



# **Monax Mining Limited and Controlled Entities**

## **Consolidated Half Year Financial Report**

**31 December 2006**

### **CORPORATE DIRECTORY**

**Monax Mining Limited**

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

**Registered Office**

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

**Share Registrar**

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

**Email:** [info@computershare.com.au](mailto:info@computershare.com.au)

**Auditor**

Grant Thornton  
Chartered Accountants  
67 Greenhill Road  
Wayville SA 5034

# Monax Mining Limited and Controlled Entities

## Directors' Report

The directors present their report together with the half-year financial report of Monax Mining Limited ("the Company") and its controlled entities for the period ended 31 December 2006 and the auditor's independent review report thereon.

### *Directors*

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

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

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

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

**Dr Neville Foster Alley** *PhD*  
Executive Technical Director

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

### *Principal activities*

The consolidated entity's principal activity is copper gold, uranium, nickel and mineral exploration.

### *Review and results of operations*

In July 2006, zinc mineralisation was discovered at the Company's Bonaventura prospect on Kangaroo Island close to the surface, over an area of 300 metres across the controlling structure and 250 metres along strike.

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

In August 2006 a wholly owned subsidiary company was incorporated but was inactive during the period.

In September 2006, the Company appointed Dr Justin Gum to the position of Senior Exploration Geologist. Dr Gum assumed responsibility for the Bonaventura project on Kangaroo Island and also contributes to exploration for nickel on South Australia's southern Eyre Peninsula.

During the period the Company also announced a \$2 million exploration program at its Punt Hill project in the north of South Australia. An initial ten hole drilling program on Punt Hill tenement EL 3457 costing approximately \$1 million commenced in September 2006. Encouraging results were obtained from Whistlepig, the first drill hole target of the ten hole campaign, which intersected highly altered Gawler Range Volcanics at 721 metres grading to complex hematite breccia with visible bornite and chalcopyrite mineralisation.

In October 2006, iron-oxide copper-gold (IOCG) style (bornite and chalcopyrite) mineralisation was intersected at Woodchuck. This second drill hole at Punt Hill targeted a gravity feature 1.8km to the north-west of the Whistlepig hole where similar mineralisation had been encountered. A third drill hole at the Groundhog target located 1.8 km to the north-west of the Woodchuck hole and 3.6 km north-west of the Whistlepig hole along the Groundhog Gravity Trend also intersected iron-oxide copper-gold style mineralisation.

Drilling results from Wiarthon Willy, the fourth target at Punt Hill demonstrated the presence of a second alteration system within the Punt Hill tenement which was also confirmed by the subsequent drilling of the Beauregard Lee target.

The east-west continuity of the first iron oxide alteration system was confirmed over a width of at least 700m by drilling of the seventh hole (Whistlepig 2). This drill hole intersected approximately 227m of iron oxide-copper-gold style alterations (intense hematite-carbonate-chlorite) from 664m.

# Monax Mining Limited and Controlled Entities

## Directors' report (continued)

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On 29 November 2006 the Company announced a one for five free Bonus Option issue at an exercise price of \$1.20 with an expiry date of 31 December 2007. A prospectus was subsequently lodged with ASIC to facilitate the issue.

The net loss after extraordinary items and income tax for the half-year was \$399,951.

### *Likely developments*

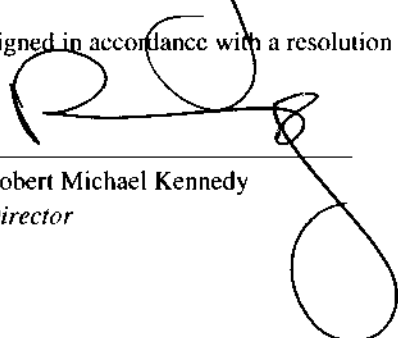
Further information about likely developments in the operations of the Company and the expected results of those operations in future years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

### *Auditors Independence Declaration*

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

Dated at Wily this 16 day of March 2007.

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

  
\_\_\_\_\_  
Robert Michael Kennedy  
Director

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF MONAX MINING LTD & CONTROLLED ENTITIES**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Monax Mining Ltd for the half-year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

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

**GRANT THORNTON**  
**South Australian Partnership**  
Chartered Accountants



**S.J. GRAY**  
Partner

Signed at *Adelaide* this *16<sup>th</sup>* day of *March* 2007

Level 1  
67 Greenhill Road  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001  
DX 275 Adelaide  
T (08) 8372 6666  
F (08) 8372 6677  
E [info@gt.sa.com.au](mailto:info@gt.sa.com.au)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

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**Monax Mining Limited and Controlled Entities**  
**Consolidated Income Statement**  
**For the half-year-ended 31 December 2006**

	Note	Dec 2006 \$	Dec 2005 \$
Other Revenues from ordinary activities	3	105,915	105,714
Total Revenue		105,915	105,714
Administrative expenses		191,217	140,894
Consultancy expenses		24,000	15,036
Depreciation		9,644	1,717
Employment expenses		219,496	52,004
Occupancy expenses		38,808	10,822
Other expenses from ordinary activities		22,701	13,744
<b>Profit/(loss) from ordinary activities before related income tax expense</b>		(399,951)	(128,503)
Income tax (expense)/benefit relating to ordinary activities		-	(148,578)
<b>Profit/(loss) from ordinary activities after related income tax expense</b>		(399,951)	(277,081)
Profit/(loss) from extraordinary item after related income tax expense		-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		(399,951)	(277,081)
Basic earnings per share (cents)		(0.8)	(0.7)

The accompanying notes form part of these financial statements.

**Monax Mining Limited and Controlled Entities**  
**Consolidated Balance Sheet**  
**As at 31 December 2006**

	Note	Dec 2006	June 2005
		\$	\$
<b>Current Assets</b>			
Cash assets		1,400,416	3,855,709
Receivables		130,071	42,599
Other		26,047	11,821
<b>Total current assets</b>		<b>1,556,534</b>	<b>3,910,129</b>
<b>Non-current assets</b>			
Property, Plant and Equipment		179,307	106,350
Exploration, evaluation & development expenditure		3,846,682	1,716,749
<b>Total non-current assets</b>		<b>4,025,989</b>	<b>1,823,099</b>
<b>Total assets</b>		<b>5,582,523</b>	<b>5,733,228</b>
<b>Current liabilities</b>			
Payables		378,887	158,581
Provisions		24,083	16,689
<b>Total current liabilities</b>		<b>402,970</b>	<b>175,270</b>
<b>Non-current liabilities</b>			
Provisions		7,346	-
<b>Total non-current liabilities</b>		<b>7,346</b>	<b>-</b>
<b>Total liabilities</b>		<b>410,316</b>	<b>175,270</b>
<b>Net assets</b>		<b>5,172,207</b>	<b>5,557,958</b>
<b>Equity</b>			
Contributed equity		6,087,832	6,087,832
Share Options Reserves		64,350	50,150
Retained profits / (losses)		(979,975)	(580,024)
<b>Total Equity</b>		<b>5,172,207</b>	<b>5,557,958</b>

The accompanying notes form part of these financial statements.

**Monax Mining Limited and Controlled Entities**  
**Consolidated Statement of Changes in Equity**  
**For the half-year ended 31 December 2006**

	\$	\$	\$	\$
	Share Capital	Share Based Payments Reserve	Retained Profits / (Losses)	Total
Note	Ordinary			
<b>Balance at 1 July 2005</b>	419,703	-	(13,295)	406,408
150,000 shares issued during the period to seed capitalists at \$0.10	15,000	-	-	15,000
25,000,000 shares issued during the period to IPO applicants at \$0.20	5,000,000	-	-	5,000,000
4,916,667 shares issued during the period to a Vendor at fair value of \$0.20	983,333	-	-	983,333
Transaction costs associated with the issue of shares	(495,261)	-	-	(495,261)
Temporary tax differences associated with costs of capital raisings	148,578	-	-	148,578
Profit/(loss) attributable to shareholders	-	-	(277,081)	(277,081)
<b>Balance as at 31 December 2005</b>	<b>6,071,353</b>	<b>-</b>	<b>(290,376)</b>	<b>5,780,997</b>
<b>Balance at 1 July 2006</b>	6,087,832	50,150	(580,024)	5,557,958
Fair value of incentive options issued to employees	-	14,200	-	14,200
Profit/(loss) attributable to shareholders	-	-	(399,951)	(399,951)
<b>Balance as at 31 December 2006</b>	<b>6,087,832</b>	<b>64,350</b>	<b>(979,975)</b>	<b>5,172,207</b>

The accompanying notes form part of these financial statements.

**Monax Mining Limited and Controlled Entities**  
**Consolidated Cash Flow Statement**  
**For the half-year ended 31 December 2006**

Note	Dec 2006 \$	Dec 2005 \$
<b>Cash Flows from operating activities</b>		
Cash payments in the course of operations	(622,960)	(196,208)
Cash receipts in the course of operations	18,945	-
Interest received	105,839	88,677
<b>Net cash provided by/(used in) operating activities</b>	<u>(498,176)</u>	<u>(107,531)</u>
<b>Cash Flows from investing activities</b>		
Payments for Property, Plant and Equipment	(86,016)	(40,950)
Payments for Mining Tenements & Exploration	(1,871,101)	(58,461)
<b>Net cash provided by/(used in) investing activities</b>	<u>(1,957,117)</u>	<u>(99,411)</u>
<b>Cash Flows from Financing activities</b>		
Proceeds from issue of shares	-	5,015,000
Payments associated with capital raising	-	(404,220)
<b>Net cash provided by/(used in) financing activities</b>	<u>-</u>	<u>4,610,780</u>
<b>Net increase/(decrease) in cash held</b>	(2,455,293)	4,403,838
<b>Cash at the beginning of the half-year</b>	<u>3,855,709</u>	<u>308,947</u>
<b>Cash at the end of the half-year</b>	<u><u>1,400,416</u></u>	<u><u>4,712,785</u></u>

The accompanying notes form part of these financial statements.



**Monax Mining Limited and Controlled Entities**  
**Condensed notes to the consolidated financial statements**  
**For the half-year ended 31 December 2006**

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**1 Reporting entity**

Monax Mining Limited (the “Company”) is a company domiciled in Australia. The Consolidated half-year financial report of the Company as at and for the six months ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the “consolidated entity”).

The annual financial report of the entity as at and for the year ended 30 June 2006 is available at [www.monaxmining.com.au](http://www.monaxmining.com.au)

**2 Statement of compliance**

The consolidated half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the consolidated entity as at and for the year ended 30 June 2006.

**3 Significant accounting policies**

The accounting policies applied by the consolidated entity in this consolidated half-year financial report are the same as those applied by the entity in its financial report as at and for the year ended 30 June 2006.

	Note	Dec 2006 \$	Dec 2005 \$
<b>4 Other Revenues from ordinary activities</b>			
Included in other revenues from ordinary activities:			
Interest: other parties		88,692	105,714
Sundry Income		17,223	-

**5 Contingent liabilities**

There have been no changes to contingent liabilities since 30 June 2006.

**6 Controlled Entities**

**(a) Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)	
		Dec 2006	June 2006
<b>Parent Entity:</b>			
Monax Mining Limited	Australia	-	-
<b>Subsidiaries of Monax Mining Limited:</b>			
Marmosa Pty Ltd	Australia	100	-

**(b) Acquisition of Controlled Entities**

On 1 August 2006 Monax Mining Limited incorporated a wholly owned subsidiary, Marmosa Pty Ltd.

**Monax Mining Limited and Controlled Entities**  
**Condensed notes to the consolidated financial statements**  
**For the half-year ended 31 December 2006**

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**7 Events subsequent to balance date**

Since 31 December 2006, the Company issued 9,704,188 options to eligible shareholders pursuant to a one for five free Bonus Options Offer in accordance with a prospectus dated 11 December 2006. The options are exercisable at \$1.20 at any time until expiry on 31 December 2007. Of the total options issued 3,893,334 are held in escrow until 21 September 2007.

Other than the above matter, there has not arisen in the interval between 31 December 2006 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future years.

**7 Share based payments**

At the 2005 Annual General Meeting Monax Mining Limited established a share option plan that entitles key management personnel and senior employees to purchase shares in the entity. The terms and conditions of the share option plan are outlined in the notice of meeting announcement.

On 24 August 2006 a grant pursuant to the shares option plan was made to key management personnel. The terms and conditions of the grant made during the six months ended 31 December 2006 are as follows:

<b>Grant date</b>	<b>Number of instruments</b>	<b>Vesting conditions</b>	<b>Contractual life of options</b>
24 August 2006	100,000 options exercisable at \$0.182	Vested	Expire 23 August 2011

Fair value of share options and assumptions for the six months ended 31 December 2006:

Fair value at grant date	\$14,200
Share price	\$0.28
Exercise price	\$0.182
Expected volatility	19.3%
Option life	1825 days
Risk-free interest rate	5.0%

# Monax Mining Limited and Controlled Entities

## Directors' declaration

For the half-year ended 31 December 2006

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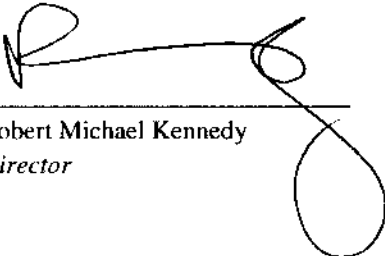
### Directors' declaration

In the opinion of the directors of Monax Mining Limited ("the Company"):

- (a) the half-year financial statements and notes, set out on pages 5 to 10, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the six months ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wiley this 16 day of March 2007.

Signed in accordance with a resolution of the directors:

  
\_\_\_\_\_  
Robert Michael Kennedy  
Director

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF MONAX MINING LTD & CONTROLLED ENTITIES****Scope****Report on the financial report**

We have reviewed the accompanying interim financial report of Monax Mining Ltd and Controlled Entities, which comprises the consolidated interim balance sheet as at 31 December 2006, the income statement, statement of changes in equity, cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

**Directors' responsibility for the Financial Report**

The directors' of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' responsibility**

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the interim financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. As the auditor of Monax Mining Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Level 1  
67 Greenhill Road  
Wayville SA 5034  
GPO Box 1270  
Adelaide SA 5001  
DX 275 Adelaide  
T (08) 8372 6666  
F (08) 8372 6677  
E [info@gttsa.com.au](mailto:info@gttsa.com.au)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

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**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Monax Mining Ltd is not in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**GRANT THORNTON**  
**South Australian Partnership**  
Chartered Accountants



**S J GRAY**  
Partner

Signed at *Adelaide* this *16<sup>th</sup>* day of *March* 2007