

MONAX MINING LIMITED

2005 Annual Report



MONAX
MINING LTD



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Monax Mining Limited

ACN 110 336 733

ABN 96 110 336 733

Annual General Meeting

The Annual General Meeting will be held at the office of Monax Mining Limited, 140 Greenhill Rd, Unley, South Australia on 29 November 2005 commencing at 11:00 am. A formal notice is mail to shareholders with the distribution of this report.

Stock Exchange

The Company is listed on the Australian Stock Exchange Limited. The Home Exchange is Adelaide.

ASX codes:

Shares: MOX

Front Cover Image

Pine Creek

Central Eyre Peninsula

Chairman's Report



Dear Fellow Shareholders,

It is with great pleasure that I present to you the first annual report of Monax Mining Limited ('Monax') for the 2004-2005 financial year. The highly successful Initial Public Offering ('IPO') closed heavily oversubscribed, with Monax listing at a significant premium on its first day of trading. The Directors of Monax are very thankful for the support of its shareholders.

Special thanks must go to Havilah Resources NL ("Havilah") and Havilah shareholders who showed strong support for the IPO and contributed significantly to its success.

Monax believes this support comes from the first class tenement package it has acquired over the Gawler Craton and on Kangaroo Island and its ability to efficiently and effectively explore these tenements. Having a 100% interest in all tenements, Monax is well placed to take full advantage of any discoveries made in the near future.

Our multi-commodity approach allows us to take advantage of the current world demand for these commodities while minimizing the risk of missing other styles of mineralization in our highly prospective ground.

One of the Board's first activities post-listing was to appoint Michael Schwarz as

Managing Director. Michael is the former Leader of Primary Industries and Resources (PIRSA) Gawler Craton Program and has extensive experience in Gawler Craton geology and its mineralizing systems. Under Michael, Monax will actively explore all of our tenements, generate opportunities for joint ventures and acquire new projects which will add to the quality of our portfolio.

Since listing your company has been formally offered and accepted two new tenements on the Gawler Craton, Eureka Bluff which has the potential for "Tanamai gold and Olympic Dam Style iron oxide copper-uranium-gold deposits" and Punt Hill which is a substantial holding adjacent to the new "Carrapateena" intersection of 178m at an average grade of 1.83 per cent copper and 0.64 grams/tonne of gold.

I would like to thank my fellow Directors, staff and consultants for their efforts in making Monax's debut on the Australian Stock Exchange such a successful and rewarding event.

A handwritten signature in black ink, appearing to read 'Bob Kennedy'. The signature is stylized and written in a cursive-like font.

Bob Kennedy
Chairman

Managing Director's Report



Since our highly successful debut on the Australia Stock Exchange on the 21st of September 2005, Monax has concentrated on setting up its corporate infrastructure, employing staff and developing efficient work programs and time frames for exploration of its tenements. With this in place, we can now move forward to actively drill our previously generated targets and collect new geological, geochemical and geophysical data to generate new targets based on our mineralisation models.

The geological understanding of the Gawler Craton has made huge advances in the last five years and in that time a significant copper-uranium-gold deposit has been discovered at Prominent Hill and an outstanding intersection has been made at Carrapateena on the margin of Lake Torrens. We are well advanced in consideration of a joint venture approach from a major base and precious metals company on our Punt Hill project which lies adjacent to Carrapateena.

Our Gawler Craton tenements have the potential to produce world class Olympic Dam style copper-uranium-gold deposits, Archaean greenstone style nickel and gold deposits similar to the Eastern Goldfields of WA, Tanami style gold, Canadian Abitibi Belt Archaean VHMS style Zn-Cu-Au deposits and Broken Hill-Mt Isa style base metal deposits. Not only is there potential for these minerals in bedrock hosted styles but also in Tertiary palaeochannel settings,

some of which occur on our properties. These channels are prospective particularly for roll-front uranium and placer gold and are an important source of groundwater. Our Kangaroo Island tenements have high potential for zinc and gold mineralisation with several significant intersections that require immediate follow-up drilling.

Monax believes it has the unique set of skills and experience to undertake innovative and successful exploration in South Australia. Our Board and staff have extensive expertise and experience in Gawler Craton geology, palaeochannel systems, geophysical exploration techniques and modeling such that we have been able to establish an extensive tenement package in highly prospective project areas, with drill ready targets. We will take advantage of Primary Industries and Resources, SA (PIRSA's) world leading geological and geophysical databases to define new drill targets which have a high chance of success.

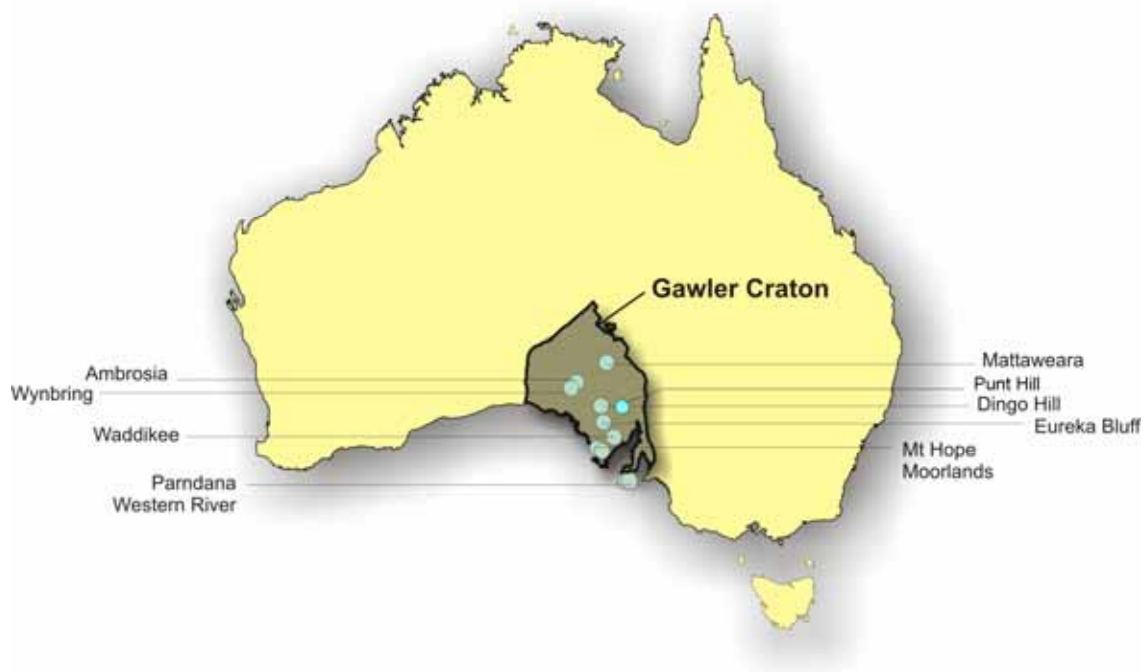
I take this opportunity to thank the Company's Board, staff and consultants for their support and hard work in establishing Monax so successfully. We are now ready to begin our on ground exploration programs and drill a number of exciting targets in the very near future.

A handwritten signature in black ink, appearing to read 'Michael Schwarz'. The signature is fluid and cursive, written over a white background.

Michael Schwarz
Managing Director

Review of operations

Project Locations



Activities

Since our highly successful debut on the Australia Stock Exchange on the 21st of September 2005, Monax has concentrated on setting up its corporate infrastructure, employing staff and developing efficient work programs and time frames for exploration of its tenements.

Punt Hill

- Received formal offer from PIRSA for Punt Hill (ELA 336/05) tenement.
- Offer has been accepted by Monax.
- Monax plans to undertake a detailed gravity survey over this tenement to better define gravity anomalies and potential drill targets.
- Following a review of this data, Monax will assess its opportunities for rapidly advancing exploration of the defined drill targets to provide maximum benefit to shareholders.

Eureka Bluff

- Received formal offer from PIRSA for Eureka Bluff (ELA 59/05) tenement.
- Offer has been accepted by Monax.

Review of operations



Project Status

Project	Tenement	Status	Acquired	Area km ²
Ambrosia	EL 3358	Granted	100%	854
Mt Hope	EL 3355	Granted	100%	320
Moorlands	EL 3356	Granted	100%	324
Parndana	EL 3376	Granted	100%	100
Western River	EL 3088	Granted	100%	188
Wynbring	EL 3359	Granted	100%	247
Eureka Bluff	ELA 59/05	Offer accepted	100%	549
Dingo Hill	EL 3394	Granted	100%	516
Mattaweara	EL 2964	Granted	100%	119
Waddikee	EL 3357	Granted	100%	1004
Punt Hill	ELA 336/05	Offer accepted	100%	887

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 Intermet 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:

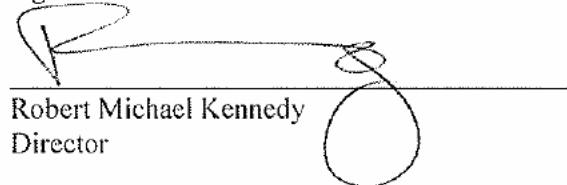
- Independent Accountants Report \$6,000

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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A Member of Grant Thornton Association Inc.

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

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

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

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

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

	Note	2005 \$
Cash flows from operating activities		
Cash receipts in the course of operations		-
Cash payments in the course of operations		(83,693)
Interest received		267
Net cash provided by/(used in) operating activities	15(b)	<u>(83,426)</u>
Cash flows from investing activities		
Payments for:		
Exploration, evaluation and development expenditure		(17,630)
Deferred expenditure		-
Intangible assets		-
Net cash used in investing activities		<u>(17,630)</u>
Cash flows from financing activities		
Proceeds from issue of shares		410,003
Proceeds from borrowings:		-
Net cash provided by financing activities		<u>410,003</u>
Net increase/(decrease) in cash held		308,947
Cash at the beginning of the financial year		<u>-</u>
Cash at the end of the financial year	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	Revenue from ordinary activities	
	Other revenues:	
	<i>From operating activities</i>	
	Interest:	267
	Total revenue from ordinary activities	267
4	Other expenses	
	Rent expense	7,700
	Auditing services	2,500
	Other expenses from ordinary activities	3,362
	Total other expenses from ordinary activities	13,562

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

2005
 \$

Auditors' remuneration

Audit services:

Auditors of the Company – Grant Thornton 2,500

5 Taxation

(a) Income tax expense

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>

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.

6 Cash assets

Cash 308,947

7 Receivables

Current

Other debtors - GST 8,476
8,476

8 Other current assets

Prepayments 67,500

9 Exploration, evaluation and development expenditure

Costs carried forward in respect of areas of interest in exploration and/or evaluation phase 27,330

10 Payables

Trade creditors 3,345
 Other creditors 2,500
5,845

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

	2005
	\$
11 Contributed equity	
Issued and paid-up share capital	
21,238,892 ordinary shares, fully paid	419,703
(a) Ordinary shares	
Balance at the beginning of year	-
Shares issued	
- 3 shares issued at \$1.00	3
- 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) (c)(ii)	10,000 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 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.
- (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) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

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
Monax Mining Ltd	
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

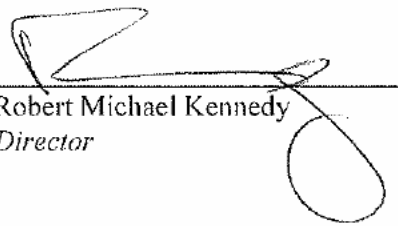
Directors' declaration

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 Perth this 13th 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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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

Shareholder Information

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

Shareholdings as at 30 September 2005

Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Substantial Shareholder	Number of fully paid shares held	Percentage held
Neville Foster Alley & Bronwen Dianne Ireland as trustee for the Prospects Trust	3,000,000	6.10%

Voting Rights

Subject to any rights or restrictions attached to any class of shares, at a meeting of members, on a show of hands, each member present (in person, by proxy, attorney or representative) has one vote and on poll, each member present (in person, by proxy, attorney or representative) has one vote for each fully paid share they hold.

Options

All options in the company are unlisted and escrowed until 20 September 2007

Details of the options are as follows:

5,000,000 options exercisable at \$0.25 cents each before 30 June 2008

2,500,000 options exercisable at \$0.30 cents each before 30 June 2009

2,500,000 options exercisable at \$0.40 cents each before 30 June 2010

Option holders will be entitled, on payment of the exercise prices above, to be allotted one ordinary fully paid share in the company for each option exercised. Any option not exercised before expiry will lapse.

Distribution of equity securities holders

Category	Holders of Ordinary Shares	Holders of options exercisable at \$0.25 cents each before 30 June 2008	Holders of options \$0.30 cents each before 30 June 2009	Holders of options \$0.40 cents each before 30 June 2010
1 – 1,000	2			
1,001 – 5,000	84			
5,001 – 10,000	611			
10,001 – 100,000	402		1	1
100,001 and over	44	8	7	7
Total number of security holders	1,143	8	8	8

Unmarketable Parcel

Number of shareholders holding less than a marketable parcel as at 30 September 2005 is 11

On market buy-back

There is no current on-market buy-back

Twenty Largest Shareholders

The names of the 20 largest holders of fully paid ordinary shares constituting a class of quoted equity securities on the Australian Stock Exchange Limited including the number and percentage held by those holders at 21 September 2005 are as follows.

ORDINARY SHARES			
Holder	Units	%	Rank
HAVILAH RESOURCES NL	4,916,667	10.00	1
MR NEVILLE FOSTER ALLEY & MRS BRONWEN DIANNE IRELAND PROSPECTS ACCOUNT	3,000,000	6.10	2
ALOREN (NO 148) PTY LTD	2,410,001	4.90	3
MR REG NELSON & MRS SUSAN NELSON GROUNDHOG ACCOUNT	1,920,001	3.91	4
BELINDA LINDH	1,650,000	3.36	5
SMART HOLDING PTY LTD SMART FAMILY ACCOUNT	1,650,000	3.36	6
DIGGER TRUST COMPANY PTY LTD DIGGER ACCOUNT	1,500,000	3.05	7
TRICOM EQUITIES LTD	1,500,000	3.05	8
WOOLSTHORPE INVESTMENTS LTD	1,500,000	3.05	9
TRIPLE EIGHT GOLD PTY LTD	1,260,001	2.56	10
FAIRBAIRN TRUST LIMITED	1,031,965	2.10	11
BOND STREET CUSTODIANS LTD	746,672	1.52	12
TRICOM EQUITIES LIMITED PEGASUS GROWTH FUND A/C	650,000	1.32	13
ZERO NOMINEES PTY LTD	545,842	1.11	14
MR ROBERT REX FRENCH	500,000	1.02	15
TIERRA RIST PTY LTD	400,001	0.81	16
DETAIL NOMINEES PTY LTD SETTLE A/C	391,262	0.80	17
MEDDISCOPE PTY LTD	300,000	0.61	18
ANZ NOMINEES LIMITED	297,713	0.61	19
MR DONALD NORMAN COULTAS	250,000	0.51	20

Twenty Largest Option Holders

There are no options quoted on the Australian Stock Exchange. Details of the options which are unquoted restricted securities that are subject to the ASX escrow provisions are listed below.

Unquoted equity securities

Fully Paid Ordinary shares

Details of fully paid ordinary shares on issue which are unquoted restricted securities that are subject to ASX escrow provisions are as follows.

Date until which securities are to be held in escrow	Number of unquoted fully paid ordinary shares on issue	Number of holders
16 May 2006	100,000	2
22 May 2006	425,000	3
27 June 2006	1,500,000	1
11 July 2006	50,000	1
21 September 2007	19,966,667	19

Options

Details of the options which are unquoted restricted securities that are subject to the ASX escrow provisions are as follows.

Date until which securities are to be held in escrow	Number of unquoted fully paid ordinary shares on issue	Exercise Price	Expiry Date	Number of holders
21 September 2007	5,000,000	\$0.25	30 June 2008	8
21 September 2007	2,500,000	\$0.30	30 June 2009	8
21 September 2007	2,500,000	\$0.40	30 June 2010	8

CORPORATE GOVERNANCE

Introduction

The Directors are committed to maximising performance and generating appropriate levels of shareholder value and financial return. In conducting business with these objectives, the Directors are concerned to ensure that the Company is properly managed to protect and enhance shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Directors have adopted corporate governance policies and practices designed to promote responsible management and conduct of the Company. The Directors have established three committees of Directors, the Audit Committee, the Remuneration Committee and the Nominations Committee, responsible for considering specific issues and making recommendations to the Directors.

Audit Committee

The role of the Audit Committee is to provide advice and assistance to the Directors to allow it to:

- fulfil its audit, accounting and reporting obligations;
 - monitor the performance and independence of the Company's auditors;
 - monitor compliance with applicable accounting standards and other requirements relating to the preparation and presentation of financial results; and
- fulfil its responsibilities relating to financial statements, internal accounting and financial control systems.

The Audit Committee will meet at least four times a year and report regularly to the Directors. The Audit Committee has direct access to any employee, the auditors or any other independent experts and advisers as it considers appropriate in order to ensure that its responsibilities can be carried out effectively.

Remuneration Committee

The role of the Remuneration Committee is to provide recommendations to the Directors on matters including:

- appropriate remuneration policies and monitoring their implementation including with respect to executives, senior managers and non-executive directors;
- incentive schemes designed to enhance corporate and individual performance; and retention strategies for executives and senior management.

The Remuneration Committee will meet at least once a year and at such other times as the

chairman of that committee considers necessary.

Nominations Committee

The role of the Nominations Committee is to provide recommendations to the Directors on matters including:

- composition of the Board of Directors and competencies of the Directors;
 - appointment and evaluation of the Managing Director;
 - succession planning for Board members and senior management; and
- processes for the evaluation of the performance of the Managing Director and other Directors.

Communication with Shareholders and the Market

The Company is committed to:

- ensuring that shareholders and the financial market are provided with timely disclosure about its activities;
 - fully complying with continuous disclosure obligations contained in applicable Listing Rules and the Corporations Act; and
- ensuring that all investors have equal and timely access to material information concerning the Company.

Information is communicated to shareholders through the distribution of the annual report and whenever there are other significant developments to report. In addition, all information released to ASX pursuant to the Company's continuous disclosure obligations will be posted on the Company's website www.monaxmining.com.au, as soon as possible following disclosure to ASX.

Securities Trading Policy

All the Company's officers, employees and directors are prohibited from dealing in any of the Company's securities, except while not in possession of unpublished price sensitive information. It is also contrary to the Company's policy for directors and employees to be engaged in short term trading of the Company's securities. Directors and employees are prohibited from dealing in the Company's securities during specified periods prior to the release of the Company's results or before the AGM. Directors must obtain the approval of the Chairman and employees the approval of the Company Secretary prior to dealing in the Company's securities.

GLOSSARY

Unless the context otherwise requires, the following words used in this Annual Report have the corresponding meanings set out below.

Acid rock Igneous rocks with over 66% silica.

Aeolian Sediments and erosional features resulting from wind action eg. a dune.

Ag Symbol for the element silver

Air mag survey Airborne survey measuring the strength of the Earth's magnetic field along equally spaced lines.

Alteration A geological term indicating change in the mineralogical composition of rocks often brought about by pressure changes, contact with hydrothermal fluids and weathering processes.

Amphibolite Metamorphic rock composed of amphibole and plagioclase, often from the alteration of basic igneous rocks.

Anomaly A departure from the norm usually determined by systematic measurement across an area. In mineral exploration is generally applied to geochemical or geophysical values above or below the norm.

Archaean An interval of geological time before about 2.5 billion years ago.

ASIC Australian Securities and Investments Commission.

ASX Australian Stock Exchange Limited.

Au Symbol for the element gold.

Basalt A volcanic rock formed from lava and rich in calcium, magnesium and iron minerals, but relatively low silica.

Basement Much older rocks underlying younger rocks. In the Gawler Craton area, the basement is usually the cratonic rocks.

Base metal A metal commonly used in industry by itself rather than in an alloy eg. copper, lead, zinc.

Basin A depression often due to subsidence in which rock materials are laid down, eg. lava, sediments.

Basic rock Igneous rock with generally less than 55% silica eg. basalt.

Bedrock Solid or lithified rock.

Breccia Coarse-grained rock composed of angular clasts. Brecciation is the shattering of rocks into such clasts.

Cainozoic (Cenozoic) Era of geological time including the Tertiary and Quaternary, extending from 65 million years ago to the present.

Calcrete A surficial calcareous layer formed in the soil or near surface sediments.

Cambrian The earliest period of the Palaeozoic Era, spanning from approximately 545 million to 490 million years ago.

Carbonaceous Usually applied to a sedimentary rock containing carbon (often as plant matter) as detrital material.

Carbonate Rocks composed of carbonates of calcium, iron or magnesium eg limestone, dolomite.

Chemical metasediment A metamorphosed sediment that was originally formed by chemical precipitation.

Chlorite A dark mica mineral.

Closing Date has the meaning given on page 57.

Company Monax Mining Limited ACN 110 336 733, a company registered under the *Corporations Act* on 3 August 2004.

Corporations Act *Corporations Act 2001* (Cth).

Cover Surficial sediments mantling older rocks and part of the regolith.

Cr Symbol for the element chromium

Craton A large, tectonically stable part of the Earth's crust eg. Gawler Craton, Yilgarn Craton.

Crust Outermost layer of the Earth.

Cu Symbol for the element copper.

Demagnetisation Reduction in remanent magnetization

Diamond core/drilling Drilling with a diamond impregnated drill bit used to recover continuous core.

Dilatant Increase in volume while maintaining shape or expansion along faults.

Diorite A group of plutonic rocks, intermediate in composition between acid and basic rocks, commonly composed of dark coloured amphibole, acid plagioclase, pyroxene and small amounts of quartz.

Dolomite A carbonate mineral composed mainly of calcium and magnesium, often containing iron. The term is commonly applied to the carbonate rock dominated by these minerals.

Domain A region where the geological fabric, in particular the magnetic fabric, is distinctive from surrounding regions. mineral exploration.

GLOSSARY

Directors The board of directors of the Company.

EL Exploration Licence granted by a Government Department (PIRSA) for mineral exploration.

ELA Exploration Licence Application made by a company to a Government Department (PIRSA) for mineral exploration.

Electromagnetic survey (EM) An exploration technique, involving a survey carried out along equally spaced lines, that measures change's in the Earth's magnetic field at different times after the application of an electrical field. May identify anomalies where the rocks are conductive (such as some ore bodies) that present drill targets.

Epidote Yellow green hydrated iron, aluminium, calcium silicate often a result of metamorphism or hydrothermal alteration.

Epigenetic A mineral deposit younger than the enclosing rock.

Epithermal Usually applied to a hydrothermal mineral formed in a temperature range 50-200°C within about the upper kilometre of the Earth's crust.

Extrusive An igneous rock that has been erupted onto the Earth's surface.

Fault A fracture in rocks in which rock on one side has moved relative to rock on the other.

Fe Symbol for the element iron.

Felsic Light coloured igneous rocks rich in silica.

Ferricrete Surficial layer cemented with iron oxide.

Flow front In this context, the front of a lava flow.

Full Subscription means the receipt before the Closing Date of Valid Applications for at least 25 million Shares under the Offer.

Gahnite Zinc silicate mineral.

Garnet A red brown crystalline silicate mineral found in metamorphic rocks.

Geochemical survey An exploration technique involving a systematic survey of the variation of chemical elements in rocks or regolith in an area and often producing anomalies that present drill targets.

Geophysical survey An exploration technique involving a systematic survey of the variation in the physical properties of the rocks or regolith (eg. electrical resistivity/conductivity, magnetism, gravity) to help in understanding the geology or defining drill targets in an area.

GIS Geographic Information Systems is a technology used to view and analyse data from a geographic perspective. GIS links location to information and layers that information to give a better understanding of how it interrelates. Maps of the underlying geographic information can be constructed and used as "windows into the database" to support queries, analysis, and editing of the information.

Gneiss A banded metamorphic rock in which crystalline rock is interspersed with flaky micaceous minerals.

Gossan An iron-rich, weathered product overlying a sulphide deposit.

Granite A plutonic felsic igneous rock composed of quartz, feldspar and mica.

Granitoid Synonym of granitic, but often used to refer to granitic-like rocks.

Graphitic Rocks rich in graphite.

Gravity survey A geophysical survey technique in which the force of gravity is systematically measured over an area, often producing anomalies, which may present drill targets.

Greenstone Low grade metamorphic rocks of basic composition, of Archaean age in the Yilgarn and Gawler Cratons, commonly bearing nickel and gold.

Haematite A mineral composed mainly of ferric iron oxide and the main component of iron ore.

Hydrothermal The process by which hot water-rich solutions transfer materials or alter rocks within the Earth's crust.

Igneous Rocks formed by crystallisation from molten materials.

Intrusive rocks An igneous rock that was intruded whilst molten into the Earth's crust eg. dyke, pluton, sill.

IP (Induced Polarisation) survey A geophysical technique carried out by passing a pulsating electrical current through the ground and measuring the effect of rocks and minerals in its path and locating anomalies that may present drill targets. Often used to detect the presence of metallic sulphides.

Iron formation A sedimentary rock containing significant iron as oxide, carbonate or silicate.

Komatiite Magnesium-rich mafic to ultramafic extrusive rock, sometimes containing nickel.

Lignitic Usually applied to a carbonaceous sedimentary rock containing abundant organic matter, approaching low grade coal often as lenses and thin beds. Typical of sediments laid down on floodplains and deltas.

Lineament A major linear feature in the Earth's crust (eg. a major fault) and often associated with mineral deposits.

GLOSSARY

Lode gold Gold contained within definite boundaries such as a vein.

Mafic A dark coloured rock composed of ferro-magnesian minerals.

Magma Molten rock and mineral materials.

Magnetite Iron oxide mineral with a formula generally Fe_3O_4 .

Manganese A silver coloured metal usually occurring as the mineral pyrolusite (MnO_2), which is the principal ore of manganese.

Mesoproterozoic An interval of geological time in the Proterozoic extending from 1.6 to 1.0 billion years ago.

Mesozoic A period of geological time extending from 251 million to 65 million years ago and known as the age of the reptiles.

Metagreywacke A metamorphosed, poorly sorted sandstone containing rock fragments, often in a clay-rich matrix.

Metamorphism Changes to rocks generally brought about by heat and pressure within the Earth's crust resulting in rocks such as schist and gneiss.

Metasediment Metamorphosed sedimentary rock in which the original texture is well preserved.

Minimum Subscription The receipt before the Closing Date of Valid Applications for at least 12.5 million Shares under the Offer.

Neoproterozoic An interval of geological time in the Proterozoic extending from 1.0 billion to 545 million years ago.

Ni Symbol for the element nickel.

Offer The offer of Shares made under this Prospectus.

Offer Conditions The minimum subscription condition set out on page 57 and the Listing Condition;

Official List The official list of ASX.

Official Quotation Quotation of the Shares on ASX.

Orogenic Forming during an orogeny or mountain building phase.

PACE The current South Australian Government's initiative to reinvigorate the resources industry entitled Plan for Accelerating Exploration of which assisted drilling is an important part.

Palaeochannel An ancient river channel now filled with sediment and preserved in the geological record; commonly of Tertiary age on the Gawler Craton.

Palaeoproterozoic The older part of the Proterozoic extending from 2.5 billion to 1.6 billion years ago.

Pb Symbol for the element lead.

Pelitic metasediment A metamorphosed mud-rich or argillaceous sediment.

Percussion drilling Drilling carried out by hammering a pneumatically driven drill bit into the rock.

PIRSA The Department of Primary Industries and Resources South Australia, the geological survey and regulatory authority in SA.

Pisolitic A rock made up of pea-like rounded grains, commonly in ferricrete, laterite and bauxite.

Plutonic An igneous rock that has solidified slowly at depth in the Earth's crust, usually producing medium to coarse grained rocks eg. granite.

Precambrian All of geological time preceding the Cambrian (>545 million years ago).

Promoter Has the meaning given in the Listing Rules of ASX.

Prospectus This prospectus, in paper or electronic format and any supplementary or replacement prospectus.

Prospectus Date The date appearing on the cover of this Prospectus.

Proterozoic The latest part of the Precambrian spanning approximately 2.5 billion to 550 million years ago.

Proximal source In the context of mineralising fluids it implies the source of the fluids is nearby.

Pyrite The mineral iron sulphide, often associated with copper and gold.

Pyroxenite An igneous rock composed mainly of pyroxene.

Quartz A very common mineral silicon oxide (SiO_2).

Quaternary The second period of the Cainozoic that encompasses the last 1.8 million years and includes the Pleistocene and Holocene.

Radiogenic A term used to refer to a product of radioactive processes eg. heat, lead. In our context we use the term to refer to a granite containing radioactive material (uranium).

Radiometric survey An (airborne) exploration survey technique in which measurements are made of the ambient radiation from the Earth's surface.

REE Rare Earth Elements.

Regolith Layer of weathered rock and surficial sediment overlying fresh rock.

Relevant Interest Has the meaning given in the Corporations Act.

Remote sensing The study of the Earth's surface and its materials, using such means as photography, spectroscopy and radar by airplanes and satellites eg LANDSAT.

Resource A well-defined estimate of mineralisation.

GLOSSARY

Rift sequence A succession of sediments, laid down in a broad, continental scale down faulted basin eg. the Rift Valley sediments in Africa.

Roll front uranium Uranium accumulated at the interface between uranium-bearing oxygen rich groundwater and a reducing aquifer host.

SAEI South Australian Exploration Initiative.

Schist A metamorphic rock characterised by partings along planes of medium-grained platy micaceous minerals.

Sericite A fibrous muscovite often resulting from the alteration of feldspar.

Shares Fully paid ordinary shares in the capital of the Company.

Shareholders Holders of Shares.

Shear zone A linear zone such as a fault in which rocks have been deformed.

Siltstone A fine-grained sedimentary rock composed of silt.

Sirotem An electromagnetic exploration survey technique developed by the CSIRO.

Solid geology In this case, the bedrock, excluding cover sediments, that has been interpreted from geophysical information.

Sn Symbol for the element tin.

Sphalerite The mineral zinc-iron sulphide, the principal ore of zinc.

Spinel Mineral $MgAl_2O_4$ usually formed by contact metamorphism of impure dolomitic limestone.

Stratabound In this context refers to mineralisation confined to particular sedimentary strata.

Stratiform A stratabound deposit/ore deposited along with the enclosing sediments.

Stratigraphy The science of the description, classification, dating, correlation and interpretation of depositional environments of sedimentary rocks.

Structurally controlled Strongly related to a structure in the Earth's crust such as a fault.

Structural corridor A linear zone due to earth movements.

Suite In this context, a group of comagmatic rocks.

Sulphide Mineral consisting of a chemical combination of sulphur with a metal(s).

Synorogenic Forming at the same time as mountain building.

Syntectonic Forming at the same time as any tectonic activity such as faulting and folding.

TEISA Targeted Exploration Initiative South Australia.

TEM An exploration technique that measures the changes in the local natural electro-magnetic field at depth in response to changes in the Earth's magnetic field, producing a map of conductance with depth. This aids in determining the local conductive zones in the rocks such as that due to mineralisation.

Tertiary A geological period extending from 65 million years ago to about 1.8 million

U Symbol for the element uranium.

Ultramafic Igneous rock composed essentially of iron and magnesium.

Valid Application Means an application for Shares completed in accordance with the instructions on the application form accompanying this Prospectus.

Vein Mineral or metal deposited along a fracture eg lode gold.

VHMS Volcanic hosted massive sulphide that is hosted in the volcanic rock not produced by the volcanism.

Volcanism/volcanic Volcanic activity/rock or feature formed by volcanic activity.

Wedge off In this context we mean undertake inclined drilling from a pre-existing drillhole.

Zn Symbol for the element zinc.

CORPORATE DIRECTORY

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ABN 96 110 336 733

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Michael Schwarz—Managing Director

Neville Alley – Executive Director

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