



Monax Mining Limited

ABN 96 110 336 733

Consolidated Financial Statements for the year ended 30 June 2012

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 5588
Facsimile: (08) 8375 3999

Email: info@monaxmining.com.au

Share Registrar

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000
Telephone: 1300 556 161
(For overseas shareholders 61 3 9415 5000)
Facsimile: (08) 8236 2305

Email: info@computershare.com.au

Auditor

Grant Thornton
Chartered Accountants
67 Greenhill Road
Wayville SA 5034

Monax Mining Limited – Consolidated Entity

Directors' Report

The Directors present their report together with the financial report of Monax Mining Limited for the year ended 30 June 2012 and the auditor's report thereon.

Directors

The Directors of Monax Mining Limited ('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:

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

Independent Non-executive Chairman

Experience and expertise

Mr Kennedy has been Non-executive chairman of Monax Mining Limited since August 2004.

He is a Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded.

Mr Kennedy brings to the Board his expertise and extensive experience as chairman and non-executive director of a range of listed public companies in the resources sector.

He conducts the review of the Board including the Managing Director in his executive role. Mr Kennedy leads the development of strategies for the development and future growth of the Company. Apart from his attendance at Board and Committee meetings Mr Kennedy leads the Board's external engagement of the Company meeting with Government, investors and is engaged with the media. He is a regular attendee of Audit Committee functions of the major accounting firms and is a regular presenter on topics relating to directors with the AICD and the CSA. During the year he attended the Masterclass of the Australian Institute of Directors with members of top ASX200 company boards.

Current and former directorships in the last 3 years

Mr Kennedy is a director of ASX listed companies Beach Energy Limited (since 1991), Flinders Mines Limited (since 2001), Ramelius Resources Limited (since listing in March 2003), Maximus Resources Limited (since 2004), ERO Mining Limited (since 2006), Marmota Energy Limited (since 2006) and formerly Somerton Energy Limited (from 2010 to 2012). He was appointed the Chairman of the University of Adelaide's Institute of Minerals and Energy Resources in 2008.

Responsibilities

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

Interest in Shares and Options – 4,464,488 ordinary shares of Monax Mining Limited.

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

Non-executive Director

Experience and expertise

Board member since 3 August 2004 until 1 August 2012. Mr Nelson is an exploration geophysicist with a career spanning four decades in the petroleum and minerals industries. He was awarded honorary Life Membership of the Society of Exploration Geophysicists in 1989 and the Prime Minister's Centenary Medal in 2002 for services to mining. He has wide experience in technical, corporate and government affairs. He was Chairman of the Australian Petroleum Production and Exploration Association (APPEA) from 2004 to 2006 and is a Director of the APPEA Executive Committee and remains a member of its Council. He was recently awarded the Reg Sprigg Medal for outstanding contribution to the oil and gas industry at the 2009 APPEA Conference in Darwin.

Current and former directorships in the last 3 years

Managing Director of Beach Energy Limited (since 1992), Ramelius Resources Limited (since 1995 until August 2012), Marmota Energy Limited (since 2007 until August 2012) and Sundance Energy Australia Limited (since 2010 until March 2012).

Responsibilities

Special responsibilities include membership of the Remuneration and Nomination Committee.

Interest in Shares and Options – 2,145,659 ordinary shares of Monax Mining Limited.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Mr Glenn Stuart Davis LLB, BEc

Non-executive Director

Experience and expertise

Board member since 3 August 2004. Mr Davis is a solicitor and partner of DMAW Lawyers, a firm he founded. Mr Davis brings to the Board his expertise in the execution of large legal and commercial transactions and his expertise and experience in corporate activity regulated by the Corporations Act and ASX Ltd. He also has specialist skills and knowledge about the resources industry.

Current and former directorships in the last 3 years

Deputy Chairman of Beach Energy Limited (since June 2009 and a Director since July 2007) and Director of Marmota Energy Limited (since 2007).

Responsibilities

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

Interest in Shares and Options – 2,775,455 ordinary shares of Monax Mining Limited.

Dr Neville Foster Alley PhD., PSM

Non-executive Director

Experience and expertise

Board member since 27 January 2005 until November 2011. Dr Alley is an internationally known earth science researcher and was awarded the Verco Medal for his contribution and leadership in the earth sciences and the Public Service Medal (PSM) in 2005 for outstanding contribution to the geology and minerals industry. 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 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. Dr Alley has worked closely with Aboriginal people and the community in developing a higher profile for the resources industry.

Current and former directorships in the last 3 years

InterMet Resources Limited (since 2004 until August 2008), Beach Energy Limited (since July 2007), Marmota Energy Limited (since 2007) and ERO Mining Limited (from January 2011 until June 2011) and is a Visiting Research Fellow, School of Earth and Environmental Sciences, The University of Adelaide.

Interest in Shares and Options – 3,022,727 ordinary shares of Monax Mining Limited.

Mr Gary Michael Ferris BSc (Hons), AusIMM., GAICD

Managing Director

Experience and expertise

Board member since 1 September 2009. Mr Ferris is a geologist with more than 18 years experience in exploration and management and holds an Honours Degree in Geology from the University of Adelaide and a Masters Degree from the Centre for Ore Deposits and Exploration Studies, University of Tasmania.

Mr Ferris brings extensive experience in adding to the value of Monax's asset base and the execution of effective exploration programs.

Current and former directorships in the last 3 years

Mr Ferris was formerly Managing Director of InterMet Resources Limited until August 2008.

Interest in Shares and Options – 1,500,000 ordinary shares of Monax Mining Limited.

Mr Ewan John Vickery LLB

Alternate Director for Reginald George Nelson (appointed 7 February 2011 ceased August 2012; previously appointed 19 March 2009 ceased 25 June 2010)

Experience and expertise

Mr Vickery is a corporate and business lawyer with over 30 years experience in private practice in Adelaide. He has acted as an advisor to companies on a variety of corporate and business issues including capital and corporate restructuring, native title and land access issues, and as a lead native title advisor and negotiator for numerous mining and petroleum companies.

Current and former directorships in the last 3 years

Mr Vickery is a Director of Flinders Mines Limited (since 2001), Maximus Resources Limited (since 2004) and ERO Mining Limited (2006 until January 2011).

Interest in Shares and Options – 55,300 ordinary shares of Monax Mining Limited.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Mr Ian Roy Witton *S.AIT, F.CPA, F.AICD*

Alternate Director for Glenn Stuart Davis (appointed 28 January 2011; previously appointed 13 March 2009 ceased 24 June 2010)

Experience and expertise

Mr Witton is an independent non-executive director and has been a director for 25 years. Originally trained as an auditor, he was subsequently CEO and later Managing Director for 27 years of a licensed investment dealer developing and managing investment funds, savings, loans and a retirement village. He is also a director of a pharmacy and optical company and a public charitable trust fund. His principal experience is in funds and investment management, strategic development, risk management and corporate governance.

Current and former directorships in the last 3 years

Mr Witton was previously an Alternate Director of ERO Mining Limited.

Interest in Shares and Options – 148,923 ordinary shares of Monax Mining Limited.

Directors' meetings

The Company held 17 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 and corporate governance committee meetings		Remuneration and nomination committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robert Michael Kennedy	12	12	3	3	2	2
Reginald George Nelson	12	10	-	-	2	2
Glenn Stuart Davis	12	11	3	3	-	-
Neville Foster Alley	7	7	-	-	-	-
Gary Michael Ferris	12	12	-	-	-	-
Ewan John Vickery	1	1	-	-	-	-
Ian Roy Witton	1	1	-	-	-	-

Messrs Kennedy and Davis are members of the Audit and Corporate Governance Committee and Messrs Nelson and Kennedy are members of the Remuneration and Nomination Committee.

Messrs Vickery and Witton were present in meetings in the capacity of Alternate Directors.

Company Secretary

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

Virginia Katherine Suttell – *B.Comm.,ACA.,GAICD.,GradDip.ACG.* Appointed Company Secretary and Chief Financial Officer on 21 November 2007. She is a Chartered Accountant with 19 years experience working in public practice and commerce.

Principal activities

The company's principal activity is mineral exploration.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Review and results of operations

During the 2012 financial year, Monax recommenced exploration at Punt Hill funded by its partner Antofagasta plc ("Antofagasta"), through its wholly-owned subsidiary Antofagasta Minerals S.A. Under the farm-in agreement, Monax completed a four hole drilling program totalling 2561.2m, in late 2011.

Monax commenced the second drilling program under the farm-in with the approval of US\$2.5 million budget in August 2012. The 2012 drilling program will comprise 7 or 8 holes with Monax receiving \$60,000 in PACE funding from DMITRE to follow-up on a drill hole drilled in 2011 at the Camel Dam prospect.

In October 2011, Monax announced the formation of a Strategic Alliance with Antofagasta Minerals Adelaide, a wholly owned subsidiary of 'Antofagasta plc', for project generation in South Australia. The terms of the agreement require that Antofagasta invest US\$1 million over two years to facilitate area prospectivity identification and analysis, basic exploration, project generation and target selection.

Monax's exploration focus on the Waddikee project changed during the year from manganese to graphite. Exploration for manganese comprised electrical geophysical surveys at the Hodgson, Polinga and Jamieson Tank prospects. Follow-up drilling provided further encouraging manganese and iron results. However, OM (Manganese) Ltd withdrew from the farm-in for manganese.

Graphite exploration comprised a review of historical exploration data and surface sampling. High-grade, coarse flake graphite was reported from five prospects. Monax completed its maiden graphite drilling program in mid August 2012.

Monax continues to explore for copper-gold on the highly prospective Yorke Peninsula. During the year Monax increased its landholding with the purchase of EL 3922 (Webling Bay). Further drilling during the year under the Melton Joint Venture reported 9m @ 1.03% Cu including 1m @ 2.26% Cu and 0.46 g/t Au.

Sampling and drilling programs on the Cape York bauxite and Percyvale gold projects were undertaken during the year. Based on results obtained, the projects were relinquished.

Preparation of Financial Statements

In preparing the financial statement at 30 June 2012 the following entities have not been consolidated on the grounds that they are no longer deemed to be controlled in accordance with Australian Accounting Standards. Monax Mining Ltd holds 23.7% of Marmota Energy Limited which does not represent control however it has been determined that significant influence remains by virtue of this shareholding.

- Marmota Energy Limited
- Groundhog Services Pty Ltd

These entities have been equity accounted from 1 January 2011 and are recognised as investments in associates.

Results

During the year, the Company continued exploration activities at its tenements. Total cash expenditure on exploration and evaluation activities totalled \$2,013,269.

The loss of the Company after providing for income tax amounted to \$3,005,692 (2011: \$117,648).

The net assets of the Group have been decreased by \$3,690,136 during the financial year from \$17,094,301 at 30 June 2011 to \$13,404,165 at 30 June 2012.

Dividends

No dividends have been paid or provided by the Company since the end of the previous financial year (2011: nil).

State of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Events subsequent to reporting date

On 1 July 2012, 700,000 share rights vested and resulted in the issue of 500,000 fully paid ordinary shares to the Managing Director and 200,000 fully paid ordinary shares to the Company Secretary.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

On 23 July 2012, 325,000 share options were granted to employees under the Monax Mining Limited Employee Share Option Plan. The exercise price of the options is 5.3 cents with an expiry date of 23 July 2017.

There has not arisen in the interval between 30 June 2012 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.

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.

Options

At the date of this report unissued ordinary shares of Monax Mining Limited under option are:

Expiry date*	Exercise price	Number of options	Vested	Unvested	Amount paid/payable by recipient (\$)
18/07/2013	\$0.246	215,000	215,000	-	-
13/12/2013	\$0.0517	10,000	10,000	-	-
05/03/2015	\$0.0917	425,000	425,000	-	-
28/07/2016	\$0.051	225,000	225,000	-	-
23/07/2017	\$0.053	325,000	325,000	-	-

* 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. There were no amounts unpaid on shares issued.

Proceedings on behalf of the Company

No person has applied to the Court 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. The Company was not a party to any such proceedings during the year.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Non-audit services

There were no non-audit services provided by the external auditors during the year ended 30 June 2012.

Auditor of the Company

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

Auditor's Independence Declaration

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 for the year ended 30 June 2012 is set out immediately following the end of the Directors' report.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – audited (continued)

Remuneration policy

The remuneration policy of Monax Mining Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering other incentives based on performance in achieving key objectives as approved by the Board. The Board of Monax Mining Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Company's policy for determining the nature and amounts of emoluments of board members and other key management personnel of the Company is as follows.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee oversees remuneration matters and makes recommendations to the Board on remuneration policy, fees and remuneration packages for non-executive directors and senior executives. Details of the committee's members and its responsibilities are set out in the Corporate Governance Statement.

Non-executive Remuneration Policies

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 of Monax Mining Limited 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 fees paid to Non-Executive Directors are not incentive or performance based but are fixed amounts that are determined by reference to the nature of the role, responsibility and time commitment required for the performance of the role including membership of board committees. The fees are set by the Remuneration and Nomination Committee which consults independent advice from time to time.

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.

Executive Remuneration Policies

The remuneration of the Managing Director is determined by the Non-executive Directors on the Remuneration and Nomination Committee and approved by the Board 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.

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 remuneration structure and packages offered to executives are summarised below:

- Fixed remuneration
- Short term incentive (STI) – 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 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.
- Long term incentive (LTI) – equity grants, which may be granted annually at the discretion of the Board. From time to time, the Company may grant retention rights as considered appropriate by the Remuneration and Nomination Committee and the Board, as a long term incentive for key management personnel. These rights are subject to shareholder approval at the Annual General Meeting in the year of grant. The intention of this remuneration is to facilitate the retention of key management personnel in order that the goals of the business and shareholders can be met. Under the terms of the issue of the retention rights, the rights will vest over a period of time, with a proportion of the rights vesting each year.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – audited (continued)

Executive Remuneration Policies(continued)

- Long term incentive (LTI) (continued) - The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire 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.

Service Agreements

The employment conditions of the Managing Director, Mr Ferris is formalised in a contract of employment. The base salary as set out in the employment contract is reviewed annually. The Managing Director's contract may be terminated at any time by mutual agreement. The Company may terminate the contract without notice in instances of serious misconduct. Ms Suttell is employed by Groundhog Services Partnership to act as Chief Financial Officer and Company Secretary of Monax Mining Limited and Marmota Energy Limited. The employment conditions are set out in a contract of employment and include a three month notice period. Mr Ferris was appointed 1 September 2009 and employment conditions include a three month notice period

Shares issued on exercise of remuneration options

No shares were issued to Directors as a 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 Note 5 to the accounts.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – audited (continued)

Remuneration of Directors and key management personnel

This report details the nature and amount of remuneration for each key management person of the entity and for the executives receiving the highest remuneration.

(a) Directors and key management personnel

The names and positions held by Directors and key management personnel of the entity during the whole of the financial year are:

Directors	Position
Mr RM Kennedy	Chairman – Non-executive
Mr RG Nelson	Director – Non-executive (until August 2012)
Mr GS Davis	Director – Non-executive
Dr NF Alley	Director – Non-executive (until November 2011)
Mr GM Ferris	Managing Director – Executive
Mr EJ Vickery	Alternate Director (from 7 February 2011 to August 2012)
Mr IR Witton	Alternate Director (from 28 January 2011)
Key management personnel	
Ms VK Suttell	Chief Financial Officer / Company Secretary

(b) Directors' remuneration

2012 primary benefits	Directors' fees	Salary, fees and leave	Non cash items	Cash bonus	Super contributions	Options/ rights	Total	Proportion of remuneration relating to performance
	\$	\$	\$	\$	\$	\$	\$	
Directors								
Mr RM Kennedy	73,395	-	-	-	6,605	-	80,000	-
Mr RG Nelson	41,973	-	-	-	3,777	-	45,750	-
Mr GS Davis ¹	45,750	-	-	-	-	-	45,750	-
Dr NF Alley	13,761	-	-	-	1,239	-	15,000	-
Mr GM Ferris	-	236,225	-	-	15,775	34,660	286,660	12.09%
Mr EJ Vickery ²	1,835	-	-	-	165	-	2,000	-
Mr IR Witton ²	1,835	-	-	-	165	-	2,000	-
	178,549	236,225	-	-	27,726	34,660	477,160	7.2%
2011 primary benefits								
2011 primary benefits	Directors' fees	Salary, fees and leave	Non cash items	Cash bonus	Super contributions	Options/ rights	Total	Proportion of remuneration relating to performance
	\$	\$	\$	\$	\$	\$	\$	
Directors								
Mr RM Kennedy	73,395	-	-	-	6,605	-	80,000	-
Mr RG Nelson	41,973	-	-	-	3,777	-	45,750	-
Mr GS Davis ¹	45,750	-	-	-	-	-	45,750	-
Dr NF Alley	36,697	-	-	-	3,303	-	40,000	-
Mr GM Ferris	-	224,801	-	-	15,199	58,892	298,892	19.7%
Mr EJ Vickery ²	1,835	-	-	-	165	-	2,000	-
Mr IR Witton ²	1,835	-	-	-	165	-	2,000	-
	201,485	224,801	-	-	29,214	58,892	514,392	11.5%

1. Director's fees for Mr Davis are paid to a related entity of the Director.

2. Messrs Vickery and Witton received remuneration for their services as alternate directors.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – audited (continued)

(c) Key management personnel remuneration

2012 primary benefits	Salary, fees and leave \$	Non cash items \$	Cash bonus \$	Super contributions \$	Options/ rights \$	Total \$	Proportion of remuneration relating to performance
Key management personnel excluding Directors							
Ms VK Suttell**	105,341	4,897	-	7,888	13,864	131,990	10.5%
	105,341	4,897	-	7,888	13,864	131,990	10.5%
2011 primary benefits	Salary, fees and leave \$	Non cash items \$	Cash bonus \$	Super contributions \$	Options/ rights \$	Total \$	Proportion of remuneration relating to performance
Key management personnel excluding Directors							
Ms VK Suttell**	100,574	4,326	-	7,600	23,558	136,058	17.3%
	100,574	4,326	-	7,600	23,558	136,058	17.3%

** Ms Suttell was appointed as a Company Secretary and Chief Financial Officer on 21 November 2007. Ms Suttell is employed by the Groundhog Services Partnership.

Mr Ferris was appointed Managing Director of Monax Mining Limited on 1 September 2009. Pursuant to his service agreement, Mr Ferris is paid a total package of \$259,560 per annum inclusive of superannuation guarantee contributions on an ongoing employment basis with a three month notice period. On commencement of employment, Mr Ferris was granted 3,000,000 options for ordinary shares with a fair market value of \$183,000. 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. These options lapsed 31 July 2012.

(d) Director related entities

Information of amounts paid to director related entities is set out in Note 23 to the financial statements.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – audited (continued)

(e) Post-employment/retirement benefits

There were no post employment retirement benefits paid or payable to directors and key management personnel.

Options and rights granted

No options were granted to Key Management Personnel during the 2012 financial year:

Options	Grant Details			For the financial year ended 30 June 2012					Overall		
	Date	No.	Value \$	Exercised No.	Exercised \$	Lapsed No.	Lapsed \$	Vested No.	Vested %	Unvested %	Lapsed %
Key Management Personnel			(Note 1)	(Note 2)	(Note 3)		(Note 4)				
Monax Mining Limited											
Mr G Ferris	17.12.2009	3,000,000	183,000	-	-	-	-	3,000,000	100%	-	-
Ms V Suttell	05.03.2010	175,000	14,875	-	-	-	-	175,000	100%	-	-
		<u>3,175,000</u>	<u>197,875</u>					<u>3,175,000</u>			

Note 1 - The value of options granted as remuneration and as shown in the above table has been determined in accordance with applicable accounting standards.

Note 2 - All options exercised resulted in the issue of ordinary shares in Monax Mining Limited on a 1:1 basis. All persons exercising options paid the relevant exercise price in its entirety.

Note 3 - The value of options that has been exercised during the year as shown in the above table was determined as at the time of exercise.

Note 4 - The value of options that has lapsed during the year due to vesting conditions not being satisfied has been determined at the time of their lapsing as if vesting conditions have been satisfied.

No share rights were granted to Key Management Personnel during the 2012 financial year:

Retenti - on Rights	Grant Details			For the financial year ended 30 June 2012					Overall		
	Date	No.	Value \$	Exercised No.	Exercised \$	Lapsed No.	Lapsed \$	Vested No.	Vested %	Unvested %	Lapsed %
Key Management Personnel											
Mr G Ferris*	17.11.2010	1,500,000	109,500	-	-	-	-	500,000	33.33	66.67	-
Ms V Suttell*	17.11.2010	600,000	43,800	-	-	-	-	200,000	33.33	66.67	-
		<u>2,100,000</u>	<u>153,300</u>					<u>700,000</u>			

*Retention rights vest one third on each of 1 July 2011, 1 July 2012 and 1 July 2013.

Monax Mining Limited – Consolidated Entity

Directors' Report (continued)

Remuneration Report – audited (continued)

Description of options/rights issued as remuneration

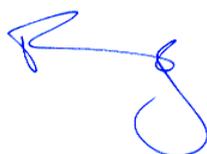
Details of the options granted as remuneration to those key management personnel listed in the previous table are as follows:

Grant date	Issuer	Entitlement on exercise	Dates exercisable	Exercise price	Value per option/right at grant date	Amount paid/payable by recipient
23.12.2008	Monax Mining Limited	1:1 Ordinary shares in Monax Mining Limited	From issue date to 23.12.2013	\$0.0517	\$0.029	-
18.07.2008	Monax Mining Limited	1:1 Ordinary shares in Monax Mining Limited	From issue date to 18.07.2013	\$0.246	\$0.155	-
05.03.2010	Monax Mining Limited	1:1 Ordinary shares in Monax Mining Limited	From issue date to 05.03.2015	\$0.0917	\$0.085	-
Rights						
17.11.2010	Monax Mining Limited	1:1 Ordinary shares in Monax Mining Limited	One third vesting on each of 1 July 2011, 1 July 2012 and 1 July 2013	\$0.00	\$0.073	-

Option values at grant date were determined using the Black-Scholes valuation model.

Retention rights values at grant date were determined using the binomial valuation model.

The Report of Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors:



Robert Michael Kennedy
Director

Dated at Adelaide this 17th day of September 2012.

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

**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 2012, 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

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



SJ Gray
Partner

Adelaide, 17 September 2012

Monax Mining Limited – Consolidated Entity

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	Consolidated	
		2012	2011
		\$	\$
Other revenues	2	304,838	324,264
Total revenue		304,838	324,264
Administration expenses	3	197,985	221,287
Consulting expenses	3	106,222	83,882
Depreciation expense	3	8,798	15,221
Employment expenses	3	344,573	352,403
Service fees		156,532	158,408
Exploration expenses not capitalised		86,795	-
Share of loss from equity accounted investments		1,430,530	(20,358)
Impairment of assets	3	979,095	74,008
Loss before income tax expense		(3,005,692)	(560,587)
Income tax benefit/(expense)	4	-	442,939
Loss after income tax expense		(3,005,692)	(117,648)
Other comprehensive income		-	-
Total comprehensive income for the period		(3,005,692)	(117,648)
Basic earnings per share (cents)	7	(2.0)	(0.079)
Diluted earnings per share (cents)	7	(2.0)	(0.079)

The accompanying notes form part of these financial statements.

Monax Mining Limited – Consolidated Entity

Statement of Financial Position

As at 30 June 2012

	Note	Consolidated	
		2012	2011
		\$	\$
Current assets			
Cash and cash equivalents	8	2,409,725	3,745,989
Trade and other receivables	9	237,443	318,691
Other current assets	10	21,244	20,891
Total current assets		<u>2,668,412</u>	<u>4,085,571</u>
Non-current assets			
Plant and equipment	11	130,108	143,678
Exploration and evaluation expenditure	15	9,886,721	9,983,060
Investment in associates	12	1,073,829	3,260,359
Deferred tax asset		322,148	971,999
Total non-current assets		<u>11,412,806</u>	<u>14,359,096</u>
Total assets		<u>14,081,218</u>	<u>18,444,667</u>
Current liabilities			
Trade and other payables	16	290,694	337,946
Short term provisions	17	38,646	24,978
Total current liabilities		<u>329,340</u>	<u>362,924</u>
Non-current liabilities			
Deferred tax liability		322,148	971,999
Long term provisions	17	25,565	15,443
Total non-current liabilities		<u>347,713</u>	<u>987,442</u>
Total liabilities		<u>677,053</u>	<u>1,350,366</u>
Net assets		<u>13,404,165</u>	<u>17,094,301</u>
Equity			
Issued capital	18	19,683,697	19,674,526
Reserves	26	742,915	1,436,530
Retained losses		(7,022,447)	(4,016,755)
Total Equity		<u>13,404,165</u>	<u>17,094,301</u>

The accompanying notes form part of these financial statements.

Monax Mining Limited – Consolidated Entity

Statement of Changes in Equity

For the year ended 30 June 2012

Consolidated	Issued capital \$	Reserves \$	Retained losses \$	Total \$
Balance at 1 July 2010	19,674,526	598,080	(3,899,107)	16,373,499
Total comprehensive income	-	-	(117,648)	(117,648)
	-	-	(117,648)	(117,648)
<i>Transactions with owners in their capacity as owners:</i>				
Proceeds from the issue of shares during the period	-	-	-	-
Fair value of options issued to employees	-	82,450	-	82,450
Revaluation of associate to fair value	-	756,000	-	756,000
	-	838,450	-	838,450
Balance at 30 June 2011	19,674,526	1,436,530	(4,016,755)	17,094,301
Total comprehensive income	-	-	(3,005,692)	(3,005,692)
	-	-	(3,005,692)	(3,005,692)
<i>Transactions with owners in their capacity as owners:</i>				
Proceeds from the issue of shares during the period	9,171	-	-	9,171
Fair value of options issued to employees	-	62,385	-	62,385
Revaluation of associate to fair value	-	(756,000)	-	(756,000)
	9,171	(693,615)	(3,005,692)	(3,690,136)
Balance at 30 June 2012	19,683,697	742,915	(7,022,447)	13,404,165

The accompanying notes form part of these financial statements.

Monax Mining Limited – Consolidated Entity

Statement of Cash Flows

For the year ended 30 June 2012

	Note	Consolidated	
		2012	2011
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		12,125	68,780
Cash payments in the course of operations		(700,664)	(655,902)
Income tax rebate/refund		-	118,939
Interest received		204,811	336,358
Net cash (used in) operating activities			
	22(b)	(483,728)	(131,825)
Cash flows from investing activities			
Payments for plant and equipment		(21,048)	(7,517)
Payments for exploration and evaluation assets		(2,013,269)	(1,758,102)
Cash advance joint venture activities		1,205,950	843,540
Loans to related entities		(33,340)	(7,807)
Net cash (used in) investing activities		(861,707)	(929,886)
Cash flows from financing activities			
Proceeds from issue of shares		9,171	-
Net cash provided by financing activities		9,171	-
Net (decrease) in cash held		(1,336,264)	(1,061,711)
Cash at the beginning of the financial year		3,745,989	4,807,700
Cash at the end of the financial year	22(a)	2,409,725	3,745,989

The accompanying notes form part of these financial statements.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

1 *Statement of significant accounting policies*

The financial report includes the financial statements and notes of Monax Mining Limited and Consolidated Entity ('Group').

(a) *Basis of preparation*

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standard Board (AASB) and the Corporation Act 2001.

The following report covers Monax Mining Limited, a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

(b) *Principles of consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Monax Mining Limited ('parent entity') as at 30 June 2012 and the result of all subsidiaries for the year then ended. Monax Mining Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. All inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. A list of controlled entities is contained in Note 14 to the financial statements.

Accounting policies of subsidiaries are consistent with those adopted by the parent entity.

(c) *Income tax*

The income tax expense/(benefit) for the year comprises current income tax expense/(income) and deferred income tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted at reporting date.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax (expense)/benefit is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(c) *Income tax (continued)*

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 Statement of Comprehensive Income 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.

(d) *Plant and equipment*

Each class of 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

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:

Class of fixed asset	Depreciation rate
Plant and equipment	5% – 33%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) *Exploration and evaluation expenditure*

Exploration and evaluation 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.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(e) ***Exploration and evaluation expenditure (continued)***

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.

(f) ***Leases***

Lease 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.

(g) ***Financial instruments***

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the provisions to the instrument. For financial assets this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through the profit or loss', in which case the costs are expensed to the Statement of Comprehensive Income immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the interest rate method or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties. Where available, quoted prices, in an active market are used to determine fair value.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments:

- (i) **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets except for those not expected to mature within 12 months after the end of the reporting period.
- (ii) **Financial liabilities**
Non-derivative financial liabilities are subsequently measured at amortised cost.
- (iii) **Available-for-sale financial assets**
Available-for-sale financial assets are non derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise the investments in the equity of other entities where there is neither a fixed maturity nor determinable payments.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(h) Impairment of non-financial 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 Statement of Comprehensive Income.

(i) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting 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. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity settled compensation

The Company operates equity settled share-based payment employee share option schemes. The fair value of options is ascertained using the Black-Scholes pricing model which incorporates all market vesting conditions. The fair value of retention rights is ascertained using the binomial valuation model.

(j) 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.

(k) 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.

(l) Revenue

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).

(m) 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 Statement of Financial Position 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.

(n) Interests in joint ventures

The Company's share of the assets, liabilities, reserves and expenses of joint venture operations are included in the appropriate items of the financial statements. Details of the Company's interests are shown at Note 13.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(o) Investments in associates

Associate companies are companies in which the Company has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the initial investment at cost and adjusted thereafter for the Company's share of post-acquisition reserves and profits/(losses) of its associates. Details of the Company's interest in associates is shown at Note 12.

(p) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days or recognition of the liability.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Comparative figures

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

(s) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends of economic data, obtained both externally and within the Company.

Key estimates – impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

Key judgements- exploration and evaluation expenditure

The entity capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(t) *Adoption of the new and revised accounting standards*

During the current year the Company adopted all of the new and revised Australia Accounting Standards and Interpretations applicable to its operations which became mandatory.

Recently issued accounting standards to be applied in future accounting periods

The accounting standards that have not been early adopted for the year ended 30 June 2012, but will be applicable to the Group in future reporting periods are detailed below. Apart from these standards, we have considered other accounting standards that will be applicable in future reporting periods, however they have been considered insignificant to the Group.

i) AASB 9 Financial Instruments (effective from 1 January 2013)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

ii) Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

a. AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

b. AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

c. AASB 12 Disclosure of Interests in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

iii) AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs:

- a. will not be reclassified subsequently to profit or loss and
- b. will be reclassified subsequently to profit or loss when specific conditions are met.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

(t) Adoption of the new and revised accounting standards (continued)

It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

iv) Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- a. eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period in other comprehensive income
- b. streamline the presentation of changes in plan assets and liabilities
- c. enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of AASB 119 is effective for financial years beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

v) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

vi) Other

In addition to the above recently issued accounting standards that are applicable in future years, we note the following new accounting standards that are applicable in future years:

- Amendments to IAS 32 "Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures";
- AASB Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine";
- Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128); and
- AASB 13 Fair Value Measurement (AASB 13).

We do not expect these standards to materially impact our financial results upon adoption.

(u) Parent entity financial information

The financial information for the parent entity, Monax Mining Limited, disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements.

(v) Carbon tax impact

On 10 July 2011, the Commonwealth Government announced the 'Securing a Clean Energy Future – the Australian Government's Climate Change Plan'. Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Company as legislation must be voted on and passed by both houses of Parliament. In addition, as the Company will not fall within the 'Top 500 Australian Polluters', the impact of the Carbon Scheme may be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism may pass on their burden to their customers in the form of increased prices.

(w) Authorisation for issue of financial statements

The financial statements were authorised for issue by the Board of Directors on 17th September 2012.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

		Consolidated	
		2012	2011
		\$	\$
2	<i>Revenue from ordinary activities</i>		
	Other revenues:		
	<i>From operating activities</i>		
	Interest received from other parties	171,340	260,464
	Other revenue	133,498	63,800
	Total revenue from ordinary activities	304,838	324,264
3	<i>Profit from ordinary activities before income tax has been determined after</i>		
	<i>Expenses</i>		
	Administration expenses		
	ASX fees	24,470	20,239
	Share registry fees	37,311	26,530
	Insurance	37,417	31,559
	Audit and other services	32,570	35,337
	Other	66,217	107,622
		197,985	221,287
	Consulting expenses		
	Legal fees	20,998	11,970
	Corporate consulting	76,836	64,312
	Accounting and secretarial services	8,388	7,600
		106,222	83,882
	Depreciation expenses		
	Plant and equipment	8,798	15,221
	Employment expenses		
	Salaries and wages	549,890	378,941
	Directors' fees	190,860	215,500
	Superannuation	43,152	29,070
	Provisions	23,791	11,191
	Share-based payments	62,385	82,450
	Other	23,957	12,299
	Reallocation to exploration costs	(549,462)	(377,048)
		344,573	352,403
	Impairment of assets		
	Exploration	15 979,095	74,008
		979,095	74,008

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$

4 *Income tax benefit/(expense)*

The components of tax expense comprise:

Current income tax	-	442,939
Deferred income tax	-	-
Income tax benefit/(expense) reported in the statement of comprehensive income	-	442,939

The prima facie income tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie income tax benefit/(expense) calculated at 30% on loss from ordinary activities (2011: 30%)	901,708	168,176
Tax losses utilised	-	178,026
Deferred tax asset in respect of tax losses not brought to account	(607,979)	-
Impairment expense previously brought to account	(293,729)	(22,202)
Research and development tax offset	-	118,939
Income tax benefit/(expense) attributable to loss from ordinary activities	-	442,939

Income tax losses

Deferred tax asset arising from carried forward tax losses not recognised at reporting date as the asset is not regarded as meeting the probable criteria

- tax losses at 30%	(4,798,779)	(3,611,956)
Temporary differences	19,263	12,126

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2012. The totals of remuneration paid to key management personnel during the year are as follows:

	Consolidated	
	2012	2011
	\$	\$
Short term employee benefits	525,012	531,186
Post employment benefits	35,614	36,814
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	48,524	82,450
	<u>609,150</u>	<u>650,450</u>

Detailed remuneration disclosures are provided in the remuneration report.

(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 (until August 2012)
Mr GS Davis	Director – Non-executive
Dr NF Alley	Director – Non-executive (until November 2011)
Mr GM Ferris	Managing Director – Executive
Mr EJ Vickery	Alternate Director (from 7 February 2011 until August 2012)
Mr IR Witton	Alternate Director (from 28 January 2011)
Key management personnel	
Ms VK Suttell	Chief Financial Officer / Company Secretary

(b) Directors and key management personnel equity remuneration, holdings and transactions

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options together with the terms and condition of the options can be found in the remuneration report.

(ii) Share holdings

The number of shares in the company held during the financial year by each director of Monax Mining Limited and other key management personnel of the Company, including their personal related parties, are set out below. There were no shares granted during the year as remuneration.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures (continued)

(b) Directors and key management personnel equity remuneration, holdings and transactions

Shares in Monax Mining Limited	Balance 1/07/11	Received as remuneration	Options/ rights exercised	Net change other ¹	Balance 30/06/12	Total held in escrow 30/06/12
Held by Directors in own name						
Mr RM Kennedy	-	-	-	-	-	-
Mr RG Nelson	-	-	-	-	-	-
Mr GS Davis	72,727	-	-	-	72,727	-
Dr NF Alley	-	-	-	-	-	-
Mr GM Ferris	-	-	-	-	-	-
Mr EJ Vickery	-	-	-	-	-	-
Mr IR Witton	-	-	-	-	-	-
	72,727	-	-	-	72,727	-
Held by Directors' personally related entities						
Mr RM Kennedy	4,464,488	-	-	-	4,464,488	-
Mr RG Nelson	2,145,659	-	-	-	2,145,659	-
Mr GS Davis	2,702,728	-	-	-	2,702,728	-
Dr NF Alley	3,108,919	-	-	-	3,108,919	-
Mr GM Ferris	500,000	-	500,000	-	1,000,000	-
Mr EJ Vickery	55,300	-	-	-	55,300	-
Mr IR Witton	148,923	-	-	-	148,923	-
Total held by Directors	13,198,744	-	500,000	-	13,698,744	-
Key management personnel excluding Directors						
Ms VK Suttell	38,727	-	200,000	-	238,727	-
Total	13,237,471	-	700,000	-	13,937,471	-

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures (continued)

(b) Directors and key management personnel equity remuneration, holdings and transactions

Shares in Monax Mining Limited	Balance 1/07/10	Received as remuneration	Options exercised	Net change other ¹	Balance 30/06/11	Total held in escrow 30/06/11
Held by Directors in own name						
Mr RM Kennedy	-	-	-	-	-	-
Mr RG Nelson	-	-	-	-	-	-
Mr GS Davis	72,727	-	-	-	72,727	-
Dr NF Alley	-	-	-	-	-	-
Mr GM Ferris	-	-	-	-	-	-
Mr EJ Vickery	-	-	-	-	-	-
Mr IR Witton	-	-	-	-	-	-
	72,727	-	-	-	72,727	-
Held by Directors' personally related entities						
Mr RM Kennedy	4,464,488	-	-	-	4,464,488	-
Mr RG Nelson	2,145,659	-	-	-	2,145,659	-
Mr GS Davis	2,702,728	-	-	-	2,702,728	-
Dr NF Alley	3,108,919	-	-	-	3,108,919	-
Mr GM Ferris	-	-	-	500,000	500,000	-
Mr EJ Vickery	55,300	-	-	-	55,300	-
Mr IR Witton	98,923	-	-	50,000	148,923	-
Total held by Directors	12,648,744	-	-	550,000	13,198,744	-
Key management personnel excluding Directors						
Ms VK Suttell	38,727	-	-	-	38,727	-
Total	12,687,471	-	-	550,000	13,237,471	-

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures (continued)

(b) Directors and key management personnel equity remuneration, holdings and transactions (continued)

(iii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Monax Mining Limited and any other key management personnel of the Company, including their personal related parties are set out below.

Options in Monax Mining Limited	Option class	Balance 1/07/11	Received as remuneration	Options exercised	Net change other	Balance 30/06/12	Total vested 30/06/12	Total exercisable 30/06/12
Held by Directors in own name								
Mr RM Kennedy		-	-	-	-	-	-	-
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Dr NF Alley		-	-	-	-	-	-	-
Mr GM Ferris		-	-	-	-	-	-	-
Mr EJ Vickery		-	-	-	-	-	-	-
Mr IR Witton		-	-	-	-	-	-	-
Directors' personally related entities								
Mr RM Kennedy	(d)	558,062	-	-	(558,062)	-	-	-
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Dr NF Alley		-	-	-	-	-	-	-
Mr GM Ferris	(b)	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
Mr EJ Vickery		-	-	-	-	-	-	-
Mr IR Witton	(d)	12,366	-	-	(12,366)	-	-	-
Total held by Directors		3,570,428	-	-	(570,428)	3,000,000	3,000,000	3,000,000
Key management personnel excluding Directors								
Ms VK Suttell	(a)	75,000	-	-	-	75,000	75,000	75,000
	(c)	175,000	-	-	-	175,000	175,000	175,000
Total		3,820,428	-	-	(570,428)	3,250,000	3,250,000	3,250,000

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures (continued)

(b) Directors and key management personnel equity remuneration, holdings and transactions (continued)

Options in Monax Mining Limited	Option class	Balance 1/07/10	Received as remuneration	Options exercised	Net change other	Balance 30/06/11	Total vested 30/06/11	Total exercisable 30/06/11
Held by Directors in own name								
Mr RM Kennedy		-	-	-	-	-	-	-
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Dr NF Alley		-	-	-	-	-	-	-
Mr GM Ferris		-	-	-	-	-	-	-
Mr EJ Vickery		-	-	-	-	-	-	-
Mr IR Witton		-	-	-	-	-	-	-
Directors' personally related entities								
Mr RM Kennedy	(d)	558,062	-	-	-	558,062	558,062	558,062
Mr RG Nelson		-	-	-	-	-	-	-
Mr GS Davis		-	-	-	-	-	-	-
Dr NF Alley		-	-	-	-	-	-	-
Mr GM Ferris	(d)	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
Mr EJ Vickery		-	-	-	-	-	-	-
Mr IR Witton	(d)	12,366	-	-	-	12,366	12,366	12,366
Total held by Directors		3,570,428	-	-	-	3,570,428	3,570,428	3,570,428
Key management personnel excluding Directors								
Ms VK Suttell	(a)	75,000	-	-	-	75,000	75,000	75,000
	(c)	175,000	-	-	-	175,000	175,000	175,000
Total		3,820,428	-	-	-	3,820,428	3,820,428	3,820,428

(a) Unlisted options exercisable at \$0.246 by 18/07/2013

(b) Unlisted options exercisable at \$0.10 by 31/07/2012

(c) Unlisted options exercisable at \$0.0917 by 05/03/2015

(d) Listed options exercisable at \$0.15 by 30/11/2011

1. Net change other refers to shares purchased and/or sold during the financial year and shares no longer held by Directors or their related entities.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

5 Key management personnel disclosures (continued)

(b) Directors and key management personnel equity remuneration, holdings and transactions (continued)

(iv) Share rights holdings

The number of rights over ordinary shares in the company held during the financial year by each director of Monax Mining Limited and any other key management personnel of the Company, including their personal related parties are set out below.

Rights	Period	Opening Balance	Received as remuneration	Exercised/ Vested	Net change other	Balance period end	Total vested period end	Total exercisable period end
Mr RM Kennedy	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Mr RG Nelson	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Mr GS Davis	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Dr NF Alley	2012	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-
Mr GM Ferris	2012	1,500,000	-	(500,000)	-	1,000,000	-	-
	2011	-	1,500,000	-	-	1,500,000	-	-
Ms VK Suttell	2012	600,000	-	(200,000)	-	400,000	-	-
	2011	-	600,000	-	-	600,000	-	-
Total	2012	2,100,000	-	(700,000)	-	1,400,000	-	-
	2011	-	2,100,000	-	-	2,100,000	-	-

Other key management personnel transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 23: Related parties.

	Consolidated	
	2012	2011
	\$	\$

6 Auditors' remuneration

Audit services:

Auditors of the Company – Grant Thornton

Audit and review of the financial reports

32,500	35,300
<u>32,500</u>	<u>35,300</u>

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

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

215,000 unlisted options exercisable at \$0.246 by 18/07/2013
 10,000 unlisted options exercisable at \$0.0517 by 23/12/2013
 3,000,000 unlisted options exercisable at \$0.10 by 31/07/2012
 425,000 unlisted options exercisable at \$0.0917 by 05/03/2015
 225,000 unlisted options exercisable at \$0.053 by 28/07/2016

Options granted to employees under the Monax Mining Limited Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

	Consolidated	
	2012	2011
	\$	\$

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

Loss after income tax expense	(3,005,692)	(117,648)
-------------------------------	-------------	-----------

(d) Weighted average number of shares outstanding during the year used in calculating earnings per share

Number for basic earnings per share		
Ordinary shares	148,760,531	148,053,668
Number for diluted earnings per share		
Ordinary shares and options	148,760,531	148,061,894

8 *Cash and cash equivalents*

Cash at bank	144,725	480,989
Deposits at call	2,265,000	3,265,000
	<u>2,409,725</u>	<u>3,745,989</u>

9 *Trade and other receivables*

Current

Trade debtors	35,773	98,387
Loan to related party	141,059	129,807
Other debtors	60,611	90,497
	<u>237,443</u>	<u>318,691</u>

Other debtors represent accrued interest receivable, research and development tax offset receivable and GST refunds. Receivables are not considered past due and/or impaired. (2011: nil)

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
10 Other current assets		
Prepayments	21,244	20,891

11 Plant and equipment

Plant and equipment

At cost	388,950	367,902
Accumulated depreciation	(258,842)	(224,224)
Net book value	130,108	143,678

Reconciliations

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

Plant and equipment

Carrying amount at beginning of year	143,678	178,215
Additions	21,048	7,517
Disposals	-	-
Depreciation	(34,618)	(42,054)
Carrying amount at end of year	130,108	143,678

12 Investments in associates

Interests are held in the following associated companies.

Name	Principal activities	Country of incorporation	Shares	Ownership interest		Carrying amount of investment	
				2012	2011	2012	2011
Unlisted							
Marmota Energy Limited	Mineral Exploration	Australia	Ord	23.7	23.9	1,073,828	3,260,358
Groundhog Services Pty Ltd	Administration services	Australia	Ord	50	50	1	1
Groundhog Partnership	Administration services	n/a	n/a	50	50	-	-

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

12 Investments in associates (continued)

(a) Movements during the year in equity accounted investments in associated entities

	Consolidated	
	2012	2011
	\$	\$
Balance at the beginning of the financial year	3,260,359	-
New investments during the year	-	3,240,001
Impairment - reversal of available for sale reserve	(756,000)	-
Share of associated entity's (loss)/ profit after income tax	(1,430,530)	20,358
Balance at the end of the financial year	1,073,829	3,260,359

(b) Equity accounted profits of associates are broken down as follows:

	Consolidated	
	2012	2011
	\$	\$
Share of associate's (loss)/profit before income tax	(1,427,944)	20,358
Share of associate's income tax (expense)	(2,586)	-
Share of associate's (loss)/profit after income tax expense	(1,430,530)	20,358

(c) Summarised presentation of aggregate assets, liabilities and performance of associates

The Company's share of the results of its principle associates and its aggregated assets and liabilities are as follows:

	Consolidated	
	2012	2011
	\$	\$
Current assets	2,909,276	6,636,556
Non-current assets	16,565,177	21,733,893
Total assets	19,474,453	28,370,449
Current liabilities	(1,030,396)	(795,738)
Non-current liabilities	(98,852)	(98,143)
Total liabilities	(1,129,248)	(893,881)
Net assets	18,345,205	27,476,568

(d) Market value of listed investment in associate 1,152,000 2,052,000

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

13 Interests in unincorporated joint ventures

Monax Mining Limited has the following interests in unincorporated joint ventures

No	State	Agreement Name	Parties	Summary
1	SA	Ambrosia Farm-in & Joint Venture Agreement	Marmosa Pty Ltd (MSA) and Monax Mining Limited (MOX)	MOX gives MSA the right to explore for all minerals in the area covered by Exploration Licence EL 4510 (formerly EL 3358). During the financial year MSA has achieved its second earn in and has a 50% interest.
2	SA	Mineral Rights Transfer & Joint Venture Agreement	Marmosa Pty Ltd (MSA) and Monax Mining Limited (MOX)	MSA transfers to MOX 100% of its interests in minerals other than uranium and 30% of its interests in uranium for areas covered by the following Exploration Licences: EL 3907, EL 3909 and EL 3910. MSA and MOX enter into a joint venture to explore for uranium.
3	SA	Farmin Agreement	OM (Manganese) Limited (OMM) and Monax Mining Limited (MOX)	MOX gives OMM the exclusive right to conduct exploration for all minerals except uranium and non-ferrous minerals (subject to an election by OMM in accordance with the agreement) on area covered by Exploration Licence EL 4662 (formerly EL 3357). Once OMM has spent \$2 million it will have earned 60% interest. Minimum expenditure of \$250,000 in the first year must be spent before OMM can withdraw from the agreement and the \$4 million must be incurred within 4 years. OMM withdrew from the Agreement in May 2012
4	SA	Melton Joint Venture	Monax Mining Limited (MOX) and Marmota Energy Limited (MEU)	MEU will have the right to explore for all minerals in the area covered by Exploration Licences EL 4000 and EL 3911. MEU and MOX operate a 50:50 joint venture
5	SA	Punt Hill Farm-in Agreement	Monax Mining Limited (MOX) and Antofagasta Minerals SA (AMS)	MOX gives AMS the right to explore for all minerals in the area covered by Exploration Licences EL 4642 and EL 4548. AMS has the right to earn 51% interest in the tenement by expending US\$4 million over 4 years.

14 Controlled entities

(a) Controlled entities consolidated

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entity in accordance with the accounting policy described in Note 1(b):

	Country of incorporation	Percentage owned (%)	
		2012	2011
Subsidiaries of Monax Mining Limited:			
Monax Alliance Pty Ltd	Australia	100	-

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
15	<i>Exploration and evaluation expenditure</i>	
Movement:		
Carrying amount at beginning of year	9,983,060	8,864,116
Additional costs capitalised during the year	882,756	1,192,952
Impairment of exploration asset	(979,095)	(74,008)
Carrying amount at end of year	<u>9,886,721</u>	<u>9,983,060</u>
Closing balance comprises:		
Exploration and evaluation		
- 100% owned	8,359,451	8,594,186
Exploration and evaluation phase		
- Joint Venture	<u>1,527,270</u>	<u>1,388,874</u>
	<u>9,886,721</u>	<u>9,983,060</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.

16 ***Trade and other payables***

Trade creditors	25,231	31,867
Other creditors and accruals	258,983	277,512
Amounts payable to Director related entities*	<u>6,480</u>	<u>28,567</u>
	<u>290,694</u>	<u>337,946</u>

* Details of amounts payable to Director related entities are detailed in Note 23.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

17 Provisions

	Consolidated	
	2012	2011
	\$	\$
Current		
Employee benefits	38,646	24,978
Non-current		
Employee benefits	25,565	15,443

Provision for long service leave

A provision for long service leave has been recognised for employee benefits. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Provisions

Opening balance at beginning of year	40,421	29,230
Additional provisions	23,790	11,191
Balance at end of year	64,211	40,421

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

18 Issued capital

	Consolidated	
	2012	2011
	\$	\$
Issued and paid-up share capital		
148,814,803 (2011: 148,053,668) ordinary shares, fully paid	19,683,697	19,674,526
(a) Ordinary shares		
Balance at the beginning of year:	19,674,526	19,674,526
Shares issued during the year:		
61,135 (2011: Nil) shares issued to option holders on the exercise of options at \$0.15	9,171	-
700,000 (2011: Nil) shares issued on vesting of share rights	-	-
Balance at end of year	19,683,697	19,674,526

Holders 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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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/rights

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 19.

For information relating to share options and share rights issued to executive Directors during the financial year, refer to Note 5.

At 30 June 2012, there were 5,275,000 (30 June 2011: 24,209,654) unissued shares for which the following options/rights were outstanding.

- 215,000 unlisted options exercisable at \$0.246 by 18/07/2013
- 10,000 unlisted options exercisable at \$0.0517 by 23/12/2013
- 3,000,000 unlisted options exercisable at \$0.10 by 31/07/2012
- 425,000 unlisted options exercisable at \$0.0917 by 05/03/2015
- 225,000 unlisted options exercisable at \$0.051 by 28/07/2016
- 1,400,000 share rights vesting 1/2 each of 01/07/2012 and 01/07/2013

(c) Capital Management

Management effectively manages the company's capital by assessing the Company's financial risks and adjusting its capital structure accordingly. These responses include share issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year. Capital is shown as issued capital in the Statement of Financial Position.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

19 Share-based payments

Share-based payment arrangements are in line with the Monax Mining Limited Employee Share Option plan and retention rights scheme, details of which are outlined in the directors' report.

(i) Options

Listed below are summaries of options granted:

Monax Mining Limited	2012		2011	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the year	3,800,000	0.0584	3,800,000	0.0584
Granted – July 2011	225,000	0.051	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Lapsed	-	-	-	-
Outstanding at year-end	<u>4,025,000</u>	0.0579	<u>3,800,000</u>	0.0584
Exercisable at year-end	<u>4,025,000</u>		<u>3,800,000</u>	

On 5 March 2010, 425,000 share options were granted to employees under the Monax Mining Limited Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.0917 each. These options are exercisable on or before 5 March 2015.

On 17 December 2009, 3,000,000 share options were granted to Mr GM Ferris to take up ordinary shares at an exercise price of \$0.10 each. The options are exercisable on or before 31 July 2012.

On 23 December 2008, 260,000 share options were granted to employees under the Monax Mining Limited Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.0517 each. These options are exercisable on or before 23 December 2013. 250,000 of these options have lapsed.

On 18 July 2008, 365,000 share options were granted to employees under the Monax Mining Limited Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.246 each. These options are exercisable on or before 18 July 2013. 150,000 of these options have lapsed.

On 15 February 2007, 450,000 share options were granted to employees under the Monax Mining Limited Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.666 each. These options are exercisable on or before 14 March 2012. These options have lapsed.

On 28 July 2011, 225,000 share options were granted to employees under the Monax Mining Limited Employee Share Option Plan to take up ordinary shares at an exercise price of \$0.051 each. These options are exercisable on or before 28 July 2016.

The options are non-transferable except as allowed under the Monax Mining Limited Employee Share Option Plan and are not quoted securities. At reporting date, no share options had been exercised.

All options granted to executive directors and key management personnel are over ordinary shares in Monax Mining Limited which confer a right of one ordinary share for every option held. The life of the options is based on the days remaining until expiry.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

19 Share-based payments (continued)

(i) Options (continued)

No options were granted to Executive Directors and key management personnel as share-based payments during the year.

The options hold no voting or dividends rights and are unlisted. The options lapse six months subsequent to the cessation of employment with the Company. There are no vesting conditions attached to the options.

The fair value of the options granted was calculated by using the Black Scholes option pricing model applying the following inputs.

	July 2011	March 2010	December 2009	December 2008	July 2008	February 2007
Weighted average fair value (Black Scholes)	\$0.05	\$0.085	\$0.061	\$0.029	\$0.155	\$0.545
Weighted average exercise price	\$0.051	\$0.0917	\$0.10	\$0.05	\$0.246	\$0.666
Weighted average life of the option	1,826 days	1,825 days	956 days	1,825 days	1,825 days	1,825 days
Underlying share price	\$0.06	\$0.10	\$0.08	\$0.03	\$0.19	\$0.83
Expected share price volatility	113%	122%	151%	201%	117%	69.84%
Risk free interest rate	4.25%	4.00%	3.75%	4.25%	7.25%	5.0%

The life of the options is based on the days remaining until expiry. Volatility is based on historical share prices.

(ii) Retention Rights

On 17 November 2010, a total of 2,100,000 retention rights were granted to two senior executives/key management personnel subsequent to shareholder approval at the Annual General Meeting. The retention rights, being an entitlement to shares in the Company, will vest over three years with one third vesting on each of 1 July 2011, 1 July 2012 and 1 July 2013, at which time shares will be issued to the executives. The fair value of these rights at grant date was \$153,300 of which \$51,135 was recognised during the 2012 financial year in the share based payments reserve and Statement of Comprehensive Income. At reporting date 700,000 rights had vested. The fair value of the rights was determined by obtaining an independent valuation and considering the market price of the underlying shares at the date the rights were granted and assuming that all holders continued to be employees of the Company, adjusted for the risk that vesting conditions are not met.

Each right is issued for no consideration. Once exercisable, a right entitles the holder to one fully paid ordinary share in Monax Mining Limited. The aggregate value of rights at the grant date is \$153,300 of which \$51,135 was expensed in the 2012 financial year. \$19,715 is to be expensed in subsequent years. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The notional value of equity instruments which do not vest during the reporting period is determined at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the rights vest. The notional value of rights as at grant date has been determined in accordance with AASB2. The calculations are performed using the binomial valuation methodology. The total minimum value of rights if vesting conditions are not met is nil.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

19 *Share-based payments (continued)*

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits expense were as follows:

	Consolidated	
	2012	2011
	\$	\$
Options issued under employee option plan	11,250	-
Retention rights issued	51,135	82,450
	<u>62,385</u>	<u>82,450</u>

20 *Financial risk management*

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated	
	2012	2011
	\$	\$
Financial assets		
Cash and cash equivalents	2,409,725	3,745,989
Loans and receivables	237,443	318,691
	<u>2,647,168</u>	<u>4,064,680</u>
Financial liabilities		
Trade and other payables	290,694	337,946
	<u>290,694</u>	<u>337,946</u>

Financial risk management policies

The Board of Directors are responsible for monitoring and managing financial risk exposures of the Company.

Specific financial risk exposures and management

The main risks the Company is exposed to includes liquidity risk, credit risk and interest rate risk.

(a) *Liquidity risk*

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Company manages liquidity risk by monitoring forecast cash flows, only investing surplus cash with major financial institutions; and comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Board meets on a regular basis to analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Company in managing its cash flows. Financial liabilities are expected to be settled within 12 months.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

20 *Financial risk management (continued)*

(b) *Credit risk exposures*

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets, excluding investments, of the entity which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

No receivables are considered past due or impaired at reporting date.

(c) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The company has no long term financial liabilities upon which it pays interest. Cash is held in an interest yielding cheque account and on short term call deposit where the interest rate is both fixed and variable according to the financial asset.

Interest rate risk is managed with a mixture of fixed and floating rate cash deposits. At 30 June 2012 approximately 94% of Company deposits are fixed. It is the policy of the Company to keep between 90% and 100% of surplus cash in high yielding deposits.

(d) *Sensitivity analysis*

Interest rate

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. It should be noted that the company does not have borrowings and any impacts would be in relation to deposit yields on cash investments.

Interest rate sensitivity analysis

At reporting date, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated	
	2012	2011
	\$	\$
Change in loss		
Increase in interest rates by 2%	48,195	74,920
Decrease in interest rates by 2%	(48,195)	(74,920)
Change in equity		
Increase in interest rates by 2%	48,195	74,920
Decrease in interest rates by 2%	(48,195)	(74,920)

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

20 *Financial risk management (continued)*

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

Fair values are amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

- (i) 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.
- (ii) Non-monetary financial assets and financial liabilities are recognised at their carrying values recognised in the Statement of Financial Position.

The carrying amount of financial assets and liabilities is equivalent to fair value at reporting date.

21 *Commitments and contingent liabilities*

(a) *Exploration expenditure commitments*

In order to maintain current rights of tenure to exploration tenements, the entity will be required to outlay in the year ending 30 June 2013 amounts of approximately \$1,190,000 (2011: 1,308,000) to meet minimum expenditure requirements pursuant to various joint venture requirements and those 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.

(b) *Operating lease commitments*

Effective 1 July 2008, Groundhog Services Pty Ltd will provide company secretarial and financial services, tenement management, office administration, logistical support and office accommodation. Groundhog has entered into a non-cancellable operating lease commencing in August 2008 for a five year period for office and warehouse accommodation.

(c) *Contingent liabilities*

As at 30 June 2012, there were no contingent liabilities.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

	Note	Consolidated	
		2012	2011
		\$	\$
22	Notes to the statements of cash flows		
(a)	Cash at the end of the financial year consists of the following:		
Cash at bank and at call	8	2,409,725	3,745,989
		<u>2,409,725</u>	<u>3,745,989</u>
(b)	Reconciliation of profit from ordinary activities after income tax to net cash outflow from operating activities		
Loss from ordinary activities after income tax		(3,005,692)	(117,648)
Add/(less) items classified as investing/ financing activities			
Share of associate net (profit)/loss		1,430,530	(20,358)
Add/(less) non cash items			
Depreciation		8,798	15,221
Share-based payments		62,385	82,450
Impairment of asset		979,095	74,008
Income tax expense/ (benefit)		-	(324,000)
Changes in operating assets and liabilities			
(Increase)/decrease in other assets		(353)	(1,608)
(Increase)/decrease in trade and other receivables		81,248	172,842
(Decrease)/increase in trade and other payable		(63,529)	(23,923)
(Decrease)/increase in provisions		23,790	11,191
Net cash (used in) operating activities		<u>(483,728)</u>	<u>(131,825)</u>

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

23 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	Consolidated	
			2012	2011
			\$	\$
GS Davis	Payments to an entity of which the Director is a partner in respect of legal fees		23,271	18,980
RM Kennedy, GS Davis, NF Alley and RG Nelson	Payments to a Director related entity for exploration and joint logistics.	(i)	12,053	456,091
GM Ferris	Payments to a Director related entity for administration services.	(ii)	373,858	368,726

(i) This amount relates to the exploration undertaken on behalf of Monax Mining Limited by Marmota Energy Limited for access and participation in projects in South Australia.

(ii) This amount relates to the provision of administration and logistical services by Groundhog Services Pty Ltd.

Amounts receivable from and payable to Directors and their Director related entities at reporting date arising from these transactions were as follows:

	Consolidated	
	2012	2011
	\$	\$
Current receivables		
Trade debtors	-	-
Loan to related party*	141,059	129,807
	<u>141,059</u>	<u>129,807</u>
Current payables		
Trade creditors	-	-
Amounts payable to associates**	6,480	28,567
	<u>6,480</u>	<u>28,567</u>

*Loans to related parties represents amounts receivable from Marmota Energy Limited and Groundhog Services Pty Ltd, both associated companies.

** Amounts payable to associates represents amounts payable to Marmota Energy Limited and Groundhog Services Pty Ltd, both associated companies.

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

24 Operating segments

Segment information

Description of segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The entity has identified its operating segments to be Gawler Craton, Kangaroo Island and North Queensland based on different geological regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Board of Directors for assessing performance and determining the allocation of resources within the entity.

The entity operates primarily in one business, namely the exploration of minerals.

Basis of accounting for purposes of reporting by operating segment

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Details of the performance of each of these operating segments for the financial years ended 30 June 2012 and 30 June 2011 are set out below:

(i) Segment performance

	Gawler Craton		Kangaroo Island		North Queensland		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	133,498	63,800	-	-	-	-	133,498	63,800
Segment results								
Gross segment result before depreciation, amortisation and impairment	133,498	63,800	-	-	-	-	133,498	63,800
Depreciation and amortisation	-	-	-	-	-	-	-	-
Impairment	-	-	(65,529)	(74,008)	(913,566)	-	(979,095)	(74,008)
	133,498	63,800	(65,529)	(74,008)	(913,566)	-	(845,597)	(10,208)
Interest income	-	-	-	-	-	-	171,340	260,464
Share of associates' net profit	-	-	-	-	-	-	(1,430,530)	20,358
Other expenses	-	-	-	-	-	-	(900,905)	(831,201)
Loss before tax	133,498	63,800	(65,529)	(74,008)	(913,566)	-	(3,005,692)	(560,587)
Income tax benefit/(expense)	-	-	-	-	-	-	-	442,939
Loss after tax	133,498	63,800	(65,529)	(74,008)	(913,566)	-	(3,005,692)	(117,648)

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

24 Operating segments (continued)

(ii) Segment assets

	Gawler Craton		Kangaroo Island		North Queensland		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets	9,886,721	9,396,742	-	-	-	138,915	9,886,721	9,983,060
<i>Segment asset increases for the period:</i>								
Capital expenditure	489,980	671,540	65,529	74,008	327,247	447,403	882,756	1,192,951
Impairment	-	-	(65,529)	(74,008)	(913,566)	-	(979,095)	(74,008)
	489,980	671,540	-	-	(586,319)	447,403	(96,339)	1,118,943
<i>Reconciliation of segment assets to company assets</i>								
Cash and cash equivalents	-	-	-	-	-	-	2,409,725	3,745,989
Trade and other receivables	-	-	-	-	-	-	237,443	318,691
Other current assets	-	-	-	-	-	-	21,244	20,891
Plant and equipment	-	-	-	-	-	-	130,108	143,678
Investment in Associates	-	-	-	-	-	-	1,073,829	3,260,359
Deferred tax asset	-	-	-	-	-	-	322,148	971,199
Total assets	489,980	671,540	-	-	(586,319)	447,403	14,081,218	18,444,667

(iii) Segment liabilities

	Gawler Craton		Kangaroo Island		North Queensland		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Segment liabilities	21,012	3,734	-	-	-	24,423	21,012	28,157
<i>Reconciliation of segment liabilities to company liabilities</i>								
Trade and other payables	-	-	-	-	-	-	269,682	309,789
Short term provisions	-	-	-	-	-	-	38,646	24,978
Deferred tax liability	-	-	-	-	-	-	322,148	971,999
Long term provisions	-	-	-	-	-	-	25,565	15,443
Total liabilities	21,012	3,734	-	-	-	24,423	677,053	1,350,366

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

25 *Events subsequent to reporting date*

On 1 July 2012, 700,000 share rights vested and resulted in the issue of 500,000 fully paid ordinary shares to the Managing Director and 200,000 fully paid ordinary shares to the Company Secretary.

On 23 July 2012, 325,000 share options were granted to employees under the Monax Mining Limited Employee Share Option Plan. The exercise price of the options is 5.3 cents with an expiry date of 23 July 2017.

Other than the matters noted above, there has not arisen in the interval any matters or circumstances, since the end of the financial year which significantly affected or could affect the operations of the Company, the results of those operations, or the state of the Company in future years.

26 *Reserves*

Reserves include the share options reserve recording items recognised as expenses on valuation of employee share options and share rights, and the revaluation of associate entity fair value.

27 *Monax Mining Limited company information*

	2012	2011
	\$	\$
Parent entity		
Assets		
Current assets	2,668,412	4,085,571
Non-current assets	11,412,806	14,359,096
Total assets	14,081,218	18,444,667
Liabilities		
Current liabilities	329,340	362,924
Non-current liabilities	347,713	987,442
Total liabilities	677,053	1,350,366
Equity		
Issued capital	19,683,697	19,674,526
Retained losses	(7,022,447)	(4,016,755)
Share-based payments reserve	742,915	680,530
Asset revaluation reserve	-	756,000
Total equity	13,404,165	17,094,301
Financial performance		
Loss for the year	(3,005,692)	(117,648)
Other comprehensive income	-	-
Total comprehensive income	(3,005,692)	(117,648)
Guarantees in relation to the debts of subsidiaries	-	-
Contingent liabilities	-	-
Contractual commitments	-	-

Monax Mining Limited – Consolidated Entity

Notes to the financial statements

For the year ended 30 June 2012

28 *Company details*

The registered office of the Company is:

140 Greenhill Road
UNLEY SA 5061

The principal place of business is

Unit I, 5 Butler Boulevard
Burbridge Business Park
ADELAIDE AIRPORT SA 5950

Monax Mining Limited

Directors' declaration

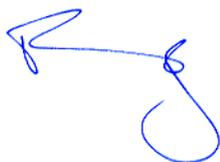
For the year ended 30 June 2012

Directors' declaration

- 1 The Directors of Monax Mining Limited declare that:
- (a) the financial statements and notes, as set out on pages 15 to 51, are in accordance with the Corporations Act 2001, and:
 - (i) giving a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the entity; and
 - (ii) complying with Accounting Standards; and
 - (iii) Monax Mining Limited complies with International Financial Reporting Standards as described in Note 1.
 - (b) The Chief Executive Officer and Chief Financial Officer have declared that:
 - (i) The financial records of the Company for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
 - (ii) The financial statements and notes for the financial year comply with the accounting standards; and
 - (iii) The financial statement and notes for the financial year give a true and fair view;
 - (c) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Adelaide this 17th day of September 2012.



Robert Michael Kennedy
Director

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.granthornton.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONAX MINING LIMITED

Report on the financial report

We have audited the accompanying financial report of Monax Mining Limited (the “Company”), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors’ declaration of the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Monax Mining Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Monax Mining Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



S J Gray
Partner

Adelaide, 17 September 2012