



Monax Mining Limited

Half Year Financial Report

31 December 2005

CORPORATE DIRECTORY

Monax Mining Limited

ACN 110 336 733
ABN 96 110 336 733
Incorporated in SA

Registered Office

140 Greenhill Road
UNLEY SA 5061
Telephone: (08) 8373 6271 / (08) 8373 5588
Facsimile: (08) 8373 5917

Email: info@monaxmining.com.au

Share Registrar

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000
Telephone: (08) 8236 2300
Facsimile: (08) 8236 2305

Email: info@computershare.com.au

Auditor

Grant Thornton
Chartered Accountants
67 Greenhill Road
Wayville SA 5034

Monax Mining Limited

Directors' Report

The directors present their report together with the half-year financial report of Monax Mining Limited for the period ended 31 December 2005 and the auditor's independent review report thereon.

Directors

The directors of the Company at any time during or since the end of the half-year are:

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

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

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

Dr Neville Foster Alley *PhD*
Executive Technical Director

Michael Peter Schwarz *BSc (Hons), AIG*
Managing Director

Principal activities

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

Review and results of operations

During the half-year, the Company issued 150,000 shares at \$0.10 raising \$15,000 of additional seed capital.

The Company also lodged an IPO Prospectus and successfully raised the maximum subscription \$5,000,000. Monax subsequently issued 25,000,000 fully paid ordinary shares at an issue price of \$0.20 to applicants under the IPO Prospectus and a further 2,777,778 fully paid ordinary shares to a vendor in order to complete an acquisition of certain tenements pursuant to the Prospectus.

On 21 September 2005, Monax listed on the Australian Stock Exchange Limited.

Since listing, the Company carried out a gravity survey program over the majority of its tenements. The survey identified numerous gravity anomalies which define copper-gold targets, some coincident with copper and gold anomalies in calcrete. The acquired gravity data over the Ambrosia tenement produced spectacular results, revealing a well defined channel system with numerous uranium targets.

A mapping and sampling program was undertaken on Kangaroo Island which revealed surface signs of copper mineralisation that has extended the potential mineralised zone at the Bonaventura Prospect on the Company's Parndana tenement.

Rock chip and soil sampling was also completed on the Dingo Hill tenement where a 14km by 3km alteration zone, consistent with epithermal style gold mineralisation, was discovered.

The net loss after extraordinary items and income tax for the half-year was \$277,081.

Likely developments

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

Adoption of Australian Equivalents to IFRS

This is the first interim financial report prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS is included in Note 2 of the financial statements.

Auditors Independence Declaration

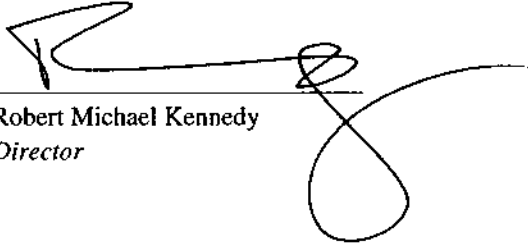
Section 307C of the Corporations Act 2001 requires the Company's auditors, Grant Thornton, to provide the directors of Monax Mining Limited with an Independence Declaration in relation to the review of the half-year financial report. The Independence Declaration is set out following this Report.

Monax Mining Limited

Directors' report (continued)

Dated at ADELAIDE this 15th day of MARCH 2006.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, consisting of a stylized 'R' followed by a long horizontal stroke and a large loop at the end.

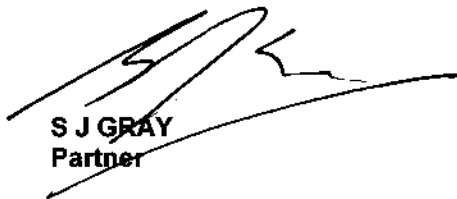
Robert Michael Kennedy
Director

**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 period ended 31 December 2005, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J GRAY
Partner

Signed at *Adelaide* this *15* day of *March*

2006

Monax Mining Limited
Income Statement
For the half-year-ended 31 December 2005

	Note	Dec 2005 \$	Dec 2004 \$
Other Revenues from ordinary activities	3	105,714	-
Total Revenue		105,714	-
Administrative expenses		140,894	1,407
Consultancy expenses		15,036	-
Depreciation		1,717	-
Employment expenses		52,004	-
Occupancy expenses		10,822	1,100
Other expenses from ordinary activities		13,744	350
Profit/(loss) from ordinary activities before related income tax expense		(128,503)	(2,857)
Income tax (expense)/benefit relating to ordinary activities		(148,578)	-
Profit/(loss) from ordinary activities after related income tax expense		(277,081)	(2,857)
Profit/(loss) from extraordinary item after related income tax expense		-	-
Total changes in equity other than those resulting from transactions with owners as owners		(277,081)	(2,857)
Basic earnings per share		(\$0.007)	(\$952.33)
Diluted earnings per share		(\$0.007)	(\$952.33)

The accompanying notes form part of these financial statements.

Monax Mining Limited
Balance Sheet
As at 31 December 2005

	Note	Dec 2005	June 2005
		\$	\$
Current Assets			
Cash assets		4,712,785	308,947
Receivables		49,431	8,476
Other		12,919	67,500
Total current assets		4,775,135	384,923
Non-current assets			
Property, Plant and Equipment		39,224	-
Exploration, evaluation & development expenditure		1,145,062	27,330
Total non-current assets		1,184,286	27,330
Total assets		5,959,421	412,253
Current liabilities			
Payables		176,022	5,845
Provisions		2,422	-
Total current liabilities		178,444	5,845
Non-current liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		178,444	5,845
Net assets		5,780,977	406,408
Equity			
Contributed equity		6,075,153	423,503
Retained profits / (losses)		(294,176)	(17,095)
Total Equity		5,780,977	406,408

The accompanying notes form part of these financial statements.

Monax Mining Limited
Statement of Changes in Equity
For the half-year ended 31 December 2005

	\$	\$	\$
Note	Share Capital Ordinary	Retained Profits / (Losses)	Total
Balance at 1 July 2004	-	-	-
3 shares issued during the period to subscribers at \$1	3		3
Profit/(loss) attributable to shareholders		(2,857)	(2,857)
Balance as at 31 December 2004	<u>3</u>	<u>(2,857)</u>	<u>(2,854)</u>
Balance at 1 July 2005	423,503	(17,095)	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	983,333		983,333
Transaction costs associated with the issue of shares	(495,261)		(495,261)
Temporary tax differences associated with costs of capital raisings	148,578		148,578
Profit/(loss) attributable to shareholders		(277,081)	(277,081)
Balance as at 31 December 2005	<u>6,075,153</u>	<u>(294,176)</u>	<u>5,780,977</u>

The accompanying notes form part of these financial statements.

Monax Mining Limited

Cash Flow Statement

For the half-year ended 31 December 2005

	Note	Dec 2005 \$	Dec 2004 \$
Cash Flows from operating activities			
Cash payments in the course of operations		(196,208)	-
Interest received		88,677	-
Net cash provided by/(used in) operating activities		(107,531)	-
Cash Flows from investing activities			
Payments for Property, Plant and Equipment		(40,950)	-
Payments for Mining Tenements & Exploration		(58,461)	-
Net cash provided by/(used in) investing activities		(99,411)	-
Cash Flows from Financing activities			
Proceeds from issue of shares		5,015,000	3
Payments associated with capital raising		(404,220)	-
Net cash provided by/(used in) financing activities		4,610,780	3
Net increase/(decrease) in cash held		4,403,838	3
Cash at the beginning of the half-year		308,947	-
Cash at the end of the half-year		4,712,785	3

The accompanying notes form part of these financial statements.

Monax Mining Limited

Notes to the financial statements

For the half-year ended 31 December 2005

1 Basis of Preparation

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB134: *Interim Financial Reporting*, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This half-year financial report is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2005 and any public announcements made by Monax Mining Limited during the half year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 Annual Report which was prepared under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS are disclosed below. A reconciliation of equity and profit and loss between GAAP and Australian equivalents to IFRS is disclosed at Note 2.

The half-year financial report does not include full note disclosures of the type normally included in an annual financial report.

(a) 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.

(b) 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.

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

The depreciation of all fixed assets is 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:

Monax Mining Limited

Notes to the financial statements

For the half-year ended 31 December 2005

<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.

(c) *Exploration and Development 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.

(d) *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.

(e) *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.

(f) *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

Monax Mining Limited

Notes to the financial statements

For the half-year ended 31 December 2005

than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

(g) 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.

(h) 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.

(i) Revenue

Revenue from sale of goods is recognised upon delivery of goods 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).

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except where the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Comparative Figures

When required by Accounting Standards, comparative figures are adjusted to conform to changes in presentation for the current financial year.

Monax Mining Limited

Notes to the financial statements

For the half-year ended 31 December 2005

2 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards (“AIFRS”)*

		\$	\$	\$
		Previous GAAP at	Adjustments on introduction of	AIFRS at
Reconciliation of Equity at 1 July 2004	Note	1 July 2004	AIFRS	1 July 2004

Equity

Contributed equity		-	-	-
Retained Profits/(losses)		-	-	-
Total Equity		-	-	-

		\$	\$	\$
		Previous GAAP at	Adjustments on introduction of	AIFRS at
Reconciliation of Equity at 31 December 2004	Note	31 Dec 2004	AIFRS	31 Dec 2004

Equity

Contributed equity		3	-	3
Retained Profits/(losses)		(2,857)	-	(2,857)
Total Equity		(2,854)	-	(2,854)

		\$	\$	\$
		Previous GAAP at	Adjustments on introduction of	AIFRS at
Reconciliation of Equity at 30 June 2005	Note	30 June 2005	AIFRS	30 June 2005

Equity

Contributed equity	(a)	419,703	3,800	423,503
Retained Profits/(losses)	(b)	(13,295)	(3,800)	(17,095)
Total Equity		406,408	-	406,408

		\$	\$	\$
		Previous GAAP at	Adjustments on introduction of	AIFRS at
Reconciliation of Profit and Loss for the half-year to 31 December 2004	Note	31 Dec 2004	AIFRS	31 Dec 2004

Profit/(loss) from ordinary activities after related income tax expense		(2,857)	-	(2,857)
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		\$	\$	\$
		Previous GAAP at	Adjustments on introduction of	AIFRS at
Reconciliation of Profit and Loss for the half-year to 30 June 2005	Note	30 June 2005	AIFRS	30 June 2005

Profit/(loss) from ordinary activities after related income tax expense		(13,295)	(3,800)	(17,095)
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Monax Mining Limited

Notes to the financial statements

For the half-year ended 31 December 2005

Notes to the Reconciliations of Equity and Profit and Loss at 1 July 2004, 31 December 2004 and 30 June 2005

	30 June 2005	31 Dec 2004	1 July 2004
(a) Contributed Equity comprise:			
Fair value of equity issued to promoters for professional services	3,800	-	-
Total	3,800		
(b) Retained Profits/(losses) comprise:			
Share based payments expense for fair value of equity issued to promoters for professional services	(3,800)	-	-
	(3,800)	-	-

	Dec 2005	Dec 2004
	\$	\$
3 Other Revenues from ordinary activities		
Included in other revenues from ordinary activities:		
Interest: other parties	105,714	-

4 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 is made for renewal of exploration licences and at other times. These obligations are not provided for in the financial report and are payable as follows.

	Dec 2005	June 2005
	\$	\$
Within one year	817,366	650,000
One year or later and no later than five years	-	-
Later than five years	-	-
	817,366	650,000

In addition the Company is also required to maintain tenements in good standing and pay all rates, rents and taxes.

Monax Mining Limited

Notes to the financial statements

For the half-year ended 31 December 2005

Non-cancellable operating lease expense commitments

The Company agreed to lease new office accommodation under a non-cancellable operating lease expiring in January 2009 however at the date of this report the lease was yet to be executed.

	Dec 2005	June 2005
	\$	\$
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	4,926	5,500
One year or later and no later than five years	-	-
Later than five years	-	-
	<u>4,926</u>	<u>5,500</u>

Contingent Liabilities

Accounting, Legal and Corporate Advisory costs relating to IPO Capital Raising

Total estimated contingent liabilities

-	<u>110,000</u>
-	<u>110,000</u>

5 *Events subsequent to balance date*

Since 31 December 2005, the Company agreed to lease office accommodation under a 3 year non-cancellable operating lease expiring in January 2009 at a cost of \$60,000 per annum.

Other than the above matter, there has not arisen in the interval between 31 December 2005 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.

6 *Segment Reporting*

The Company operates in the gold, uranium and nickel exploration and mining business segment located in Australia.

Monax Mining Limited

Directors' declaration

For the half-year ended 31 December 2005

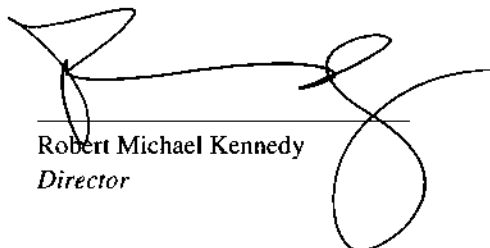
Directors' declaration

In the opinion of the directors of Monax Mining Limited:

- (a) the half-year financial statements and notes, set out on pages 5 to 14, 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 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the six months ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at ADELAIDE this 15th day of MARCH 2006.

Signed in accordance with a resolution of the directors:



Robert Michael Kennedy
Director

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF MONAX MINING LIMITED & CONTROLLED ENTITIES****Scope****The half year financial report and directors' responsibility**

The half year financial report comprises comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the financial statements and the directors' declaration for the consolidated entity, for the half year ended 31 December 2005. The consolidated entity comprises both Monax Mining Limited (the company) and the entities it controlled during that half year.

The directors of the company are responsible for the preparation and true and fair presentation of the half year 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 half year financial report.

Review Approach

We conducted an independent review of the half year financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the half year financial report is not presented fairly in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

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


Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Monax Mining Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half year ended on that date; and

- (ii) complying with Australian Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J GRAY
Partner

Signed at *Adelaide* this *15* day of *March*

2006