



Monax Mining Limited

Annual Financial Report

30 June 2006

Monax Mining Limited

Directors Report

The directors present their report together with the financial report of Monax Mining Limited (“the Company”) for the year ended 30th June 2006 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 as set out below. Details of directors’ qualifications, experience and special responsibilities are as follows.

Robert Michael Kennedy *ASAIT, Grad, Dip (Systems Analysis), FCA, ACIS, Life member AIM, FAICD.*

Non-Executive Chairman. Board member since 3 August 2004 as a Non-Executive Chairman. A Chartered Accountant and Consultant to Kennedy & Co, Chartered Accountants; a firm he founded.

Special responsibilities include membership of the Audit and Corporate Governance Committee and the Remuneration and Nomination Committee.

Other listed company directorships are: Chairman of Beach Petroleum Limited (since 1995 and a director since 1991), Flinders Diamonds Limited (since 2001), Ramelius Resources Limited (since 1995) and Maximus Resources Limited (since 2004).

Reginald George Nelson *BSc, Hon Life Member Society of Exploration Geophysicists, FAusIMM, FAICD.*

Non-Executive Director. Board member since 3 August 2004. An exploration geophysicist with 36 years experience in the minerals and petroleum industries and Chairman of the Australian Petroleum Production and Exploration Association Council. He has wide experience in technical, corporate and government affairs. Experience in gold exploration and mining operations in Western Australia, the Northern Territory and South Australia. Former Chairman of the Nevorlia Gold Mine Joint Venture in Western Australia.

Special responsibilities include membership of the Remuneration and Nomination Committee.

Other listed company directorships are: Managing Director of Beach Petroleum Limited (since 1992) and director of Anzon Australia Limited (between 2004 and December 2005) and Ramelius Resources Limited (since 1995).

Mr Glenn Stuart Davis *LLB, BEc*

Non Executive Director. Board member since 3 August 2004. 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 and Corporate Governance Committee.

Dr Neville Foster Alley *Phd*

Executive Technical Director. Board member since 27 January 2005. 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 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. He has worked closely with Aboriginal people and the community in developing a higher profile for the resources industry. He is also a Visiting Research Fellow, School of Earth and Environmental Sciences, The University of Adelaide.

Other listed company directorships are: Intermet Limited (since 2004)

Michael Peter Schwarz *BSc (Hons), AIG*

Managing Director. Board member since 29 September 2005. A former leader of Primary Industries and Resources SA’s (PIRSA) Gawler Craton program. He has a high level of IT skills, an excellent knowledge of mineralisation models and modern geological concepts and is highly energetic, innovative and leading edge in his approach to mineral exploration. He has led research projects with the SA Government, Geoscience Australia and various universities into the geological evolution and mineralisation of the Gawler Craton.

Monax Mining Limited

Directors' Report (continued)

Directors' meetings

The Company held 16 meetings of directors (including committees of directors) during the financial year. The number of directors' meetings and number of meetings attended by each of the directors of the Company (including committees of directors) during the financial year were as follows:

Director	Directors' Meetings		Audit & Corporate Governance Committee Meetings		Due Diligence Committee Meetings	
	<i>Number Eligible to attend</i>	<i>Number Attended</i>	<i>Number Eligible to attend</i>	<i>Number Attended</i>	<i>Number Eligible to attend</i>	<i>Number Attended</i>
Robert Michael Kennedy	14	14	1	1	1	1
Reginald George Nelson	14	14	-	-	-	-
Glenn Stuart Davis	14	13	1	1	1	1
Neville Foster Alley	14	13	-	-	-	-
Michael Peter Schwarz	9	8	-	-	-	-

Messrs Kennedy and Davis are members of the Audit & Corporate Governance Committee and the Due Diligence Committee which was formed to deal with the Initial Public Offer and ASX Listing of the Company in 2005.

Messrs Nelson and Kennedy are members of the Remuneration and Nomination Committee. This committee had not met during the year as relevant matters were dealt with by the Board.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year.

Domenico Antonio Francese – *B.Ec., FCA, FFin, ACIS*. Appointed Company Secretary and Financial Officer on 8 December 2005. A Chartered Accountant with an audit and investigations background and more than 12 years experience in a regulatory and supervisory role with ASX. He is also Company Secretary and Chief Financial Officer of Ramelius Resources Limited. (since September 2001).

Domenico Salvatore Cosentino - Appointed Company Secretary on 7 October 2003. A Chartered Accountant employed in public practice.

Principal activities

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

Review and results of operations

A review of operations of the Company during the financial year and the results of those operations is contained elsewhere in the annual report.

Results

The net loss after extraordinary items and income tax was \$566,729.

Dividends

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

State of affairs

Significant changes in the state of affairs of the Company during the year were as follows:

- In July 2005 the Company issued 150,000 shares at \$0.10 to seed capitalists raising \$15,000.
- On 12 July 2005 the Company lodged an IPO prospectus with the Australian Securities & Investments Commission and successfully raised \$5 million through the issue of 25,000,000 shares at \$0.20 each. The Company was listed on the Australian Stock Exchange on 21 September 2005

Monax Mining Limited

Directors' Report (continued)

- In April 2006 a total of 850,000 options with an exercise price of \$0.26 were issued to employees under an Employee Share Option Plan as approved by shareholders at the Company's Annual General Meeting held in November 2005. These options are not quoted on ASX and may be exercised at any time until 12 April 2011. The underlying shares to be issued on exercise of the options will rank equally with existing shares upon issue. The fair value of the options was \$50,150.

Adoption of Australian Equivalents to IFRS

As result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the Company's financial report has been prepared in accordance with those Standards.

Events subsequent to balance date

Since 30 June 2006, the Company appointed Dr Justin Gum to the position of Senior Exploration Geologist to assume responsibility for its Bonaventura project on Kangaroo Island and contribute to the exploration for nickel on South Australia's southern Eyre Peninsula.

On 24 August 2006 the Company granted 100,000 options to an employee under the Employee Share Option Plan. The options are not quoted on ASX and may be exercised at any time until 23 August 2011. The underlying shares to be issued on exercise of the options will rank equally with existing shares upon issue. The fair value of the options was \$14,200.

Other than the matters discussed above, there has not arisen in the interval between 30 June 2006 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 Company, in future years.

Likely developments

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

Remuneration Report

Remuneration of Directors and Key Management Personnel

(a)

Directors and Key Management Personnel

The names and positions held by directors and key management personnel of the Company during the financial year are:

Directors	Position
Mr RM Kennedy	Chairman – Non-Executive
Mr RG Nelson	Director – Non-Executive
Mr GS Davis	Director – Non-Executive
Dr NF Alley	Director – Executive
Mr MP Schwarz	Managing Director – Executive
Key Management Personnel	
Mr DA Francese	Chief Financial Officer / Company Secretary
Mr DS Cosentino	Company Secretary

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Directors' Report (continued)

(b) Directors' Remuneration

2006 Primary Benefits	Directors Fees \$	Salary \$	Cash Bonus \$	Super Contributions \$	Options \$	Total \$
Directors						
Mr RM Kennedy	42,813	-	-	9,651	-	52,464
Mr RG Nelson	24,082	-	-	2,167	-	26,249
Mr GS Davis*	26,250	-	-	-	-	26,250
Dr NF Alley	-	94,500	-	8,505	-	103,005
Mr MP Schwarz	-	108,065	45,000	13,163	44,250	210,478
	93,145	202,565	45,000	33,486	44,250	418,446

* Director's Fees for Mr Davis are paid to a related entity of the director.

2005 Primary Benefits	Directors Fees \$	Salary \$	Cash Bonus \$	Super Contributions \$	Non Cash Benefits \$	Total \$
Directors						
Mr RM Kennedy	-	-	-	-	-	-
Mr RG Nelson	-	-	-	-	-	-
Mr Glenn S Davis	-	-	-	-	-	-
Mr Neville F Alley	-	-	-	-	-	-
Mr Michael Schwarz	-	-	-	-	-	-
	-	-	-	-	-	-

(c) Service Agreements

During the financial year, the Company entered into employment agreements with Messrs Schwarz and Alley in respect of their services as Managing Director and Executive Director respectively. The base salaries are currently set at \$135,000 and \$126,000 per annum respectively exclusive of superannuation guarantee contributions and are reviewed annually. There were neither post employment retirement benefits previously approved by members of the Company in a general meeting nor any paid to directors of the Company.

Director Related Entities

During the year to 30 June 2006 the Company paid \$12,180 for corporate design and printing to an entity that is a director related entity of Mr Nelson. In addition legal fees totalling \$85,868 including those associated with the preparation of the IPO prospectus were paid to a director related entity of Mr Davis.

(d) Key Management Personnel remuneration

2006 Primary Benefits	Salary \$	Bonus \$	Super Contributions \$	Non Cash Benefits \$	Total \$
Key Management Personnel excluding Directors					
Mr DA Francese*	42,790	-	3,851	-	46,641
Mr DS Cosentino	-	-	-	-	-
	42,790	-	3,851	-	46,641

Monax Mining Limited

Directors' Report (continued)

2005 Primary Benefits

	Salary	Bonus	Super Contributions	Non Cash Benefits	Total
	\$	\$	\$	\$	\$
Key Management Personnel excluding Directors					
Mr DS Cosentino	-	-	-	-	-

* Mr Francese was appointed as a Company Secretary and Financial Officer on 8 December 2005. He is also a Company Secretary of Ramelius Resources Limited. Refer to Note 22 for details of payments made by the Company in relation to his services.

Key Management Personnel' Post-employment/retirement benefits

There were no post employment retirement benefits paid or payable to Key Management Personnel.

(e) Directors and Key Management Personnel' Equity Remuneration, Holdings and Transactions

Shares	Balance 1/7/05	Received as Remun- eration	Options Exercised	Net Change Other ¹	Balance 30/6/06	Total held in Escrow ² 30/6/06
Held by Directors in own name						
Mr RM Kennedy	-	-	-	-	-	-
Mr RG Nelson	-	-	-	-	-	-
Mr G S Davis	-	-	-	-	-	-
Mr N F Alley	-	-	-	-	-	-
Mr M Schwarz	-	-	-	-	-	-
Held by Directors' Personally Related Entities						
Mr RM Kennedy	2,260,001	-	-	90,850	2,350,851	2,250,000
Mr RG Nelson	1,920,001	-	-	-	1,920,001	1,910,000
Mr GS Davis	2,410,001	-	-	50,000	2,460,001	2,405,000
Mr NF Alley	3,000,000	-	-	-	3,000,000	3,000,000
Mr MP Schwarz	1,500,000	-	-	-	1,500,000	1,500,000
Total held by Directors	11,090,003	-	-	140,850	11,230,853	11,065,000
Key Management Personnel excluding Directors						
Mr DA Francese	20,000	-	-	22,750	42,750	20,000
Mr DS Cosentino	20,000	-	-	-	20,000	20,000
Total	11,130,003	-	-	163,600	11,293,603	11,105,000

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Directors' Report (continued)

Options	Option Class	Balance 1/7/05	Received as Remuneration	Options Exercised	Net Change Other ¹	Balance 30/6/06 ²	Total Vested 30/6/06	Total Exercisable 30/6/06
Held by Directors in own name								
	Mr RM Kennedy	-	-	-	-	-	-	-
	Mr RG Nelson	-	-	-	-	-	-	-
	Mr GS Davis	-	-	-	-	-	-	-
	Mr NF Alley	-	-	-	-	-	-	-
	Mr MP Schwarz	-	-	-	-	-	-	-
Directors' Personally Related Entities								
	Mr RM Kennedy	700,000	-	-	-	700,000	700,000	700,000
		350,000	-	-	-	350,000	350,000	350,000
		350,000	-	-	-	350,000	350,000	350,000
	Mr RG Nelson	700,000	-	-	-	700,000	700,000	700,000
		350,000	-	-	-	350,000	350,000	350,000
		350,000	-	-	-	350,000	350,000	350,000
	Mr GS Davis	700,000	-	-	-	700,000	700,000	700,000
		350,000	-	-	-	350,000	350,000	350,000
		350,000	-	-	-	350,000	350,000	350,000
	Mr NF Alley	800,000	-	-	-	800,000	800,000	800,000
		400,000	-	-	-	400,000	400,000	400,000
		400,000	-	-	-	400,000	400,000	400,000
	Mr MP Schwarz ³	-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	750,000	-	-	750,000	750,000	750,000
Total held by Directors		5,800,000	750,000	-	-	6,550,000	6,550,000	6,550,000
Key Management Personnel excluding Directors								
	Mr DA Francese	-	-	-	-	-	-	-
	Mr DS Cosentino	-	-	-	-	-	-	-
Total		5,800,000	750,000	-	-	6,550,000	6,550,000	6,550,000

- (a) Unlisted Options exercisable at \$0.25 by 30/6/2008
(b) Unlisted Options exercisable at \$0.30 by 30/6/2009
(c) Unlisted Options exercisable at \$0.40 by 30/6/2010
(d) Unlisted Options exercisable at \$0.26 by 12/4/2011

1. Net change other refers to shares purchased and/or sold during the financial year.
2. These securities held by directors and their personally related entities are subject to an escrow period of 2 years from the date of the Company's ASX listing on 21 September 2005.
3. In April 2006 a total of 750,000 options with an exercise price of \$0.26 were issued to Mr Schwarz under an Employee Share Option Plan as approved by shareholders at the Company's Annual General Meeting held in November 2005. These options are not quoted on ASX and may be exercised at any time until 12 April 2011. The fair value of the options issued to the Managing Director was \$44,250.

No options previously granted to directors or director related entities were exercised during the year.

Monax Mining Limited

Directors' Report (continued)

Employee Share Option Plan

The Company has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to ordinary fully paid shares in the Company. Under the terms of the Plan, options to ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. 950,000 options with a fair value of \$64,350 were issued to employees at no cost during or since the end of the financial year. This included 750,000 options to the Managing Director with a fair value of \$44,250.

Remuneration Practices

The Company's policy for determining the nature and amounts of emoluments of board members and senior executive officers of the Company is as follows.

The Company's Constitution specifies that the total amount of remuneration of non executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non executive directors has been set at \$300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors. The remuneration of the Managing Director is determined by the non-executive directors on the Remuneration and Nomination Committee as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Non-executive director remuneration is by way of fees and statutory superannuation contributions. Non-executive directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Remuneration and Nomination Committee is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of Monax given the nature of the Company's business as a recently listed mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board. A cash bonus was paid during the financial year to the Managing Director in accordance with this policy as disclosed above.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to ordinary fully paid shares in the Company. Under the terms of the Plan, options to ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

A total of 950,000 options with a fair value of \$64,350 were issued to employees at no cost during or since the end of the financial year including 750,000 options with a fair value of \$44,250 issued to the Managing Director.

The employment conditions of the Managing Director, Mr Schwarz and Executive Director Mr Alley were formalised in contracts of employment commencing on 26 September 2005 and 1 October 2005 respectively. The base salaries are currently set at \$135,000 and \$126,000 per annum respectively exclusive of superannuation guarantee contributions and are reviewed annually. The Managing Director's contract may be terminated at any time by mutual agreement. The Executive Directors contract was initially for a term of one year and the Board has agreed to enter into a further contract upon its expiry. The Company may terminate these contracts without notice in serious instances of misconduct.

Options Granted as Remuneration

Apart from the options granted under the Company's Employee Share Option Plan as detail above, no other options were granted to directors or key management personnel of the Company during the financial year.

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Directors' Report (continued)

Shares Issued on Exercise of Remuneration Options

No shares were issued to directors as result of the exercise of remuneration options during the financial year.

Directors' Interests in Shares and Options

Directors' relevant interests in shares and options of the Company are disclosed in section (e) of the Remuneration Report above.

Options

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

Expiry date*	Exercise price	Number of shares
30/6/2008	\$0.25	5,000,000
30/6/2009	\$0.30	2,500,000
30/6/2010	\$0.40	2,500,000
12/4/2011	\$0.26	850,000
23/8/2011	\$0.182	100,000

* All options may be exercised at any time before expiry. Option holders will receive one ordinary share in the capital of the Company for each option exercised.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year, no ordinary shares were issued as result of the exercise of options. There were no amounts unpaid on shares issued.

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 only carried out exploration activities and there 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.

The Company has entered into deeds 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.

Insurance premiums

Since the end of the previous year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts.

The terms of the policies prohibit disclosure of details of the amount of the insurance cover, the nature thereof and the premium paid.

Proceedings on behalf of the 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.

Auditor of the Company

The auditor of the Company for the financial year was Grant Thornton.

Monax Mining Limited

Directors' Report (continued)

Non-audit Services

The Board of directors, in accordance with advice from the Audit & Corporate Governance Committee, is 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*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit & Corporate Governance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- 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's Professional Statement F1 Professional Independence.

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2006:

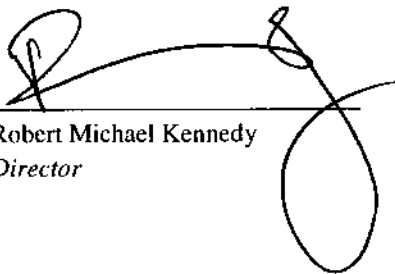
	\$
Provision of an independent accountants report	7,000

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found immediately following the end of the directors' report.

Dated at ADELAIDE this 29th day of SEPTEMBER 2006.

Signed in accordance with a resolution of the directors:




Robert Michael Kennedy
Director

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Monax Mining Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, 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
South Australian Partnership
Chartered Accountants



S J GRAY
Partner

Signed at *Adelaide* this *29* day of *September* 2006

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Monax Mining Limited
Income Statement
For the year ended 30 June 2006

	Note	2006 \$	2005 \$
Other Revenues from ordinary activities	2	223,441	267
Total revenue		223,441	267
Administration expenses		305,004	5,862
Consultants		35,583	-
Depreciation		9,010	-
Employment expenses		228,383	-
Occupancy expenses		48,712	7,700
Other expenses from ordinary activities		21,962	-
Profit/(loss) from ordinary activities before related income tax expense		(425,213)	(13,295)
Income tax (expense)/benefit relating to ordinary activities		(141,516)	-
Profit/(loss) from ordinary activities after related income tax expense		(566,729)	(13,295)
Total changes in equity other than those resulting from transactions with owners as owners		(566,729)	(13,295)
Basic earnings per share (cents)	7	(1.3)	(0.5)

The accompanying notes form part of these financial statements.

Monax Mining Limited

Balance Sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current Assets			
Cash assets	8	3,855,709	308,947
Trade and other receivables	9	42,599	8,476
Other	10	11,821	67,500
Total current assets		<u>3,910,129</u>	<u>384,923</u>
Non-current assets			
Property, Plant and Equipment	11	106,350	-
Exploration and Evaluation Expenditure	12	1,716,749	27,330
Total non-current assets		<u>1,823,099</u>	<u>27,330</u>
Total assets		<u>5,733,228</u>	<u>412,253</u>
Current liabilities			
Trade and other payables	13	158,581	5,845
Short term provisions	14	16,689	-
Total current liabilities		<u>175,270</u>	<u>5,845</u>
Non-current liabilities			
Long term provisions	14	-	-
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>175,270</u>	<u>5,845</u>
Net assets		<u>5,557,958</u>	<u>406,408</u>
Equity			
Issued Capital	15	6,087,832	419,703
Share Options Reserves		50,150	-
Retained profits/(losses)	17	(580,024)	(13,295)
Total Equity		<u>5,557,958</u>	<u>406,408</u>

The accompanying notes form part of these financial statements.

Monax Mining Limited
Statement of Changes in Equity
For the year ended 30 June 2006

	\$	\$	\$	\$
	Share Capital	Share Based Payments Reserve*	Retained Profits / (Losses)	Total
Note	Ordinary			
Balance at 1 July 2004	-	-	-	-
3 shares issued during the period to subscribers at \$1	3	-		3
9,700,000 shares issued at \$0.001 per share in exchange for exploration rights with a fair value of \$9,700	9,700	-	-	9,700
3,800,000 shares issued at \$0.001 per share in exchange for professional services provided to the Company with a fair value of \$3,800	3,800	-	-	3,800
4,100,000 shares issued during the period to seed capitalists at \$0.10	410,000	-	-	410,000
Transaction costs associated with costs of capital raisings	(3,800)	-	-	(3,800)
Profit/(loss) attributable to shareholders	-	-	(13,295)	(13,295)
Balance at 1 July 2005	419,703	-	(13,295)	406,408
150,000 shares issued during the period to seed capitalists at \$0.10	15,000	-	-	15,000
25,000,000 shares issued during the period to IPO applicants at \$0.20	5,000,000	-	-	5,000,000
4,916,667 shares issued during the period to a Vendor at fair value of \$0.20 per share	983,333	-	-	983,333
Transaction costs associated with the issue of shares net of tax	(330,204)	-	-	(330,204)
Fair value of Options issued to employees	-	50,150	-	50,150
Profit/(loss) attributable to shareholders	-	-	(566,729)	(566,729)
Balance as at 30 June 2006	6,087,832	50,150	(580,024)	5,557,958

* Further information on the nature of this reserve is disclosed at Note 16.

The accompanying notes form part of these financial statements.

Monax Mining Limited

Cash Flow Statement

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
Cash Flows from operating activities			
Cash receipts in the course of operations		447	-
Cash payments in the course of operations		(447,252)	(83,693)
Interest received		205,287	267
Net cash provided by/(used in) operating activities	20	<u>(241,518)</u>	<u>(83,426)</u>
Cash Flows from investing activities			
Payments for Plant & Equipment		(115,720)	-
Payments for Exploration & Evaluation Assets		(639,280)	(17,630)
Net cash provided by/(used in) investing activities		<u>(755,000)</u>	<u>(17,630)</u>
Cash Flows from Financing activities			
Proceeds from issue of shares through IPO applicants		5,000,000	-
Proceeds from issue of shares through Seed Capitalists		15,000	410,003
Payment of transaction costs associated with capital raising		(471,720)	-
Net cash provided by/(used in) financing activities		<u>4,543,280</u>	<u>410,003</u>
Net increase/(decrease) in cash held		3,546,762	308,947
Cash at the beginning of the financial year		<u>308,947</u>	-
Cash at the end of the financial year	8	<u>3,855,709</u>	<u>308,947</u>

The accompanying notes form part of these financial statements.

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

1 Statement of significant accounting policies

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

The financial report covers the economic entity, Monax Mining Limited, a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies that have been adopted in the preparation of this financial report. The accounting policies have been consistently applied unless otherwise stated.

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with the Australian Equivalents to International Financial Reporting Standards ("AIFRS") from 1 July 2005.

In accordance with the requirements of AASB1: First time Adoption of Australian Equivalents to International Reporting Standards, adjustments to the Company's accounts resulting from the introduction of AIRFS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB1 have been applied. These accounts are the first annual financial statements of the Company to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied with those of the previous year.

No adjustment from previous Australian GAAP to AIFRS has been noted.

It has been prepared on the accruals basis and is based on historical costs modified by the revaluation of selected non current assets, financial assets and financial liabilities for which the fair value of accounting has been applied.

(b) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

All fixed assets are depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	5% – 25%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs are determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Leased payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

(f) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(g) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year are measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

Superannuation Contributions: Employees may nominate their own superannuation fund into which the Company pays superannuation contributions. The Company currently contributes 9% of employee's salary to each employee's nominated fund or where a fund is not nominated by an employee, to a superannuation fund chosen by the Company.

Share-based payments: The Company has an Employee Share Option Plan where employees may be provided with options to shares in the Company. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined to the fair value of the shares granted.

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(j) Revenue

Revenue from sale of goods or rendering of a service is recognised upon delivery of the goods or service to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of goods and services tax (GST).

(k) 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 the expense.

Receivables and payables are stated in the Balance Sheet inclusive of GST.

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.

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
(l) Transaction costs on the issue of equity instruments			
Transaction costs arising from the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs related. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.			
(m) Comparative figures			
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.			
(n) New Accounting and UIG Interpretations			
Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The company's assessment of the impact of these new standards and interpretations is that there would be no material impact on the reported results of the company for the year ended 30 June 2006.			
2 Revenue from ordinary activities			
Other revenues:			
<i>From operating activities</i>			
Interest received from other parties		223,141	267
Other Revenue		300	-
Total revenue from ordinary activities		223,441	267
3 Profit from ordinary activities before income tax expense has been determined after			
Expenses			
Depreciation of Non Current Assets			
Plant and equipment		9,010	-
Finance Costs			
Interest paid to external entities		71	-
Rental Expense on Operating Leases			
Minimum lease payments		44,123	-
Share based remuneration		50,150	-

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
4	<i>Income tax expense</i>		
The components of tax expense comprise:			
Current income tax charge		-	-
Tax portion of capital raising costs		141,516	-
Income tax expense reported in the income statement		141,516	-
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie income tax benefit calculated at 30% on loss from ordinary activities		127,564	5,128
Deferred tax asset in respect of tax losses not brought to account		(127,564)	(5,128)
Tax portion of capital raising costs		141,516	-
Income tax expense attributable to loss from ordinary activities		141,516	-
Income tax losses			
Deferred tax asset arising from carried forward tax losses not recognised at reporting at reporting date as the asset is not regarded as meeting the probable criteria - tax losses at 30%		146,644	5,128

5 *Remuneration of Directors and Key Management Personnel*

(a) **Directors and Key Management Personnel**

The names and positions held by directors and key management personnel of the Company during the financial year are:

Directors	Position
Mr RM Kennedy	Chairman – Non-Executive
Mr RG Nelson	Director – Non-Executive
Mr GS Davis	Director – Non-Executive
Dr NF Alley	Director – Executive
Mr MP Schwarz	Managing Director – Executive
Key Management Personnel	
Mr DA Francese	Chief Financial Officer / Company Secretary
Mr DS Cosentino	Company Secretary

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

(b) Directors' Remuneration

2006 Primary Benefits	Directors Fees \$	Salary \$	Cash Bonus \$	Super Contributions \$	Options \$	Total \$
Directors						
Mr RM Kennedy	42,813	-	-	9,651	-	52,464
Mr RG Nelson	24,082	-	-	2,167	-	26,249
Mr GS Davis*	26,250	-	-	-	-	26,250
Dr NF Alley	-	94,500	-	8,505	-	103,005
Mr MP Schwarz	-	108,065	45,000	13,163	44,250	210,478
	93,145	202,565	45,000	33,486	44,250	418,446

* Director's Fees for Mr Davis are paid to a related entity of the director.

2005 Primary Benefits	Directors Fees \$	Salary \$	Cash Bonus \$	Super Contributions \$	Non Cash Benefits \$	Total \$
Directors						
Mr RM Kennedy	-	-	-	-	-	-
Mr RG Nelson	-	-	-	-	-	-
Mr Glenn S Davis	-	-	-	-	-	-
Mr Neville F Alley	-	-	-	-	-	-
Mr Michael Schwarz	-	-	-	-	-	-
	-	-	-	-	-	-

(c) Service Agreements

During the financial year, the Company entered into employment agreements with Messrs Schwarz and Alley in respect of their services as Managing Director and Executive Director respectively. The base salaries are currently set at \$135,000 and \$126,000 per annum respectively exclusive of superannuation guarantee contributions and are reviewed annually. There were neither post employment retirement benefits previously approved by members of the Company in a general meeting nor any paid to directors of the Company.

Director Related Entities

During the year to 30 June 2006 the Company paid \$12,180 for corporate design and printing to an entity that is a director related entity of Mr Nelson. In addition legal fees totalling \$85,868 including those associated with the preparation of the IPO prospectus were paid to a director related entity of Mr Davis.

(d) Key Management Personnel remuneration

2006 Primary Benefits	Salary \$	Bonus \$	Super Contributions \$	Non Cash Benefits \$	Total \$
Key Management Personnel excluding Directors					
Mr DA Francese*	42,790	-	3,851	-	46,641
Mr DS Cosentino	-	-	-	-	-
	42,790	-	3,851	-	46,641

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

2005 Primary Benefits	Salary	Bonus	Super Contributions	Non Cash Benefits	Total
	\$	\$	\$	\$	\$
Key Management Personnel excluding Directors					
Mr DS Cosentino	-	-	-	-	-

* Mr Francese was appointed as a Company Secretary and Financial Officer on 8 December 2005. He is also a Company Secretary of Ramelius Resources Limited. Refer to Note 22 for details of payments made by the Company in relation to his services.

Key Management Personnel' Post-employment/retirement benefits

There were no post employment retirement benefits paid or payable to **Key Management Personnel**.

(e) Directors and Key Management Personnel' Equity Remuneration, Holdings and Transactions

Shares	Balance 1/7/05	Received as Remuneration	Options Exercised	Net Change Other ¹	Balance 30/6/06	Total held in Escrow ² 30/6/06
Held by Directors in own name						
Mr RM Kennedy	-	-	-	-	-	-
Mr RG Nelson	-	-	-	-	-	-
Mr G S Davis	-	-	-	-	-	-
Mr N F Alley	-	-	-	-	-	-
Mr M Schwarz	-	-	-	-	-	-
Held by Directors' Personally Related Entities						
Mr RM Kennedy	2,260,001	-	-	90,850	2,350,851	2,250,000
Mr RG Nelson	1,920,001	-	-	-	1,920,001	1,910,000
Mr GS Davis	2,410,001	-	-	50,000	2,460,001	2,405,000
Mr NF Alley	3,000,000	-	-	-	3,000,000	3,000,000
Mr MP Schwarz	1,500,000	-	-	-	1,500,000	1,500,000
Total held by Directors	11,090,003	-	-	140,850	11,230,853	11,065,000
Key Management Personnel excluding Directors						
Mr DA Francese	20,000	-	-	22,750	42,750	20,000
Mr DS Cosentino	20,000	-	-	-	20,000	20,000
Total	11,130,003	-	-	163,600	11,293,603	11,105,000

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

Options	Option Class	Balance 1/7/05	Received as Remuneration	Options Exercised	Net Change Other ¹	Balance 30/6/06 ²	Total Vested 30/6/06	Total Exercisable 30/6/06
Held by Directors in own name								
Mr RM Kennedy		-	-	-	-	-	-	-
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Mr NF Alley		-	-	-	-	-	-	-
Mr MP Schwarz		-	-	-	-	-	-	-
Directors' Personally Related Entities								
Mr RM Kennedy	(a)	700,000	-	-	-	700,000	700,000	700,000
	(b)	350,000	-	-	-	350,000	350,000	350,000
	(c)	350,000	-	-	-	350,000	350,000	350,000
Mr RG Nelson	(a)	700,000	-	-	-	700,000	700,000	700,000
	(b)	350,000	-	-	-	350,000	350,000	350,000
	(c)	350,000	-	-	-	350,000	350,000	350,000
Mr GS Davis	(a)	700,000	-	-	-	700,000	700,000	700,000
	(b)	350,000	-	-	-	350,000	350,000	350,000
	(c)	350,000	-	-	-	350,000	350,000	350,000
Mr NF Alley	(a)	800,000	-	-	-	800,000	800,000	800,000
	(b)	400,000	-	-	-	400,000	400,000	400,000
	(c)	400,000	-	-	-	400,000	400,000	400,000
Mr MP Schwarz ³	(a)	-	-	-	-	-	-	-
	(b)	-	-	-	-	-	-	-
	(c)	-	-	-	-	-	-	-
	(d)	-	750,000	-	-	750,000	750,000	750,000
Total held by Directors		5,800,000	750,000	-	-	6,550,000	6,550,000	6,550,000
Key Management Personnel excluding Directors								
Mr DA Francese		-	-	-	-	-	-	-
Mr DS Cosentino		-	-	-	-	-	-	-
Total		5,800,000	750,000	-	-	6,550,000	6,550,000	6,550,000

- (a) Unlisted Options exercisable at \$0.25 by 30/6/2008
(b) Unlisted Options exercisable at \$0.30 by 30/6/2009
(c) Unlisted Options exercisable at \$0.40 by 30/6/2010
(d) Unlisted Options exercisable at \$0.26 by 12/4/2011

1. Net change other than in respect of shares refers to shares purchased and/or sold during the financial year.
2. These securities held by directors and their personally related entities are subject to an escrow period of 2 years from the date of the Company's ASX listing on 21 September 2005.
3. In April 2006 a total of 750,000 options with an exercise price of \$0.26 were issued to Mr Schwarz under an Employee Share Option Plan as approved by shareholders at the Company's Annual General Meeting held in November 2005. These options are not quoted on ASX and may be exercised at any time until 12 April 2011. The fair value of the options issued to the Managing Director was \$44,250.

No options previously granted to directors or director related entities were exercised during the year.

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

	Note	2006	2005
		\$	\$

Employee Share Option Plan

The Company has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to ordinary fully paid shares in the Company. Under the terms of the Plan, options to ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. 950,000 options with a fair value of \$64,350 were issued to employees at no cost during or since the end of the financial year. This included 750,000 options to the Managing Director with a fair value of \$44,250.

Options Granted as Remuneration

Apart from the options granted under the Company's Employee Share Option Plan as detail above, no other options were granted to directors or key management personnel of the Company during the financial year.

Shares Issued on Exercise of Remuneration Options

No shares were issued to directors as result of the exercise of remuneration options during the financial year.

Directors' Interests in Shares and Options

Directors' relevant interests in shares and options of the Company are disclosed in section (e) of the Remuneration Report above.

6 Auditors' remuneration

Audit services:

Auditors of the Company – Grant Thornton

Audit and review of the financial reports

Provision of an independent accountants report

16,000	2,500
7,000	-
<u>23,000</u>	<u>2,500</u>

7 Earnings per share

(a) Classification of securities

All ordinary shares have been included in basic earnings per share.

(b) Classification of securities as potential ordinary shares

- 5,000,000 unlisted options exercisable at \$0.25 by 30/6/2008
- 2,500,000 unlisted options exercisable at \$0.30 by 30/6/2009
- 2,500,000 unlisted options exercisable at \$0.40 by 30/6/2010
- 850,000 unlisted options exercisable at \$0.26 by 12/4/2011

In accordance with AASB133 'Earnings per share' as potential shares only result in a decrease in the loss per share, no dilution effect has been taken into account.

(c) Earnings used in the calculation of earnings per share

Profit/(loss) from ordinary activities after related income tax expense

(566,729)	(13,295)
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(d) Weighted average number of shares used as the denominator

Number for basic earnings per share

Ordinary shares

42,923,443	2,670,418
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Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
8	<i>Cash assets</i>		
	Cash	149,796	308,947
	Deposits at call	3,705,913	-
		<u>3,855,709</u>	<u>308,947</u>
9	<i>Trade and Other Receivables</i>		
	Current		
	Other debtors	<u>42,599</u>	<u>8,476</u>
10	<i>Other Current assets</i>		
	Prepayments	<u>11,821</u>	<u>67,500</u>
11	<i>Property, plant and equipment</i>		
	Plant and equipment		
	At cost	116,273	-
	Accumulated depreciation	(9,923)	-
	Accumulated impairment losses	-	-
		<u>-</u>	<u>-</u>
	Net book value	<u>106,350</u>	<u>-</u>
	Reconciliations		
	Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
	<i>Plant and equipment</i>		
	Carrying amount at beginning of year	-	-
	Additions	116,273	-
	Disposals	-	-
	Depreciation	(9,923)	-
		<u>(9,923)</u>	<u>-</u>
	Carrying amount at end of year	<u>106,350</u>	<u>-</u>
12	<i>Exploration and evaluation expenditure</i>		
	Costs carried forward in respect of areas of interest in:		
	Exploration and/or evaluation phase (i)	1,716,749	27,330
	Total Exploration and evaluation expenditure	<u>1,716,749</u>	<u>27,330</u>

The ultimate recoupment of costs carried forward for exploration phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

(i) Reconciliation

A reconciliation of the carrying amount of Exploration and/or evaluation phase expenditure is set out below.

Carrying amount at beginning of year	27,330	-
Additional costs capitalised during the year	706,086	27,330
Shares issued to acquired exploration rights	983,333	-
	<u>1,716,749</u>	<u>27,330</u>
Carrying amount at end of year	<u>1,716,749</u>	<u>27,330</u>

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
13 Trade and Other Payables			
Trade creditors		43,961	3,345
Other creditors and accruals		80,276	2,500
Amounts payable to director related entities*		34,344	-
		<u>158,581</u>	<u>5,845</u>
* Details of amounts payable to director related entities are detailed in Note 22.			
14 Provisions			
Current			
Employee entitlements		<u>16,689</u>	-
Non Current			
Employee entitlements		<u>-</u>	<u>-</u>
15 Issued Capital			
Issued and paid-up share capital			
49,166,670 (2005: 21,238,892) ordinary shares, fully paid	17(a)	<u>6,087,832</u>	<u>419,703</u>
(a) Ordinary shares			
Balance at the beginning of year		419,703	-
Shares issued during the year			
Nil (2005: 3) Shares issued at \$1.00		-	3
Nil (2005: 1,500,000) Issued for no consideration, held in trust for the future managing director		-	-
2,777,778 (2005: 2,138,889) Issued to Havilah Resources NL for interests in tenements at fair value of \$0.20 per share		983,333	-
Nil (2005: 9,700,000) Issue price of \$0.001 per share in exchange for exploration rights with fair value of \$9,700		-	9,700
Nil (2005: 3,800,000) Issue price of \$0.001 per share in exchange for professional services with a fair value of \$3,800		-	3,800
150,000 (2005: 4,100,000) Issue price \$0.10 to seed capitalists		15,000	410,000
25,000,000 (2005: Nil) Issue Price \$0.20 per share to IPO applicants		5,000,000	-
Less transaction costs arising from issue of shares net of tax		<u>(330,204)</u>	<u>(3,800)</u>
Balance at end of year		<u>6,087,832</u>	<u>419,703</u>

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.

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

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

(b) Options

- (i) For information relating to the Monax Mining Limited Employee Share Option Plan including details of any options issued, exercised and lapsed during the financial year, refer to Note 16.
- (ii) For information relating to share options issued to executive directors during the financial year, refer to Note 5.

At 30 June 2006, there were 10,850,000 (30 June 2005: 10,000,000) unissued shares for which the following options were outstanding.

- 5,000,000 unlisted options exercisable at \$0.25 by 30/6/2008
- 2,500,000 unlisted options exercisable at \$0.30 by 30/6/2009
- 2,500,000 unlisted options exercisable at \$0.40 by 30/6/2010
- 850,000 unlisted options exercisable at \$0.26 by 12/4/2011

16 Share-Based Payments

The following share-based payment arrangements existed at 30 June 2006:

On 13 April 2006, 850,000 share options were granted to employees under the Monax Mining Limited Employer Share Option Plan to take up ordinary shares at an exercise price of \$0.26 each. The options are exercisable on or before 12 April 2011. The options are non transferable except as allowed under the Employee Share Option Plan and are not quoted securities. At balance date, no share options had been exercised.

All options granted to key management personnel are over ordinary shares in Monax Mining Limited, which confer a right of one ordinary share for every option held.

	2006		2005	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	-	-	-	-
Granted	850,000	0.26	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	850,000	0.26	-	-
Exercisable at year-end	850,000	0.26	-	-

The weighted average fair value of the options granted during the year was \$0.059. This price was calculated by using Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.26
Weighted average life of the option	1,825 days
Underlying share price	\$0.24
Expected share price volatility	19.3%
Risk free interest rate	5.0%

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

Given that the Company shares were listed during the financial year and the historical volatility of the Company was not available. The historical volatility of similar sized companies have been used as the basis for determining expected share price volatility.

The life of the options is based on the days remaining until expiry.

Included under employee benefits expense in the income statement is \$50,150 (2005: \$ nil), and relates, in full, to equity-settled share-based payment transactions.

	Note	2006 \$	2005 \$
17	<i>Retained profits / (losses)</i>		
	Retained losses at beginning of year	(13,295)	-
	Net loss attributable to members of the company	<u>(566,729)</u>	<u>(13,295)</u>
	Retained profits/(losses) at the end of the year	<u>(580,024)</u>	<u>(13,295)</u>

18 *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 and on short term call deposit where the interest rate can vary from day to day. The weighted average interest rate achieved was 4.95% (2005: 3.03%)

(b) *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 entity which have been recognised in the Balance Sheet, is the carrying amount, net of any provision for doubtful debts.

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

Valuation approach

Net fair values of financial assets and liabilities are determined by the 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. Other than listed investments, the Company does not have any financial assets or liabilities that are readily traded on organised markets in a standardised form. The net fair values of listed investments have been valued at the quoted market bid price at balance date.

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

	Note	2006	2005
		\$	\$
19 Commitments & Contingent liabilities			
Exploration expenditure commitments			
In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the State Government of South Australia. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable as follows.			
Within one year	(i)	1,204,732	-
One year or later and no later than five years		-	-
Later than five years		-	-
		<u>1,204,732</u>	<u>-</u>

(i) Includes contractual commitments of \$234,138. The contractual commitments arise from an agreement for the acquisition of airborne geographical surveys that is yet to be carried out.

The Company leases office and warehouse accommodation in Adelaide under a non-cancellable operating lease expiring in January 2009. The lease generally provides the Company with a right of renewal for a further four years after which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index and operating criteria.

Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

Within one year	60,000	-
One year or later and no later than five years	90,000	-
Later than five years	-	-
	<u>150,000</u>	<u>-</u>

20 Notes to the statements of cash flows

Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

Profit/(Loss) from ordinary activities after income tax	(566,729)	(13,295)
Add/(less) non cash items		
Depreciation	9,010	-
Share based remuneration	50,150	-
Income tax expense	141,516	-
(Increase)/decrease in prepayments	55,679	(67,500)
(Increase)/decrease in receivables	(34,123)	(8,476)
(Increase)/decrease in non-current assets	(64,963)	-
(Decrease)/increase in accounts payable	151,253	5,845
(Decrease)/increase in provisions	16,689	-
Net cash provided by/(used in) operating activities	<u>(241,518)</u>	<u>(83,426)</u>

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
21 Employee entitlements			
Aggregate liability for employee entitlements, including on-costs			
Current	14	16,689	-
Non-current	14	-	-
		<u>16,689</u>	<u>-</u>
Number of employees			
Number of employees at year end		5	-

22 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 aggregate amounts recognised during the year (excluding re-imburement of expenses incurred on behalf of the Company) relating to directors and their director-related entities were as follows:

Director	Transaction	Note	2006 \$	2005 \$
RG Nelson	Payments to director related entity for corporate design and printing.		\$12,180	-
GS Davis	Payments to an entity of which the director is a partner in respect of legal fees		\$85,868	-
RM Kennedy & RG Nelson	Payments to a director related entity for Company Secretarial services and associated costs.	(i)	\$50,555	-

(i) This amount relates to the services of Mr Francese who was appointed a Company Secretary and Financial Officer on 8 December 2005. Mr Francese is employed by Ramelius Resources Limited (a company associated with RM Kennedy and R G Nelson) as its Company Secretary and Chief Financial Officer. Monax reimburses that entity 50% of his remuneration, on-costs and associated expenses relating to the secretarial and financial services provided to Monax.

Amounts receivable from and payable to directors and their director-related entities at balance date arising from these transactions were as follows:

Current receivables		<u>-</u>	<u>-</u>
Current payables			
Trade creditors		6,889	-
Other creditors and accruals		27,455	-
		<u>34,344</u>	<u>-</u>

Monax Mining Limited

Notes to the financial statements

For the year ended 30 June 2006

23 *Segment Reporting*

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

24 *Events subsequent to balance date*

Since 30 June 2006, the Company appointed Dr Justin Gum to the position of Senior Exploration Geologist to assume responsibility for its Bonaventura project on Kangaroo Island and contribute to the exploration for nickel on South Australia's southern Eyre Peninsula.

On 24 August 2006 the Company granted 100,000 options to an employee under the Employee Share Option Plan. The options are not quoted on ASX and may be exercised at any time until 23 August 2011. The underlying shares to be issued on exercise of the options will rank equally with existing shares upon issue. The fair value of the options was \$14,200.

Other than the matters discussed above, there has not arisen in the interval between 30 June 2006 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 Company, in future years.

Monax Mining Limited

Directors' declaration

For the year ended 30 June 2006

Directors' declaration

- 1 In the opinion of the directors of Monax Mining Limited:
 - (a) the financial statements and notes, as set out on pages 12 to 31, 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 2006 and of its performance, as represented by the results of its operations and its cash flows, for the twelve months 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.
- 2 The Managing Director and Chief Financial Officer have given the Directors the declarations required by section 295A of the Corporations Act 2001.

Dated at ADELAIDE this 29th day of SEPTEMBER 2006.

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 balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Monax Mining Ltd, for the year ended 30 June 2006.

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 2006, 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
South Australian Partnership
Chartered Accountants



S J GRAY
Partner

Signed at *Adelaide* this *29* day of *September* 2006

Monax Mining Limited

Review of Operations

Operational Highlights

In the period since the Company was listed on the Australian Stock Exchange Limited,

- Drilling at the Bonaventura Prospect on Kangaroo Island confirmed zinc mineralisation over an area of 300 metres across the controlling structure and 250 metres along strike and indicated that the mineralisation is open in all directions and at depth.
- Gravity survey work at Punt Hill followed by an infill survey over significant anomalies together with analysis of detailed aeromagnetics flown by the State Government has lead Monax to believe that Punt Hill is situated in the same geological environment as the Carrapateena discovery, Olympic Dam and Prominent Hill and therefore highly prospective for copper-gold-uranium mineralisation.
- A detailed gravity survey completed at Ambrosia clearly defined the palaeochannel and location of features which are prime traps for uranium.
- A field mapping campaign and a geochemical soil survey program undertaken at Dingo Hill located an alteration system that is characteristic of the mineralising systems found within the Central Gawler Gold Province and whilst gold was only mildly anomalous, other elements including copper, cobalt, silver and arsenic returned elevated results.
- An intensive gravity acquisition program was conducted over the majority of the Company's tenements and resulted in more than 6100 new gravity data points collected over an area in excess of 3945 km².

COMPANY PROFILE

Monax Mining Limited is an energetic and highly competent small company planning to explore for Olympic Dam style copper-uranium-gold, palaeochannel rollfront uranium, Archaean greenstone nickel and gold, Mt Isa/Broken Hill style base metals, zinc, Canadian Abitibi Belt style zinc-copper-gold, and Tanami style orogenic lode gold. While our projects are largely in the highly prospective Gawler Craton in South Australia, we also have an advanced zinc prospect on Kangaroo Island.

Our people have wide experience at senior levels in the minerals and petroleum industries and Government in Australia. We are technically highly competent and leaders in our fields. To this, we bring extensive experience in working with Aboriginal people, the community and the environment.

Our aim is to be successful in discovering Olympic Dam style copper-uranium-gold mineralisation on our flagship project at Punt Hill, approximately 25 km south of the new Carrapateena discovery, on the western shore of Lake Torrens. Our second highest priority is to extend the zone of known zinc mineralisation at our Bonaventura Prospect on Kangaroo Island and quickly move to resource definition. We also aim to test for copper-uranium-gold mineralisation, gold only mineralisation and rollfront uranium from drill ready targets on Ambrosia, and Archaean greenstone style nickel and gold mineralisation in our other high priority Moorlands-Brimpton Lake-Mt Hope tenements. From these successes we will focus on developing joint ventures with major companies and creating long term value for our shareholders.

OPERATIONS REVIEW

Exploration Activities

BONAVENTURA PROSPECT – KANGAROO ISLAND

Monax holds EL 3376 (Parndana) and EL 3088 (Western River), which cover a combined area of 401 km² of cleared grazing country, centred about 40 km southwest of Kingscote. The tenements were acquired from Havilah Resources NL, which intersected up to 5 metres @ 26.9% zinc at shallow depth in RC holes drilled in 2003.

Geological Setting

Bedrock in the project area generally consists of shelf sediments of Cambrian age. The tenements enclose a section of the east-west trending Snelling-Cygnnet fault zone for a distance of nearly 40 kilometres. North of this fault zone lightly metamorphosed sediments of the Kangaroo Island Group crop out. These include siltstones and fine sandstones of greenschist facies. South of the fault zone are more highly metamorphosed Kanmantoo Group metasediments of lower amphibolite facies. The fault zone is a deep crustal feature, and is interpreted to coincide at depth with the southern

Monax Mining Limited

Review of Operations

margin of the Gawler Craton. Gold and base metal occurrences are found along much of the Snelling-Cygnnet fault zone, including the historic Grainger mine and the Kohinor goldfield.

Company Exploration

Anomalous geochemical results from a recent soil sampling survey over the Company's Bonaventura Prospect revealed elevated levels of zinc (up to 74 ppm) and lead (up to 1082 ppm). This extended the known area of alteration and potential mineralisation significantly.

Historical drilling was restricted to a narrow northwest-southeast corridor, parallel to the Snelling-Cygnnet Fault Zone. However, the encouraging geochemical soil anomalies indicate that the footprint of potential mineralisation may extend over 400m in a north-south direction from the historic Grainger Workings. The Company also believes the zone is conceivably open to the north, east and west.

During the same survey, rock chip samples taken from the old Grainger Workings returned 4% zinc and 0.37% lead (Fig. *Bonaventura drill hole locations.jpg*) confirming the continuation of zinc and lead mineralisation to the north. While a sample taken from the historic Bonaventura Mine in the south western project area returned 2.1% copper and 50 ppb gold, indicating the potential for other minerals besides zinc and lead. Monax believes that these areas have not been adequately drill tested.

Historical drilling failed to penetrate to depth, so Monax aimed to drill a number of deeper drillhole traverses during a drilling campaign in May and June this year. This drilling program was strategically designed to test both the depth extent and eastward continuation of mineralisation underneath this highly encouraging prospect. Cover over the prospect is very thin and mineralisation extends almost to the surface.

Drilling has confirmed zinc mineralisation over an area of 300 metres across the controlling structure and 250 metres along strike. The mineralisation is open in all directions and at depth with the three most southerly holes (BVRC08, BVRC10, BVRC11) ending in mineralisation. The drill program has confirmed the possibilities of high grade zinc-lead veins and potential bulk mineable lower grade mineralisation consisting of veins and veinlets. Intersections included:

BVRC02	- 6m @ 1.96% Zn & 0.26% Pb from 52m (including 2m @ 3.65% Zn)
BVRC03	- 4m @ 2.06% Zn & 2.15% Pb from 16m - 16m @ 3.43% Zn and 0.66% Pb from 34m (including 6m @ 6.3% Zn and 2m @ 1.2% Pb)
BVRC08	- 23m @ 1.16% Zn (ended in mineralisation)
BVRC010	- 1m @ 3.3% Zn & 4.58% Pb from 56m - 1m @ 1.67% Zn & 1.12% Pb from 63m - 4m @ 3.94% Zn (including 1m @ 9.95% Zn) from 91m - 23m @ 1.22% Zn from 98m (ended in mineralisation)
BVRC011	- 1m @ 2.31 % Zn & 1.09% Pb from 76m - 2m @ 0.92% Zn from 78m - 1m @ 1.23 % Pb from 82m (ended in mineralisation)

All holes were drilled at a dip of 60° towards the north.

Due to the high influx of groundwater most of the holes could not be completed to target depth using the reverse circulation percussion rig contracted to Monax for the project. A follow up diamond drilling program is planned for the near future to complete all holes to the target depth and test the depth and lateral extent of mineralisation. An additional geologist has been hired to manage this program who is a base metals expert in this geological environment.

Monax Mining Limited

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The project has significant potential to extend mineralisation in all directions and at depth. An induced polarisation survey is planned prior to the next round of drilling to target zones of high grade mineralisation.

The mineralisation sits at the north-western end of a major dilational feature in the Snelling-Cygnets Fault which extends for a further five kilometres to the south-east and we have evidence for alteration along most of this structure. Historical prospects targeting zinc, lead, copper and gold occur along 40km of the fault zone suggesting further potential outside of this zone. Monax's Parndana and Western River tenements cover the entire length of this feature.

PUNT HILL

Punt Hill (EL 3457), covering 887 km² is located on the eastern margin of the Gawler Craton within the Olympic Iron-Oxide-Copper-Gold (IOCG) Province. The Olympic IOCG Province is host to the world class Olympic Dam deposit, Prominent Hill, and recently discovered Carrapateena Prospect (178m @ 1.83% Cu & 0.64 g/t Au). Punt Hill is situated ~25 km south of Carrapateena.

The Carrapateena Prospect (RMG/Teck Cominco) is a complex haematite breccia extending at depth from 470m, intersecting variable sulphide mineralisation over 178m. Previous drilling on Punt Hill EL 3457 intersected basement at 252m, significantly shallower than 470m at Carrapateena.

Geological Setting

Interpreted basement rocks in the project area consist of Donington Suite gneisses and granites overlain by metasediments of the Wallaroo Group and mafic and felsic extrusive rocks of the Gawler Range Volcanics. A series of strong north-west structures run through the project area. The basement rocks are overlain in the south of the tenement by dolomites, sandstones and siltstones of the Adelaidean Wilpena and Umberatana Groups and Neoproterozoic Beda Volcanics of the Stuart Shelf. The Mesoproterozoic Pandurra Formation appears to be very thin or even absent from the tenement.

Company Exploration

Since granting of the tenement in late November 2005 the company has undertaken a semi-detailed 1000 m by 500 m gravity survey followed by a 250 m by 250 m infill survey over significant anomalies.

Interpretation of this new gravity data along with detailed aeromagnetics flown by the State Government has revealed numerous coincident/semi-coincident gravity and magnetic anomalies, which appear to be structurally controlled along a regional north-west fault complex. Monax believes that Punt Hill is situated in the same geological environment as the Carrapateena discovery, Olympic Dam and Prominent Hill and therefore is highly prospective for copper-gold-uranium mineralisation.

Modeling of the anomalies is currently underway with the first results indicating that drill targets may be shallower than first thought. Most anomalies are interpreted to be as shallow as 250 m from surface with maximum estimates in the 500m range (Table 1). This is in agreement with existing drill holes which intersected the target rocks at 252m.

Drill testing of the targets is being undertaken from September 2006 through to December 2006 and if encouraging results are obtained will continue through to February 2007.

AMBROSIA

The project area lies on the northwest Gawler Craton of South Australia, approximately 650 km northwest of Adelaide. Monax holds EL 3358 (Ambrosia) covering a total area of 854 km².

Geological Setting

Interpreted basement rocks in the project area are principally late tectonic granitoids of the Tunkillia Suite, intruding minor gneisses of the Mulgathing Complex. These rocks are intruded in places by Mesoproterozoic Hiltaba Suite granites. In the northeastern section of Ambrosia, a fault-bounded block of Gawler Range Volcanics forms the basement. Basement rocks are covered in most of the area by relatively thin layers of Mesozoic and Cainozoic

Monax Mining Limited

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sediments, including Algebuckina Sandstone over much of Ambrosia area. Incised into the older rocks are Tertiary palaeochannels, the preserved remnants of ancient river channels. The upper branches of the Malbooma Palaeochannel drain southwards from Ambrosia, and the Mulgathing Palaeochannel runs to the northwest from Ambrosia.

Company Exploration

A detailed gravity survey recently completed by Monax clearly defines the palaeochannel, which has been known for some time, but never as clearly defined as this. Features which are prime traps for uranium are evident within this dataset such as constrictions to channel flow and connections of tributaries to the main channel system. Now we know exactly where these features are and even smaller tributaries that must have flowed into this once huge river system. The palaeochannel appears to be a tributary to the Kingoonya Palaeochannel or the upper reaches of the Malbooma channel.

Monax has considerable expertise in palaeochannel research through Executive Director Neville Alley. Following a preliminary review of the data, Monax is now able to place the radiometric anomalies they announced in October 2005 more accurately in the palaeochannel and locate potential drill traverses across the channel where uranium may be concentrated. These will be studied more closely by the company.

Other significant anomalies related to the bedrock that may represent Olympic Dam-style mineralisation targets emerged from the data. Several gravity anomalies are associated with coincident copper and gold anomalies shown by the calcrete sampling data over the southern part of Ambrosia. Another very large anomaly underlies the margin of the palaeochannel. Monax is undertaking modeling of the data to determine drill targets more accurately.

DINGO HILL

The project area lies in the Gawler Ranges, in the centre of the Gawler Range Volcanics Domain, about 450 km northwest of Adelaide. Monax holds EL 3394 (Dingo Hill), which covers an area of 540 km².

Geological Setting

Bedrock at Dingo Hill is Gawler Range Volcanics. Upper Gawler Range Volcanics in the southeast of the tenement overly lower Gawler Range Volcanics, which crop out in the northwest section. Outcrop is relatively good, with only a thin veneer of Quaternary sediments covering bedrock in most places.

Recent work

During the past year Monax Mining undertook a campaign of field mapping and a geochemical soil survey program on its Dingo Hill tenement. The grid soil survey was concentrated over an intense zone of alteration mapped during the field campaign, which is evident from PIRSA's regional total magnetic intensity data.

Monax believes that the alteration system found at Dingo Hill is characteristic of the mineralising systems found within the Central Gawler Gold Province (e.g. Tunkillia, Barns, Nuckulla Hill, Weednanna). Although gold was only mildly anomalous, other elements including copper, cobalt, silver and arsenic returned elevated results from a consistent region, centered on the most intense zone of alteration. This is consistent with poly-metallic mineralisation commonly associated with epithermal gold mineralisation.

Monax believes that an impermeable layer of volcanic rock concentrated hydrothermal fluids rising from depth, releasing them into a more permeable layer beneath causing this large alteration footprint. Subtle northwest-southeast trending features evident in the regional magnetic data may represent structures which focused fluid flow and provide a target for drill testing. Monax Mining is currently undertaking a detailed magnetic survey which should provide excellent resolution to further aid in drill targeting.

Monax Mining has PACE funding for drilling on its Dingo Hill tenement, and anticipates that exploration drilling will commence after the acquisition and processing of the detailed magnetics in the last quarter of 2006.

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PROGRAM OF GEOPHYSICS ACQUISITION

Monax has undertaken an intensive gravity acquisition program over the majority of its tenements during the last financial year. Over 6100 new gravity data points have been collected covering over 3945 km² of Monax's tenements. This data is essential for defining new targets for iron oxide copper-gold (IOCG) mineralisation, palaeochannel hosted uranium, Archaean VHMS copper-zinc deposits, komatiite hosted nickel, Broken Hill style silver-lead-zinc and iron ore targets.

In addition to the intensive gravity acquisition program, Monax Mining Limited has contracted the acquisition of detailed aeromagnetics and radiometrics over the majority of its tenements. The survey is being undertaken from September through to October of 2006 and will collect over 40,000 line kilometres of new detailed aeromagnetic and radiometric data. Results from the radiometric survey will help define surface radiometric anomalies representing possible subsurface uranium mineralisation. The aeromagnetic data will help define structural gold targets and when interpreted with the newly acquired gravity data will enhance our iron oxide copper-gold (IOCG), Archaean VHMS copper-zinc, komatiite hosted nickel, Broken Hill style silver-lead-zinc and iron ore targets.

Financial Highlights

Corporate

In July 2005 the Company issued an IPO prospectus and successfully raised \$5 million through the issue of 25,000,000 shares at \$0.20 each. Monax Mining Limited was admitted to the official list of the Australian Stock Exchange Limited and its shares commenced trading on 21 September 2005.

During the period following the Company's listing on ASX cash and assets in a form readily convertible to cash were used in a manner consistent with the Company's business objectives.

Interests in Mining Tenements

The Company's interests in mining tenements are as follows.

Project	Location (South Australia)	Tenement	Status	Acquired	Area (km ²)
Ambrosia	45km northwest of Tarcoola	EL 3358	Granted	100%	854
Mt Hope	90km northwest of Port Lincoln	EL 3355	Granted	100%	320
Moorlands	70km NNW of Port Lincoln	EL 3356	Granted	100%	324
Parndana	Kangaroo Island	EL 3376	Granted	100%	100
Western River	55km west of Kingscote	EL 3088	Granted	100%	301
Wynbring	70km west of Tarcoola	EL 3359	Granted	100%	247
Eureka Bluff	120km ENE of Streaky Bay	EL 3458	Granted	100%	549
Dingo Hill	130km southwest of Woomera	EL 3394	Granted	100%	516
Mattaweara	10km west of Andamooka	EL 2964	Granted	100%	119
Waddikee	20km SSW of Kimba	EL 3357	Granted	100%	1004
Punt Hill	70 km southeast of Woomera	EL 3457	Granted	100%	887
Brimpton Lake	80km northwest of Port Lincoln	EL 3561	Granted	100%	222
Mulgathing	80km northwest of Tarcoola	ELA 134/06	Application	100%	258
Kimono Tank	60km northeast of Barton	ELA 136/06	Application	100%	234
Kolendo	80km north of Kimba	ELA 202/06	Application	100%	130
Indooroopilly	170km southwest of Coober Pedy	ELA 315/06	Application	100%	570
Dingo Hill West	130km southeast of Tarcoola	ELA 173/06	Application	100%	195

Monax Mining Limited

Review of Operations

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr M P Schwarz, who is a Member of the Australian Institute of Geoscientists. Mr Schwarz is employed full time by the Company as Managing Director and, has a minimum of five years relevant experience in the style of mineralisation and type of deposit under consideration and qualifies as a Competent Person as defined in the 2004 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” Mr Schwarz consents to the inclusion of the information in this report in the form and context in which it appears.

Monax Mining Limited

Native Title Statement

Exploration areas held by the Company may be subject to issues associated with Native Title. Whilst it is not appropriate to comment in any detail upon specific negotiations with Native title parties, the directors of Ramelius believe it is important to state the Company's policy and approach to Native Title and dealings with indigenous communities. The directors believe that the following native title policy statement summarises the Company's desire to develop a spirit of cooperation in its dealings with indigenous people, create goodwill, mutual awareness and understanding and most importantly, respect and commitment.

In all of our dealings with indigenous Australians and their heritage Monax will:

- Develop trust and cooperation with Aboriginal people whose cultural interests
- extend into land where Monax operates or plans to operate.
- Respect Aboriginal heritage by protecting sites of cultural significance.
- Ensure that our employees and contractors are aware of their obligations in regard to the protection of Indigenous cultural heritage in all our activities.
- Endeavour to recognise and promote opportunities in our activities for Indigenous people for maintenance of their culture and traditions and economic independence by providing, training, employment and investment opportunities where opportunities arise.

Achievements

During the past year, Monax executed a Memorandum of Understanding for Aboriginal Heritage Clearances for Punt Hill, Ambrosia and Dingo Hill tenements with representatives of the Kokatha People.

Acknowledgement

The directors of Monax wish to publicly acknowledge the co-operation and goodwill shown by the Kokatha People and their representatives in the course of negotiations with the Company during the year.

Monax Mining Limited

Glossary of Terms

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.
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.
Cover	Surficial sediments mantling older rocks and part of the regolith.
Cr	Symbol for the element chromium

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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 magnetisation.
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.
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.
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

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	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.
Lode gold	Gold contained within definite boundaries such as a vein.
Mafic	A dark coloured rock composed of ferro-magnesian minerals.

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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.
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.
Orogenic	Forming during an orogeny or mountain building phase.
PACE	The current South Australian Government's initiative to reinvigorate the resources industry entitled <i>Plan for Accelerating Exploration</i> 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).
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.

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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 aeroplanes and satellites eg LANDSAT.
Resource	A well-defined estimate of mineralisation.
Rift sequence	A succession of sediments, laid down in a broad, continental scale downfaulted 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.
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 ₂ O 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.

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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 years ago.
U	Symbol for the element uranium.
Ultramafic	Igneous rock composed essentially of iron and magnesium.
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.

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Corporate Governance

Corporate Governance Statement

In 2003 the Australian Stock Exchange Corporate Governance Council (“ASXCGC”) released its best practice recommendations based on ten core principles for corporate governance. These recommendations are not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an efficient, quality or integrity outcome. The Corporate Governance Council has recognised that a “*one size fits all*” approach to Corporate Governance is not required. Instead, it states aspirations of best practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is inappropriate to its particular circumstances and has flexibility not to adopt it and explain why. Except for those specifically identified and disclosed below, the Company has not to date adopted all ASXCGC best practice recommendations because the Board believes it cannot justify the necessary cost given the size and early stage of the entity’s life as a public listed exploration company. The Board is, nevertheless, committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the principles outlined by the ASXCGC, including those that comply with best practice and which unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2006.

Principle 1 – Lay solid foundations for management and oversight

Role of the Board

The Board is governed by the Corporations Act 2001, ASX Listing Rules and a formal constitution adopted by the company in 2004.

The Board’s primary role is the protection and enhancement of long-term shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

Board processes and management

The Board has an established framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards. Prior to listing on ASX and to assist in the execution of its responsibilities, the Board established an Audit & Corporate Governance Committee to deal with internal control; ethical standards and financial reporting.

The Board appoints a Managing Director responsible for the day to day management of the Company including management of financial, physical and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board.

Principle 2 – Structure the Board to add value

Composition of the Board

The names of the directors of the Company and terms in office at the date of this Statement together with their skills, experience and expertise are set out in the Directors’ Report section of this report.

The composition of the Board consists of five directors of whom three, including the Chairman, are non-executives. Mr Kennedy’s role as Chairman of the Board is separate from that of the Managing Director, Mr Schwarz who is responsible for the day to day management of the Company and is in compliance with the ASXCGC best practice recommendation that these roles not be exercised by the same individual.

The Company’s constitution specifies the number of directors must be at least three and at most ten. The Board may at any time appoint a director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive directors is linked to their holding of executive office.

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Formal deeds were entered into by the Company with directors in May 2005 whereby all directors are entitled to take such legal advice as they require at any time and from time to time on any matter concerning or in relation to their rights, duties and obligations as directors in relation to the affairs of the Company.

The Board has also established two committees to assist the Board with its overall corporate governance responsibilities.

The Remuneration and Nomination Committee currently consists of two non executive Board directors, Messrs Nelson and Kennedy. Mr Nelson acts as Chairman of this committee (refer also to Principle 9 below).

The Audit & Corporate Governance Committee currently consists of two non executive Board directors, further details of which are disclosed under Principle 4 below.

Principle 3 – Promote ethical and responsible decision making

Ethical standards

The Company aims to a high standard of corporate governance and ethical conduct by directors and employees.

All directors have signed deeds with the Company which require them to comply with all the obligations of a director under the Corporations Act 2001. Directors also are required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

Trading in the Company's Securities

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. Section 1043A of the Corporations Act 2001 also prohibits the acquisition and disposal of securities where a person possesses information that is not generally available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available.

Principle 4 – Safeguard integrity in financial reporting

CEO/CFO declarations on financial reports

In accordance with ASXCGC best practice recommendation 4.1 the Chief Executive Officer and Chief Financial Officer are required to provide written declarations to the Board stating that in their opinions the Company's financial reports present a true and fair view, in all material respects, of the Company's financial position and financial performance are in accordance with relevant accounting standards.

Audit & Corporate Governance Committee

Monax was not a Company required by ASX Listing Rule 12.7 to have an Audit Committee during the year although it is a best practice recommendation of the ASXCGC. Notwithstanding the Listing Rule requirement, an Audit & Corporate Governance Committee was set up prior to the Company's ASX listing in 2005 to oversee corporate governance over internal controls, ethical standards, financial reporting, and external accounting and compliance procedures. The Audit & Corporate Governance Committee currently consists of the two non executive Board directors, Messrs Davis & Kennedy, and chaired by Mr Davis. Mr Kennedy is a qualified Chartered Accountant. Details of these directors' qualifications and attendance at meetings are set out in the Directors' Report section of this report.

The main responsibilities of the Audit & Corporate Governance Committee include;

- reviewing, assessing and making recommendations to the Board on the annual and half year financial reports and all other financial information published or released to the market by the Company;

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- overseeing establishment, maintenance and reviewing the effectiveness of the Company's internal control and ensuring efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable Accounting Standards and ASX Listing Rules;
- liaising with and reviewing reports of the external auditor; and
- reviewing performance and independence of the external auditor and where necessary making recommendations for appointment and removal of the Company's auditor.

The Committee meets at least two times per annum and reports to the Board. The Managing Director, Company Secretary and external auditor may by invitation attend meetings at the discretion of the Committee.

Principle 5 – Making timely and balanced disclosure

Continuous Disclosure

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

Principle 6 – Respect the rights of shareholders

The Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASXCGC best practice recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half yearly financial report lodged with the Australian Stock Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's internet web-site at www.monaxmining.com.au ; and
- disclosure of the Company's Corporate Governance practices and communications strategy on the entity's internet web-site.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Principle 7 – Recognise and manage risks

Risk Assessment and Management

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, title and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed.

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Principle 8 – Encourage enhanced performance

Performance Evaluation

The Board evaluates the performance of the Managing Director and Company Secretary on a regular basis and encourages continuing professional development.

Principle 9 – Remunerate fairly and responsibly

Remuneration Policy

In accordance with ASXCGC best practice recommendation 9.1 the Company's remuneration practices are set out as follows.

The Company's Constitution specifies that the total amount of remuneration of non executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non executive directors has been set at \$300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

In accordance with ASXCGC best practice recommendation 9.3 non-executive director remuneration is by way of fees and statutory superannuation contributions. Non-executive directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The remuneration of the Managing Director is determined by the Remuneration & Nomination Committee as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of employees is determined by the Managing Director subject to the approval of the Board.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Remuneration and Nomination Committee is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of Monax given the nature of the Company's business as a recently listed mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board. A cash bonus was paid during the financial year to the Managing Director in accordance with this policy as disclosed above.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to ordinary fully paid shares in the Company. Under the terms of the Plan, options to ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

Details of options issued to employees during or since the end of the financial year including to the Managing Director are set out in the Remuneration Report section of the Directors' Report.

The employment conditions of the Managing Director, Mr Schwarz and Executive Director Mr Alley are formalised in contracts of employment. The Managing Director's contract may be terminated at any time by mutual agreement. The Executive Director's contract was initially for a term of one year and the Board has agreed to enter into a further contract upon its expiry. The Company may terminate these contracts without notice in serious instances of misconduct.

Further details of directors' and executive's/officers' remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report.

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Employee Share/Option Scheme

The Company has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to ordinary fully paid shares in the Company. The non-executive directors are not eligible to participate in the Plan. Details of options issued to employees during the 2006 financial year together with details of the terms of the Plan are disclosed in the Remuneration Report section of the Directors' Report.

Principle 10 – Recognise the legitimate interests of stakeholders

Code of Conduct

The Company requires all its directors and employees to abide by the highest standards of behaviour, business ethics and in accordance with the law. In discharging their duties, Directors of the Company are required to:

- act in good faith and in the best interests of the Company;
- exercise care and diligence that a reasonable person in that role would exercise;
- exercise their powers in good faith for a proper purpose and in the best interests of the Company;
- not improperly use their position or information obtained through their position to gain a personal advantage or for the advantage of another person to the detriment of the Company;
- disclose material personal interests and avoid actual or potential conflicts of interests;
- keep themselves informed of relevant Company matters;
- keep confidential the business of all directors meetings; and
- observe and support the Board's Corporate Governance practices and procedures.

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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 22 September 2006

Substantial shareholders

The number of shares held by substantial shareholders and their associates as disclosed in substantial holding notices given to the Company are set out below:

Substantial shareholder	Number of fully paid ordinary shares held
Mr Neville Foster Alley & Mrs Bronwen Dianne Ireland as Trustee for the Prospects Trust	3,000,000
Glenn Stuart Davis & Aloren (No 148) Pty Ltd as Trustee for the Davis Family Trust	2,460,001

Voting rights

Fully paid ordinary shares

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 a poll, each member present (in person, by proxy, attorney or representative) has one vote for each fully paid share they hold.

Options

Details of options on issue by the Company are as follows.

Expiry date*	Exercise price	Number of Options
30/6/2008	\$0.25	5,000,000
30/6/2009	\$0.30	2,500,000
30/6/2010	\$0.40	2,500,000
12/4/2011	\$0.26	850,000
23/8/2011	\$0.182	100,000

Option holders will be entitled on payment of the exercise price shown above to be allotted one ordinary fully paid share in the Company for each Option exercised. Options are exercisable in whole or in part at any time until the above expiry dates. Any Options not exercised before expiry will lapse.

Distribution of equity security holders

Category	Holders of Ordinary shares	Holders of \$0.25 Options	Holders of \$0.30 Options	Holders of \$0.40 Options	Holders of \$0.26 Options	Holders of \$0.182 Options
1 – 1,000	13					
1,001 – 5,000	176					
5,001 – 10,000	463					
10,001 – 100,000	445		1	1	1	1
100,001 and over	48	8	7	7	1	
Total Number of security holders	1145	8	8	8	2	1

The number of shareholders holding less than a marketable parcel of ordinary shares is 28.

On market buy-back

There is no current on-market buy-back.

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Shareholder Information

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 22 September 2006 are as follows.

Name	Number of fully paid ordinary shares held	Percentage held
Havilah Resources NL	4,916,667	10.00
Mr Neville Foster Alley, Mrs Bronwen Dianne Ireland <Prospects Account>	3,000,000	6.10
Aloren (No 148) Pty Ltd	2,410,001	4.90
Mrs Sue Nelson, Mr Reg Nelson <The Groundhog a/c>	1,920,001	3.91
Belinda Lindh	1,650,000	3.36
Smart Holdings Pty Ltd <Smart Family Account>	1,650,000	3.36
S A Digger Pty Ltd <Digger a/c>	1,500,000	3.05
ANZ Nominees Limited	1,422,593	2.89
Woolsthorpe Investments Limited c/- IFG Trust (Jersey) Ltd	1,400,000	2.85
Triple Eight Gold Pty Ltd	1,350,851	2.75
Fairbairn Trust Limited	1,031,965	2.10
Citicorp Nominees Pty limited	607,797	1.24
Mr Robert Rex French	500,000	1.02
Portland Ocean Trading Pty Ltd	500,000	1.02
Bond Street Custodians Limited	406,669	0.83
Mr Shane Robin Gale	404,563	0.82
Tierra Rist Pty Ltd	400,001	0.81
Tricom Nominees Pty Ltd <LPG a/c c/- ACS Securities Ltd>	341,740	0.70
Meddiscope Pty Ltd	300,000	0.61
Deantrish Nominees Pty Ltd <(Deantrish Super Fund a/c>	280,267	0.57
	<hr/> 25,993,115	<hr/> 52.89

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Shareholder Information

Option holders

The names of the 11 holders of options constituting a class of unquoted restricted equity securities that are subject to the Australian Stock Exchange Limited escrow provisions, including the number and percentage held by those holders as at 22 September 2006 are as follows.

Name	Number of options held	Percentage held
Mr Neville Foster Alley & Mrs Bronwen Dianne Ireland <Prospects Account>	1,600,000	14.60
Aloren (No 148) Pty Ltd	1,400,000	12.79
Belinda Lindh	1,400,000	12.79
Mr Reg Nelson & Mrs Susan Nelson <Groundhog Account>	1,400,000	12.79
Smart Holdings Pty Ltd <Smart Family Account>	1,400,000	12.79
Triple Eight Gold Pty Ltd	1,400,000	12.79
Havilah Resources NL	1,000,000	9.13
S A Digger Pty Ltd <Digger a/c>	750,000	6.85
Mr Robert Rex French	400,000	3.65
Ms Carolyn Debra Grant	100,000	0.91
Mr Greg Martin Swain <Aurum a/c>	100,000	0.91
	<hr/> 10,950,000	<hr/> 100.00

Unquoted equity securities

Fully paid ordinary Shares

Details of ordinary fully paid shares on issue 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	Number of holders
21 September 2007	19,966,667	19

Options

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

Date until which securities are to be held in escrow	Expiry date	Exercise price	Number of Options	Number Unquoted	Number of holders
21 September 2007	30/6/2008	\$0.25	5,000,000	5,000,000	8
21 September 2007	30/6/2009	\$0.30	2,500,000	2,500,000	8
21 September 2007	30/6/2010	\$0.40	2,500,000	2,500,000	8
-	12/4/2011	\$0.26	850,000	850,000	2
-	23/8/2011	\$0.182	100,000	100,000	1

Monax Mining Limited

Corporate Directory



PRINCIPAL REGISTERED OFFICE:

Monax Mining Limited
140 Greenhill Road UNLEY SA 5061
GPO Box 1373 ADELAIDE SA 5001
Telephone: (08) 8373 6473 / (08) 8373 5588
Facsimile: (08) 83735917
Email: info@monaxmining.com.au
Website: www.monaxmining.com.au

KESWICK EXPLORATION OFFICE:

11a Croydon Road
KESWICK SA 5035
Telephone: (08) 8375 3900
Facsimile: (08) 8375 3999

DIRECTORS &, SENIOR MANAGEMENT:

ROBERT MICHAEL KENNEDY
ASIT, Grad. Dip. (Systems Analysis)
FCA, ACIS, FAIM, FAICD
Non-Executive Chairman

MICHAEL PETER SCHWARZ
BSc (Hons), AIG
Chief Executive Officer
Managing Director

NEVILLE FOSTER ALLEY
PhD
Executive Director

REGINALD GEORGE NELSON
BSc (MATHS), FAusIMM, FAICD
Non-Executive Director

GLENN STUART DAVIS
LLB, BEc
Non-Executive Director

DOMENICO ANTONIO FRANCESE
BEc, FCA, FFin, ACIS
Company Secretary

DOMENICO SALVATORE COSENTINO
BEd, BA(Acc), MBA, CA
Company Secretary

JUSTIN CLARENCE GUM
Senior Exploration Geologist

GREG MARTIN SWAIN
Exploration Geologist

CAROLYN DEBRA GRANT
Exploration Office Manager/Tenement Administrator

STOCK EXCHANGE CODE:

MOX: Shares
Listed on Australian Stock Exchange Limited
Home Exchange: Adelaide
Level 19, 91 King William Street
Adelaide SA 5000

SHARE REGISTRAR:

Location of Share Register
Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
ADELAIDE SA 5000
Telephone: (08) 8236 2300 or 1300 556 161
Facsimile: (08) 8236 2305
Email: info@computershare.com.au

AUDITORS:

Grant Thornton
Chartered Accountants
67 Greenhill Road
WAYVILLE SA 5034

LAWYERS:

DMAW Lawyers
Level 3, 80 King William Street
ADELAIDE SA 5000