson were appointed Directors on this date.

Dr N F Alley was appointed Director on 27 January 2005.

The company raised \$410,003 by way of share capital.

The company is preparing a prospectus to facilitate an initial public offer in which the company will offer up to 25 million shares at an issue price of 20 cents each to raise up to \$5 million.

The company has issued 21,238,892 shares and 5,000,000 options exercisable at \$0.25c at any date before 30 June 2008, 250,000 options exercisable at \$30c at any date before 30 June 2009 and 250,000 options exercisable at \$40c at any date before 30 June 2010 this financial year.

The company has entered an agreement with Havilah Resources NL for the transfer of exploration licences EL 2964, EL 3376, EL 3088. In part payment for the tenements, on signing the Agreement the Company issued to Havilah 2,138,889 Shares and the following Options:

500,000 'A' class Options  
250,000 'B' class Options  
250,000 'C' class Options

Upon ASX approval for the quotation of the shares, the Company will issue further shares to Havilah such that after the issue, Havilah will hold 10% of the issued shares and options in the Company.

## Monax Mining Limited

### Directors' Report (continued)

During the financial year, the Company entered into a deed of indemnity with each director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings. The deed also outlined the future remuneration of each of the Directors upon successful ASX listing.

The company applied for exploration licences EL 3355, EL 3356, EL3357, EL3358, EL3359, ELA 55/05, ELA 59/05

The company engaged corporate advisors in relation to the Company's proposed initial public offer.

#### Dividends

No dividends have been paid or declared by the Company since the end of the previous financial year.

#### State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year is as follows:

The Company was incorporated on 3 August 2004

During the year the Company was preparing a prospectus of an IPO.

#### Events subsequent to balance date

The company lodged a prospectus with ASIC on the 12 July 2005.

The Initial Public Offer ("IPO") opened on 20 July 2005

The company raised a further \$15,000 by way of issue share capital.

The company was granted exploration licences EL 3355, EL 3356, EL3357, EL3358, EL 3359 and EL 3394

The company has applied for ELA 336/05.

The IPO was closed on the 31 August 2005 and the company raised the maximum subscription of \$5,000,000.

Other than the matter discussed above, 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 company the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

#### Likely developments

The company to be listed on the ASX

To undertake exploration on the tenements that the company possesses.

Further information about likely developments in the operations of the consolidated entity 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 consolidated entity.

#### Director's and Executives/Officers Remuneration

No remuneration was paid to any of the directors during the financial year ended 30 June 2005.

#### Environmental regulation and performance statement

The Company's operations are subject to significant environmental regulations under both Commonwealth and South Australian legislation in relation to discharge of hazardous waste and materials arising from any mining activities and development conducted by the Company on any of its tenements. To date the Company has not carried out exploration activities and therefore have been no known breaches of any environmental obligations.

#### Indemnification and insurance of officers

##### Indemnification

The Company is required to indemnify the directors and other officers of the company against any liabilities incurred by the directors and officers that may arise from their position as directors and officers of the Company. No costs were incurred during the year pursuant to this indemnity.

##### Insurance premiums

The company has not paid insurance premiums in respect of officers, auditors or former auditors of the company, either during or since the end of the year.

#### Proceedings on behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. There were no such proceedings brought or interventions on behalf of the Company with leave from the Court under section 237 of the Corporations Act 2001

#### Non-audit services

The board of directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

## Monax Mining Limited

### Directors' Report (continued)

The directors are satisfied that the services disclosed below did not compromise the external auditor's independence as the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia Professional Statement F1: Professional Independence.

The following fees for non audit services were payable to the external auditors during the year ended 30 June 2005:

- Independent Accountants Report \$6,000

#### *Auditors independence*

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 5 to this report.

Dated at Adelaide this 13 day of September 2005.

Signed in accordance with a resolution of the directors:

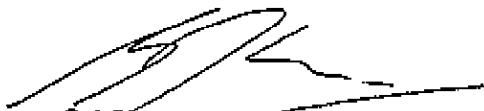
  
Robert Michael Kennedy  
Director

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF MONAX MINING LIMITED**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2005 there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

**GRANT THORNTON  
CHARTERED ACCOUNTANTS**



**S J GRAY**  
Partner

Dated this *13* day of *September* 2005

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**Monax Mining Limited**  
**Statement of Financial Performance**  
**For the period ended 30 June 2005**

	Note	2005
Revenues from ordinary activities		\$
Other expenses from ordinary activities	3	<u>267</u>
Total expenses	4	<u>13,562</u>
Profit / (Loss) from ordinary activities before related income tax expense		<u>13,562</u>
Income tax (expense)/benefit relating to ordinary activities		<u>(13,295)</u>
Profit from ordinary activities after related income tax expense	5	<u>-</u>
Net profit/(loss) attributable to outside equity interests		<u>(13,295)</u>
Total changes in equity from non-owner related transactions attributable to the members of the company		<u>-</u>
		<u>(13,295)</u>

**Monax Mining Limited**  
**Statement of Financial Position**  
**As at 30 June 2005**

	Note	2005 \$
<b>CURRENT ASSETS</b>		
Cash assets		
Receivables	6	308,947
Other	7	8,476
Total current assets	8	<u>67,500</u>
		<u>384,923</u>
<b>NON-CURRENT ASSETS</b>		
Exploration evaluation and development expenditure	9	27,330
Total non-current assets		<u>27,330</u>
Total assets		<u>412,253</u>
<b>CURRENT LIABILITIES</b>		
Payables		
Total current liabilities	10	<u>5,845</u>
		<u>5,845</u>
Total liabilities		<u>5,845</u>
Net assets		<u>406,408</u>
<b>EQUITY</b>		
Contributed equity		
Retained profits	11	419,703
Total equity	12	<u>(13,295)</u>
		<u>406,408</u>

**Monax Mining Limited****Statement of Cash Flows****For the period ended 30 June 2005**

	Note	2005 \$
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations		-
Cash payments in the course of operations		(83,693)
Interest received		267
<b>Net cash provided by/(used in) operating activities</b>	15(b)	<u>(83,426)</u>
<b>Cash flows from investing activities</b>		
Payments for:		
Exploration, evaluation and development expenditure		(17,630)
Deferred expenditure		-
Intangible assets		-
<b>Net cash used in investing activities</b>		<u>(17,630)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares		410,003
Proceeds from borrowings:		-
<b>Net cash provided by financing activities</b>		<u>410,003</u>
<b>Net increase/(decrease) in cash held</b>		308,947
<b>Cash at the beginning of the financial year</b>		<u>-</u>
<b>Cash at the end of the financial year</b>	6,15(a)	<u>308,947</u>

**Monax Mining Limited**  
**Notes to the Financial Statements**  
**For the period ended 30 June 2005**

**1 Statement of significant accounting policies**

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

**(a) Basis of preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

**(b) Revenue recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

**Interest revenue**

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

**(c) Goods and services tax**

Revenues, 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 Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 statement of financial position.

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.

**(d) Taxation**

The company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

**(e) Receivables**

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

**(f) Exploration, evaluation and development expenditure**

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

# Monax Mining Limited

## Notes to the Financial Statements

For the period ended 30 June 2005

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

**(g) Recoverable amount of non-current assets valued on cost basis**

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

**(h) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received

**(i) Provisions**

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(j) Restoration**

Provisions are made for estimated costs relating to the remediation of soil, groundwater and untreated waste as soon as the need is identified.

Significant uncertainty exists as to the amount of restoration obligations that will be incurred due to the following factors:

- uncertainty as to life of sites;
- the impact of changes in environmental legislation.

**(k) Cash**

For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts

**2 Adoption of Australian Equivalents of international Financial Reporting Standards**

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

# Monax Mining Limited

## Notes to the Financial Statements

For the period ended 30 June 2005

The Company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the Company's financial reports in the future.

The Company has not precisely quantified the effects of IFRS, however, management believes the key potential implications of the conversion to IFRS include:

▪ **Income Taxes**

Income tax will be calculated based on the "balance sheet approach", replacing the current "income statement approach". This method recognises deferred tax balances where there is a difference between the carrying value of an asset or a liability, and its tax base. It is expected that this standard may require the Company to carry higher levels of deferred tax assets and liabilities.

▪ **Exploration for and Evaluation of Mineral Resources**

The major changes under AASB 6 "Exploration for and Evaluation of Mineral Resources" to the current Accounting Standard will be:

- The application of area of interest accounting for its exploration and evaluation expenditure.
- Performance of impairment testing on those assets when the facts and circumstances suggest the carrying amount of the assets exceed the recoverable amount.

▪ **Share Based Payments**

Equity based compensation in the form of shares and options will be recognised as an expense in the period during which the employee provides related services. The consolidated entity does not currently recognise an expense for options issued to employees. On adoption of IFRS the consolidated entity will recognise an expense for options and will amortise the expense over the relevant vesting period.

▪ **Accounting Policies**

Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

It is not anticipated that the impact of adopting Australian Equivalents of International Financial Reporting Standards will lead to material adjustments

	2005
	\$
3	
<b>Revenue from ordinary activities</b>	
Other revenues:	
From operating activities	
Interest:	267
<b>Total revenue from ordinary activities</b>	<u>267</u>
4	
<b>Other expenses</b>	
Rent expense	
Auditing services	7,700
Other expenses from ordinary activities	2,500
<b>Total other expenses from ordinary activities</b>	<u>13,562</u>

**Monax Mining Limited**  
**Notes to the Financial Statements**  
**For the period ended 30 June 2005**

	2005
	\$
<i>Auditors' remuneration</i>	
Audit services:	
Auditors of the Company – Grant Thornton	<u>2,500</u>
<b>5    <i>Taxation</i></b>	
<b>(a)   <i>Income tax expense</i></b>	
Prima facie income tax benefit calculated at 30% on the loss from ordinary activities	3,989
Future income tax benefit in respect of tax losses not brought to account	<u>3,989</u>
Income tax expense on profit from ordinary activities before individually significant income tax items	<u>-</u>
<p>The entity has accumulated tax losses that have not been brought to account because there is insufficient probability that there will be future taxable profits against which to offset those losses. Tax losses recoverable but not recognised amount to \$3,989.</p>	
<b>6    <i>Cash assets</i></b>	
Cash	<u>308,947</u>
<b>7    <i>Receivables</i></b>	
<b>Current</b>	
Other debtors - GST	<u>8,476</u>
	<u>8,476</u>
<b>8    <i>Other current assets</i></b>	
Prepayments	<u>67,500</u>
<b>9    <i>Exploration, evaluation and development expenditure</i></b>	
Costs carried forward in respect of areas of interest in exploration and/or evaluation phase	<u>27,330</u>
<b>10   <i>Payables</i></b>	
Trade creditors	3,345
Other creditors	<u>2,500</u>
	<u>5,845</u>

**Monax Mining Limited**  
**Notes to the Financial Statements**  
**For the period ended 30 June 2005**

	2005
	\$
<b>11 Contributed equity</b>	
Issued and paid-up share capital	
21,238,892 ordinary shares, fully paid	419,703
<b>(a) Ordinary shares</b>	
Balance at the beginning of year	-
Shares issued	3
- 3 shares issued at \$1.00	
- 1,500,000 issued for no consideration, held in trust for the future managing director	-
- 2,138,889 issued to Havilah Resources NL for interest in tenements *	-
- 9,700,000 at an issue price of \$0.001 per share in exchange for exploration rights with a fair value of \$9,700	9,700
- 3,800,000 at an issue price of \$0.001 per share in exchange for professional services provided to the company with a fair value of \$3,800	3,800
- 4,100,000 at an issue price of \$0.10 to seed capitalists	410,000
- Transaction costs	(3,800)
Balance at end of year	<u>419,703</u>

\* Upon ASX listing, assuming full subscription, the Company will issue a further 2,777,778 shares to Havilah Resources NL. The fair value of the tenements acquired at this time will be \$1,000,000

Holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

During the financial year the Company issued 21,238,892 ordinary shares to directors or their nominees and seed capitalists. In addition 5,000,000 options were issued exercisable at \$0.25 and may be exercisable at any date before 30 June 2008, 2,500,000 options were issued exercisable at \$0.30 that may be exercised at any date before 30 June 2009 and 2,500,000 options were issued exercisable at \$0.40 that may be exercised at any date before 30 June 2010. Each option is convertible to one ordinary share. There are no voting rights attached to the options.

There were no options were exercised during the financial year.

**Monax Mining Limited**  
**Notes to the Financial Statements**  
**For the period ended 30 June 2005**

(b) <i>Options to ordinary shares</i>	Exercise Price		
	\$0.20	\$0.30	\$0.40
Balance at 1 July 2004	-	-	-
Options Issued during the year	5,000,000	2,500,000	2,500,000
Options Exercised during the year	-	-	-
Options Cancelled during the year	-	-	-
Options Consolidated during the year	-	-	-
Balance at 30 June 2005	<u>5,000,000</u>	<u>2,500,000</u>	<u>2,500,000</u>

2005  
\$

**12 Retained profits**

Retained profits/(loss) at beginning of year	-
Net profit/(loss) attributable to members of the parent entity	<u>(13,295)</u>
Retained profits/(loss) at the end of the year	<u>(13,295)</u>

**13 Financial instruments disclosure**

**(a) Interest rate risk**

The company has no long term financial assets or liabilities upon which it earns or pays interest. Cash is held in an interest yielding cheque account where the interest rate can vary from day to day. The weighted average interest rate achieved was 3.03%

**(c) Credit risk exposures**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised in the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

**(d) Net fair values of financial assets and liabilities**

**Valuation approach**

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

**Recognised financial instruments**

Monetary financial assets and financial liabilities not readily traded in an organised financial market are carried at book value and where relevant adjusted for any changes in exchange rates. The company does not have any financial assets or liabilities that are readily traded on organised markets in a standardised form.

# Monax Mining Limited

## Notes to the Financial Statements

For the period ended 30 June 2005

### 14 Commitments & Contingent liabilities

The details and estimated maximum amounts of commitments and contingent liabilities (excluding unquantifiable royalties) that may become payable are set out below. These obligations are not provided for in the financial report and are payable as follows.

	Note	2005 \$
Accounting fees	(a)	10,000
Legal fees	(b)	50,000
Corporate advisory retainer	(c)(i)	10,000
	(c)(ii)	40,000
Office rental	(d)	5,500

- (a) Kennedy & Co, an accounting firm of which Mr R Kennedy is a consultant have performed unbilled work for the company. Kennedy & Co have undertaken to not bill this work unless the Company raises sufficient capital by way of seed capital, an Initial Public Offering or otherwise.
- (b) The Company's legal advisor DMA W Lawyers, of which Mr G Davis is a partner, has performed unbilled work for Monax Mining Limited and has undertaken not to bill this work unless the Company raises sufficient capital by way of seed capital, an Initial Public Offering or otherwise.
- (c) (i) The company has engaged a corporate advisory company to provide a corporate advisory role in relation to the company's proposed Initial Public Offering. This is a monthly fee of \$5,000 for the months of July 2005 & August 2005
- (ii) The corporate advisory company has performed unbilled work for the company Limited and has undertaken not to bill this work unless the Company raises sufficient capital by way of an Initial Public Offering.
- (d) Kennedy Services Pty Ltd a company of which Mr Kennedy was a director until 30 December 2003, has entered into a serviced office agreement with the company for a period until 30 November 2005.

Contingent upon the successful listing of the company on the ASX

- The company will have commitments relating to tenement expenditure. As at the 30 June 2005. The commitment for tenement expenditure for the period ending 30 May 2006 has been calculated at \$650,000.
- Pursuant to an agreement with Havilah Resources NL the company will issue further shares and options to Havilah such that after the issue, Havilah Resources NL will hold 10% of the issued shares and options in the Company.
- Non-Executive Directors are paid an annual fee for their service on the Board and all committees of the Board within the maximum aggregate sum for such Directors approved from time to time by Shareholders. The current maximum aggregate sum is \$300,000 per annum of which \$175,000 has been assigned for non-executive directors. The remuneration of individual Directors will be determined after the ASX Listing is satisfied

# Monax Mining Limited

## Notes to the Financial Statements

For the period ended 30 June 2005

### 15 Notes to the statements of cash flows

#### (a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	2005
	\$
Cash assets	308,944.
<b>(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities</b>	
Profit from ordinary activities after income tax	(13,295)
Add/(less) non-cash items:	
Changes in assets and liabilities:	
Decrease/(Increase) in GST receivable	(8,476)
(Increase)/Decrease in prepayments	(67,500)
Increase/(Decrease) in Trade Creditors	3,345
Increase/(Decrease) in Other Creditors	2,500
Net cash provided by/(used in) operating activities	<u>(83,426)</u>

#### Non-cash financing transactions

- On the 12th of May the Company issued 9,700,000 fully paid ordinary shares at an issue price of \$0.001 per share in exchange for exploration rights with a fair value of \$9,700.
- On the 12th of May the Company issued 3,800,000 fully paid ordinary shares at an issue price of \$0.001 per share in exchange for professional services provided to the Company with a fair value of \$3,800. The fees for professional services have been debited directly to equity.

These transactions are not reflected in the Statement of Cashflows.

### 16 Segment Reporting

The Company operates in the exploration and mining business segment located in Australia.

### 17 Directors' remuneration

Directors' income	2005
The number of directors of the Company whose income from the Company or any related party falls within the following bands:	
\$0 - \$9,999	4
	2005
	\$
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party	-

### (b) Retirement benefits

No retirement benefits were paid to the directors of the Company

**Monax Mining Limited**  
**Notes to the Financial Statements**  
**For the period ended 30 June 2005**

**18 Related parties**

**Directors**

The names of each person holding the position of director of Monax Mining Limited during the financial year are Messrs Robert M Kennedy, Reginald G Nelson, Neville F Alley, Glenn S Davis.

Details of directors' remuneration and retirement benefits are set out in Note 17.

The Company has entered into deeds of access, indemnity and insurance with each non-executive director of the Company which confirm the director's right of access to Board papers and require the Company to indemnify the director for liability incurred as an officer or promoter of the Company, subject to the restrictions imposed by the Corporations Act and the terms of its Constitution.

Non-Executive Directors are paid an annual fee for their service on the Board and all committees of the Board within the maximum aggregate sum for such Directors approved from time to time by Shareholders. The current maximum aggregate sum is \$300,000 per annum of which \$175,000 has been assigned for non-executive directors. The remuneration of individual Directors will be determined after the ASX Listing is satisfied.

There were no loans to Directors.

**Directors' holdings of shares and share options**

The interests of directors of the reporting entity and their director-related entities in shares and share options of entities within the consolidated entity at year-end are set out below.

	2005 Number held
<b>Monax Mining Ltd</b>	
Ordinary shares	9,590,003
Options over ordinary shares	5,800,000

**Directors' transactions in shares and share options**

No options were exercised during the year by directors and director related parties.

**Directors' transactions with the Company**

A number of directors of the Company, or their director-related entities, held positions in other entities during the financial year that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable to the directors and their director related entities than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The Company's legal advisor DMAW Lawyers, of which Mr G Davis is a partner, has performed unbilled work for Monax Mining Limited and has undertaken not to bill this work unless the Company raises sufficient capital by way of seed capital, an Initial Public Offering or otherwise

Apart from the details disclosed in note 18 there were no other director or their related entity transactions with the company in this financial year.

**19 Events subsequent to balance date**

The company lodged a prospectus with ASIC on the 12 July 2005.

The Initial Public Offer ("IPO") opened on 20 July 2005

The company raised a further \$15,000 by way of seed capital.

The company was granted exploration licences EL 3355, EL 3356, EL3357, EL3358, EL 3359 and EL3394.

**Monax Mining Limited**  
**Notes to the Financial Statements**  
**For the period ended 30 June 2005**

The company has applied for ELA 336/05.

The company via its IPO raised the maximum subscription of \$5,000,000.

Other than the matter discussed above, 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 company the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

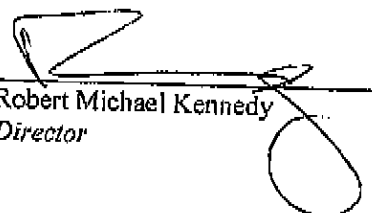
# Monax Mining Limited

## Directors' declaration

- I In the opinion of the directors of Monax Mining Limited:
- (a) the financial statements and notes, set out on pages 6 to 18, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
    - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 13<sup>th</sup> day of September 2005.

Signed in accordance with a resolution of the directors:

  
 Robert Michael Kennedy  
 Director

**INDEPENDENT AUDIT REPORT****TO MEMBERS OF MONAX MINING LTD****Scope and summary of our role****The financial report and directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Monax Mining Ltd, for the period ended 30 June 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**The auditor's role and work**

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

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

We read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.

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W www.grantthornton.com.au

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**Audit opinion**

In our opinion, the financial report of Monax Mining Ltd:

- gives a true and fair view of the financial position of Monax Mining Ltd at 30 June 2005, and of their performance for the period ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia.

**GRANT THORNTON  
CHARTERED ACCOUNTANTS**

  
**S J GRAY**  
Partner

Signed at *Adelaide* this *13* day of *September* 2005