

AUDAX RESOURCES LTD

ABN 50 009 058 646

ANNUAL REPORT 2005

AUDAX
RESOURCES LTD

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CORPORATE DIRECTORY

DIRECTORS

Gary James Roper (Managing Director)

Leith Beal

David Ian Chalmers

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REPORT TO SHAREHOLDERS

Dear Shareholder

During the year your Company made a bold move into oil and gas exploration to supplement the existing gold and base metal prospects which have formed the Company's core business for many years.

The decision was not made lightly and was influenced by the need to continue with an ongoing acquisition program and what the Board assessed as a shortage of quality hard rock exploration projects within Australia. Overseas opportunities were also considered, however without access to people on the ground in the various countries, this task was not practical.

Politically Australia remains a very stable exploration environment and therefore the Board continued its appraisal of all opportunities within Australia and when the offer to earn a significant interest in an oil and gas prospect was presented to the Board it pursued the opportunity.

After seeking an independent assessment of the area's potential AuDAX entered the arrangement with Eagle Bay Resources NL on the basis that 5 wells would be drilled in the first year of the Permit following its grant (commenced August 10 2005). Unfortunately, rig availability became an issue due to the current boom in oil prices and it was, and is, almost impossible to obtain a slot for one hole, let alone 5.

To ensure a rig was obtained AuDAX and Eagle Bay contracted White Sands Petroleum to drill the 5 wells with an imported rig, the purchase of which was partly funded by AuDAX. Although the rig arrived in Australia in April it has yet to drill a trial well as per the drilling contract. The rig requires some engineering work and adaptation to enable it to drill in Australian conditions and in order to comply with the various safety authority guidelines for oil and gas exploration in Australia.

Despite the delays this rig remains the best, if not the only option for the joint venture to conduct drilling of the 5 targets in the near term.

Unfortunately, I am unable to advise of a commencement date for the proposed wells but we will advise the market immediately that information comes to hand.

The focus on oil and gas has resulted in less attention towards the Company's hard rock projects, however we have carried out some deep drilling at Millrose and various other exploration programmes on several of the Company's other projects. The Company has also been active in identifying and applying for new areas on concepts generated in house.

Under this programme we hope not only to create wealth for shareholders by making discoveries on existing properties but to generate an ongoing supply of new target areas for future evaluation. This programme will incorporate all minerals and not be confined to gold as in previous years.

A number of the Company's existing projects are prospective for nickel and following preliminary assessment some of the most interesting areas have been joint ventured to The Independence Group which will use its vast experience to evaluate that potential.

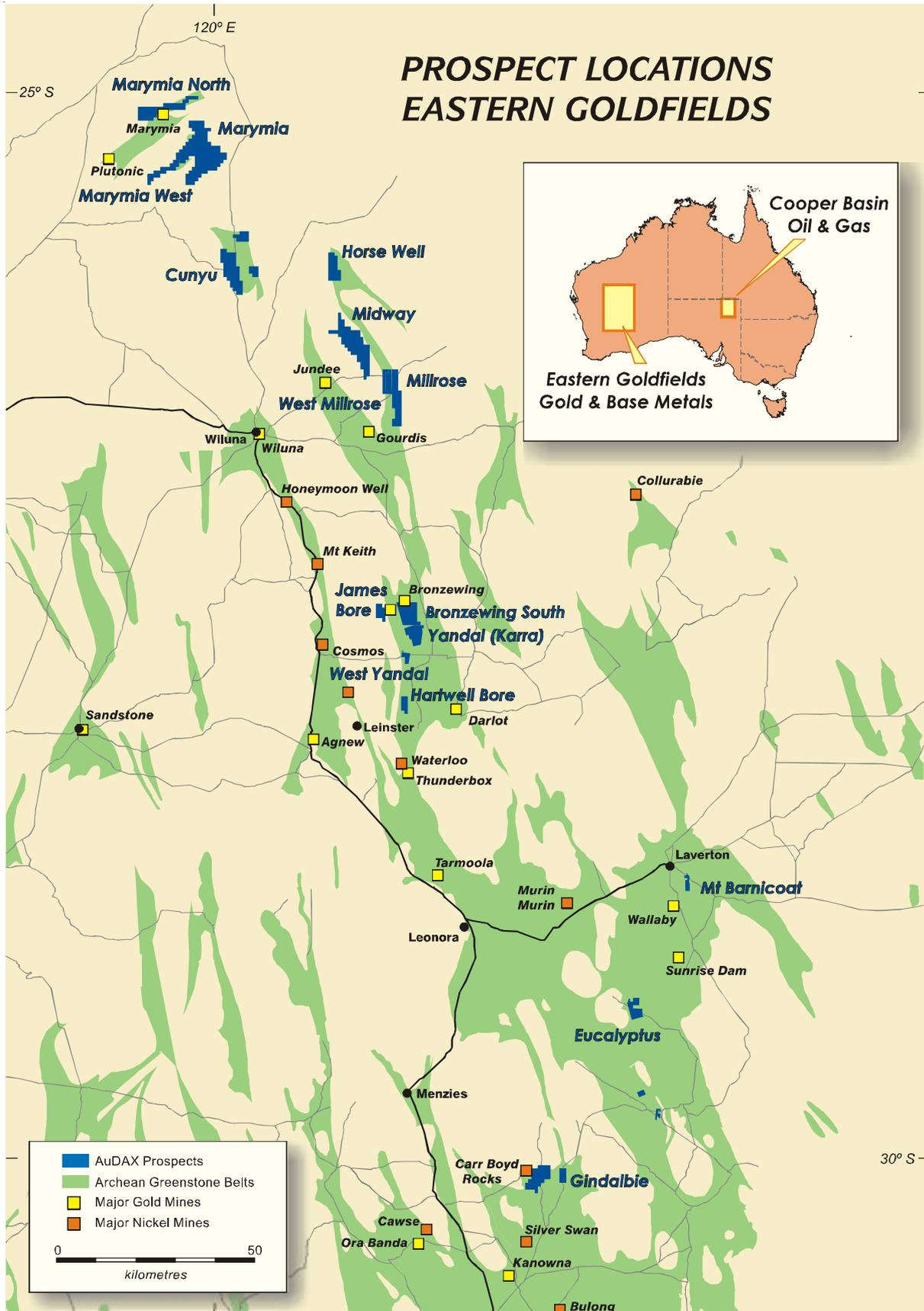
The Company remains in a strong position in relation to its exposure to gold and base metals as well as oil and gas, and continued exploration and hard work should bring the success we all seek.

On behalf of the Board I wish to thank the staff and contractors who have contributed to the running of the Company this year and look forward to an exciting and prosperous 2006.

Gary J. Roper

Managing Director

PROSPECT LOCATIONS



REVIEW OF OPERATIONS

OIL AND GAS EXPLORATION

PEL 182 Onshore Petroleum Exploration – Cooper Basin S.A.

(Eagle Bay Resources NL 50.1% and AuDAX Resources Ltd 49.9%)

Petroleum Exploration Licence 182, previously held by Santos and located on the prospective but under-explored northern margin of the Cooper Basin was won by Eagle Bay Resources NL in late 2004 after strong and competitive bidding from six companies.

The licence covers an area of 1,745 square kilometres and is located 60 kilometres north of processing facilities at Moomba, which is 770 kilometres north of Adelaide. The location of PEL 182 and existing oil and gas fields, pipelines and infrastructure are shown in Figure 1.

The exploration licence lies in the Cooper/Eromanga Basin, on the northwest flank of the Patchawara Trough, which is a proven Permian oil and gas generative kitchen. The Cooper Basin is a Permo-Carboniferous to Triassic intracratonic basin. It is overlain by the Jurassic to Cretaceous Eromanga Basin. The Eromanga and Cooper Basins collectively contain up to 3,700 metres of dominantly, fluvial and lacustrine sediments with some marine units.

The Cooper/Eromanga Basin complex is the largest oil and gas province in onshore Australia containing remaining reserves of over 1.3 TCF of gas and 45 MMbbls of oil. The PEL182 permit is located some 60-100km north of the Moomba oil terminal and gas processing plant. Moomba is also the primary logistics, transport and communications hub for the entire basin. The Cuttupirrie/Tirrawarra to Moomba gas pipeline bisects the south east corner of the permit and enhances the commerciality of any gas prone leads and prospects in the immediate areas adjacent to the pipeline corridor. Cooper and Eromanga oil and gas liquids are transported by pipeline to Port Bonyton for processing, storage and export.

In November 2004 AuDAX entered into a farm-in agreement with Eagle Bay whereby AuDAX could earn 49.9% by contributing \$250,000 towards obtaining Native Title clearances and reprocessing available seismic data over PEL 182. The company would then maintain a 49.9% interest in the licence

by drilling the first 3 proposed exploration wells - the cost to be capped at \$4.5m. Thereafter parties will contribute proportionately to the interest held.

In January 2005 AuDAX, together with joint venture partner Eagle Bay, reached an agreement with White Sands Petroleum Pty Ltd to drill the first 5 wells on PEL 182. In return for AuDAX advancing US\$1m to White Sands to enable it to purchase and mobilise a state-of-the-art EDM drill rig from Norway which is capable of drilling the required wells to depths of 2,700-3,200m, White Sands will ensure the first priority on 5 drill slots. These will commence immediately following the shakedown period and confirmation of the rig's capabilities and suitability for the drilling of the proposed wells on the permit.

In addition to the advantage of securing the rig, AuDAX will receive US\$250,000 credit on each of the wells, equating to a return of US\$1.25m. White Sands will also earn a 10% equity in the permit from AuDAX by contributing 20% of the drilling cost of each well. This unique arrangement means that AuDAX has reduced its commitments, while still maintaining a significant interest in the permit.

White Sands is currently undergoing an IPO to raise the required working capital prior to commencing the drilling. Modifications necessary to ensure the drill rig meets all required Australian standards are in progress. For this 5 well program AuDAX and Eagle Bay have purchased A\$1.5m of casing which is currently on location at Innamincka in central Australia.

Negotiations for land access have been successfully concluded with the registered Native Title Claimants and the SA Government. Petroleum Exploration Licence 182 was granted by the Minister of Mineral Resources Development to Eagle Bay on the 10 August 2005.

Geological and Geophysical Review (G&G)

AuDAX and Eagle Bay contracted the Eric Tucker Consulting Group based in Adelaide and Sydney to conduct an overall re-interpretation of all existing geological and seismic data in the permit. This review is complete and has confirmed the prospectivity of this area.

REVIEW OF OPERATIONS

The work has identified four key areas with a number of targets within each area (at least 11 individual prospects and leads) and highlighted at least 3 major areas for the proposed drilling of up to 5 new exploration wells in the first year. These areas are detailed below together with Eric Tucker's size estimates which would only apply if hydrocarbons were present.

1. Emily No. 1 and Sarah No. 1

- Jurassic Oil plays in the NE of the permit
- P50 reserves of 19.5 MMBO cumulative.

2. Jasmine No. 1 and Michelle No. 1

- Permian and Triassic stratigraphic oil plays in the western half of permit
- P50 reserves of 10.0 MMBO cumulative.

3. Vanessa No. 1

- Permian Gas plays in the SE of the permit – low risk.
- P50 reserves of 10BCF Gas.

Prospect Descriptions

Prospects G and K to be tested by Emily No.1 and Sarah No.1 represent two of five small to medium sized Jurassic oil prone structural leads and prospects within the north eastern portion of the licence. There is a history of producing and trucking oil in the northeast area of the permit. Recent Jurassic discoveries by other independent operators further to the east of the permit may result in a new oil pipeline being built to the south east of the block.

Emily No.1 (Prospect G) – is a well developed simple four way dip closure 6km northwest of the Tarragon 1 oil well. Tarragon 1 intersected well developed Jurassic Hutton Sandstone and Poolowanna Formation reservoirs, and Triassic Tinchoo Formation reservoirs. The Tarragon 1 well tested 500 BOPD from the Tinchoo Formation and 1,580 BOPD from the Hutton Sandstone. The prospect is closed in depth at the Top Triassic-Tinchoo and Poolowanna Formations, and at Near Top Birkhead-Hutton Sandstone. It is considered ideally located with respect to hydrocarbon charge. The P50 oil reserves are Hutton – 5.5 MMbbls, Poolowanna – 3 MMbbls, Tinchoo – 2 MMbbls.

The risk on finding oil is 1 in 3 for each of the above objective levels.

Sarah No.1 (Prospect K) – is a simple four way dip closure 4km south west of the Tarragon 1 oil well and 1km north west of the Coruna 1 well. The Tarragon 1 and Coruna 1 wells intersected excellent Jurassic Hutton Sandstone and Poolowanna Formation reservoirs, and Triassic Tinchoo Formation reservoirs. The Coruna 1 well recorded a wireline log resistivity anomaly in sand within the Poolowanna Formation. The prospect is closed at depth at Top Triassic-Tinchoo and Poolowanna Formations and at Near Top Birkhead-Hutton Sandstone. It is ideally located with respect to hydrocarbon recharge. The oil reserves are Hutton – 1 MMbbls, Poolowanna – 4 MMbbls, Tinchoo – 4 MMbbls. The risk of finding oil is 1 in 5 for each of the above objective levels.

Prospects D and E to be tested by Jasmine No.1 and Michelle No.1 represent two medium sized oil prone Permian stratigraphic plays located in the western portion of the licence.

Jasmine No.1 (Prospect D) – lies 6km up dip from the Darter 1 well. Darter 1 intersected a single 30ft sand that exhibited 80% visual oil fluorescence in cutting and side wall cores from the Patchawarra Formation. The sand is sealed vertically by 120ft of overlying interbedded claystone and coals and is underlain by 60ft of interbedded claystone and coals. The sand is well developed, clean, very fine – fine grained, well sorted, hard. The well was not tested. The play type for prospect D is a truncation of the Patchawarra Formation by the Daralingie Unconformity. The Patchawarra “oil sand” is truncated up dip and forms an arcuate shaped closure. The closure at Prospect D covers an area of 17sqkm and has a vertical height of 60 milliseconds with 10 metres of net pay. The P50 oil reserves are 6 MMbbls and the risk of finding oil is 1:5.

Michelle No.1 (Prospect E) – lies 3km west and up dip from the Arosa well. Arosa 1 intersected well developed clean sands of the Merrimella Formation-Tirrawarra Sandstone section that had fair to good oil shows of up to 10% visual oil fluorescence. The sands are very well developed, clean, fine-very coarse,

REVIEW OF OPERATIONS

poorly sorted, hard friable to loose in part. The well was not tested. The play type for Prospect E is the onlap of the Merrimella Formation-Tirrawarra sandstone interval with the possible truncation of the interval by the overlying Daralingie Unconformity. The closure at Prospect E covers an area of 13sq km and has a vertical height of 35 metres with 10 metres of net pay. The P50 oil reserves are 4 MMbbls and the risk on finding oil is 1 in 7.

Lead C to be tested by Vanessa No.1 represents one of three small to medium sized gas prone Permian structural leads that have been mapped in the south eastern portion of the permit. The leads lie on strong structural noses that extend to the south east of the Moolion Gas Field and the Pennie Gas Field. The gas is reservoired in the Permian, Toolachee and Epsilon Formations.

Vanessa No.1 (Lead C) – lies 4km south east of the producing Pennie Gas Field. The lead lies on a pronounced south east – north west trending structural nose. It is ideally located with respect to hydrocarbon charge and is located only 4km from the existing gas pipeline infrastructure. The Pennie 1 well tested 18.9 MMCFD of gas from the Epsilon Formation and intersected 22 ft net gas pay in the

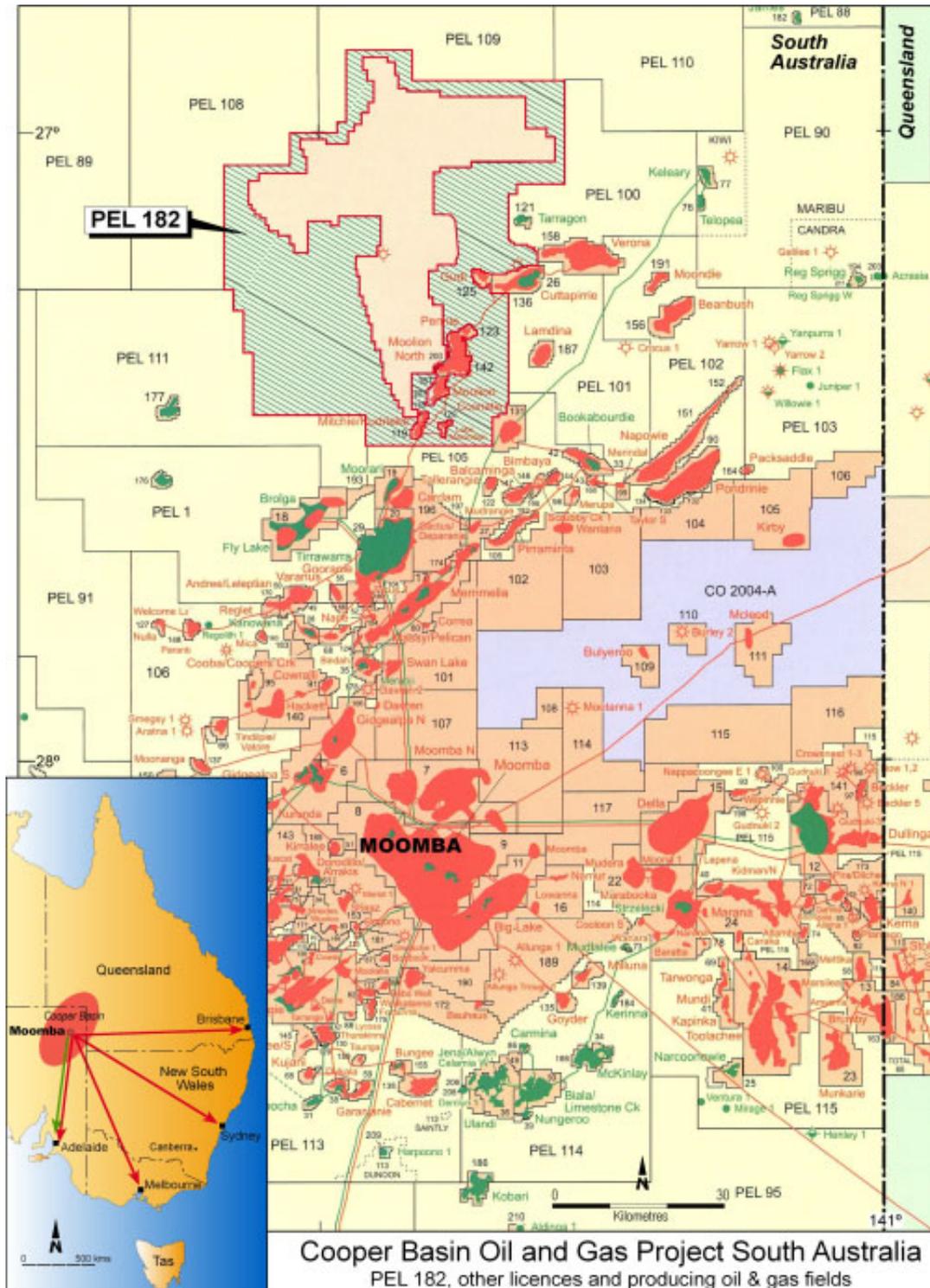
Epsilon Formation, 34ft of net gas pay in the Toolachee Formation and 5ft of net gas in the Patchawarra Formation. Mapping of the lead has defined a pronounced C-P closed isochron and isopach thin over the lead. It does not exhibit present day structural closure based on the present mapping. Lead C is geologically low risk although it is not optimally defined due to miss-ties and therefore structurally medium risk. The P50 gas reserves are 10 BCF and the risk of finding gas is 1 in 2.



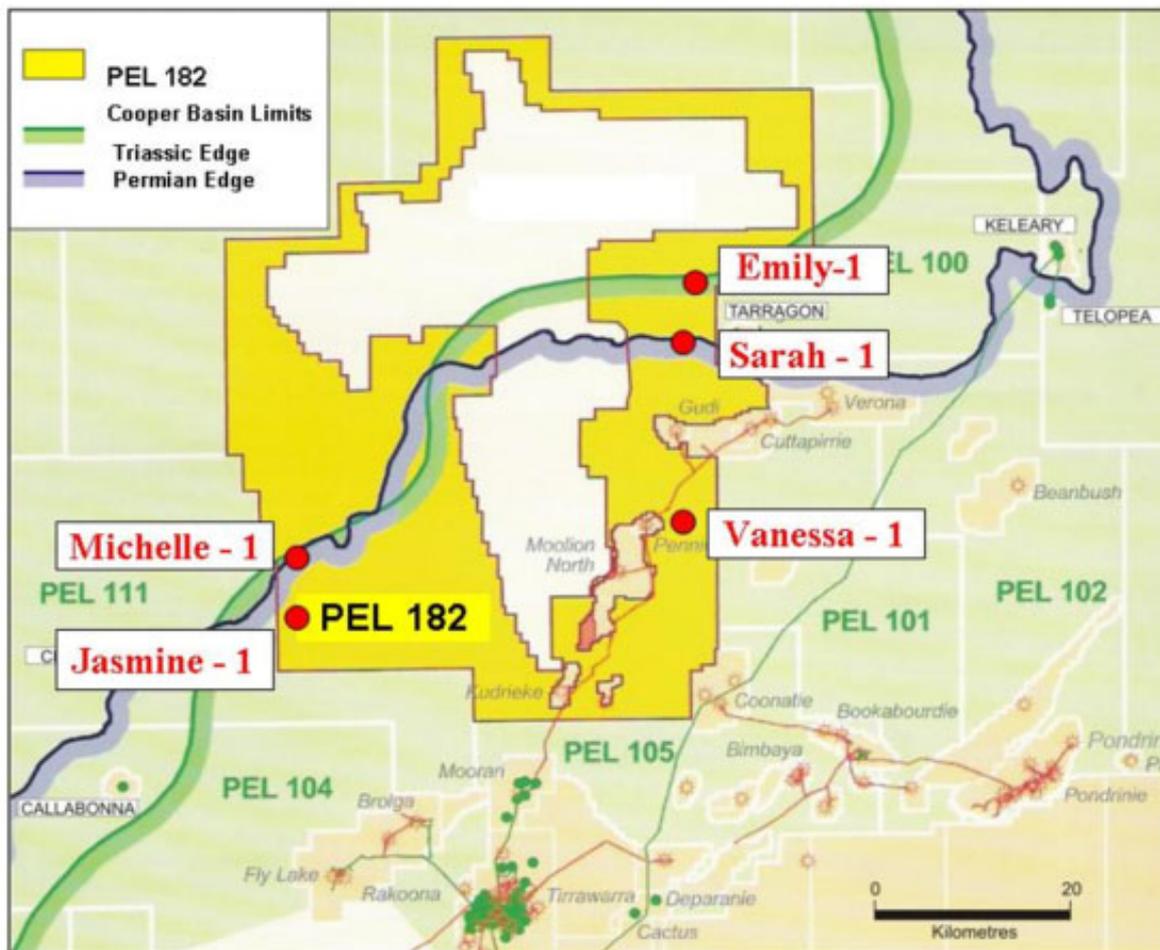
White Sands Petroleum EDM Drill Rig

REVIEW OF OPERATIONS

The Oil and Gas information in this report is based on information compiled by Mr Ian R Barr who is a geophysicist and consultant to the company and a Competent Person as described in Appendix 5A to the ASX Listing Rules. Note*: Both Mr Eric Tucker and Mr I R Barr and most other publicly listed oil exploration companies use the words "P50 Reserves" in regard to an undrilled exploration prospect. These words indicate the unrisksed oil or gas potential of a prospect if oil or gas is present and do not comply with the definition of reserves as set out in the JORC code which is a reporting code for mineral and coal exploration not for oil and gas exploration. Oil industry practice for ASX listed companies is to qualify P50 reserve statements as follows: Chapter 19 "definitions" of the ASX listing rules indicate a "pre hydrocarbon reserve stage" however no hydrocarbons are claimed to be present.



REVIEW OF OPERATIONS



Cooper Basin Oil and Gas Project South Australia

PEL182, Prospect Locality Map and Drill Targets Year 1

REVIEW OF OPERATIONS

HARD ROCK EXPLORATION

Millrose Project

E53/600, M(A)53/788, M(A)53/882-886,

E(A)53/904

AuDAX Resources Ltd 100%

The Millrose project is located within the Yandal/Millrose greenstone belt approximately 80km south-east of Wiluna and 30km east of Newmont's Jundee operations. Only sufficient detailed drilling has been completed to enable a preliminary assessment of the resource potential of the northern portion of the Old Camp Bore prospect. Mineralisation is located within a steep east dipping, north-south striking shear zone developed within intermediate to felsic

volcaniclastic tuffs and epiclastic sediments. Narrow BIF units to the west of the main mineralised zone provide useful geological markers. Wide spaced drilling has returned a number of significant intercepts over a strike length of some 2.6km to the south of the existing resource. The Identified Mineral Resources (northern 700m of Old Camp Bore prospect only), quoted at the appropriate levels of precision, are as follows:

	INDICATED			INFERRED			TOTAL		
	Tonnes	Grade	Metal (oz)	Tonnes	Grade	Metal (oz)	Tonnes	Grade	Metal (oz)
Transported	104,000	1.81	6,000	75,000	1.60	4,000	179,000	1.72	10,000
Supergene	542,000	3.59	63,000	36,000	4.43	5,000	578,000	3.64	68,000
Oxide	464,000	2.02	30,000	29,000	2.38	2,000	493,000	2.04	32,000
Fresh	1,305,000	1.88	79,000	1,106,000	1.74	62,000	2,411,000	1.82	141,000
TOTAL	2,415,000	2.29	178,000	1,246,000	1.83	73,000	3,661,000	2.13	251,000

The resources estimate was conducted and classified in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, JORC, 1999 by a Senior Resource Geologist for Mines and Resources Australia Pty Ltd, who is a Member of the Australian Institute of Geoscientists.

Metallurgical test work carried out on drill samples from the small laterite resource proved disappointing with respect to its potential to deliver an economic heap leach operation. Lower than expected recoveries were attributed to size dependant gold distribution with coarser fractions carrying significantly higher grade.

During the reporting period 48 aircore holes were drilled for a total of 3,953m. Holes were designed to evaluate the continuity and potential for additional resource ounces to the north and south of the existing Millrose resource and to test more

regional targets along strike. Results are considered encouraging.

Two traverses drilled 100m to the north and south of the recently discovered North Western Zones (34m @ 2.16g/t including 12m @ 5.59g/t Au from 64m, with the hole ending in mineralisation) returned 4m @ 1g/t Au from 16m and 12m @ 1.12g/t Au from 80m and 4m @ 1.08g/t Au from 40m and 4m @ 1.33/t Au from 76m from holes on the northern traverse and 1m @ 1.54g/t Au from 76m ending in mineralisation from a hole drilled on the southern traverse.

REVIEW OF OPERATIONS

A traverse drilled 500m to the north of the most northern part of the Millrose resource, confirmed strike potential and returned a number of anomalous intercepts including 2m @ 1.23g/t Au from 92m ending in mineralisation.

Two traverses designed to evaluate the potential of a mineralised structure located some 200-300m to the west of the main Millrose mineralised zone returned interesting supergene anomalism. Gold anomalism has now been defined over a strike length of more than 700m on this western structure.

RC drilling designed to follow up the North Western Zone and extensions to the Eastern Zone comprised 6 holes for a total of 1,007m. Previous drilling had confirmed the presence of a number of sub-parallel high-grade zones within the broader low-grade supergene gold anomaly to the south of the existing resource. These high-grade zones present significant targets that have the potential to add substantial ounces to the existing resource.

Three RC holes designed to test strike and dip potential of the Eastern Zone were located 100m and 200m respectively north of previous RC drilling of this zone. These holes intersected a complex regolith profile characterized by deep weathering overlying variable deformed mafic and intermediate lithologies. The "BIF" magnetic marker situated in the footwall of the Eastern Zone mineralisation was intersected in two of the three holes. Wide zones of intense silica-haematite-pyrite alteration representing the ore body were intersected in all three holes. Broad low grade intercepts of 60m @ 0.48g/t Au in AMILAC03, 56m @ 0.78g/t Au and 12m @ 0.4g/t Au in AMILC04 and 68m @ 0.544g/t Au in AMILC06 were returned. Within these broader low-grade halos a number of thin higher-grade zones are typically present. Results from the drilling are typical of the area and are viewed as encouraging. They have extended the Eastern Zone by 200m, to now in excess of 700m in strike length. Results of individual metre splits from this round of drilling include 3m @ 1.28g/t Au from 72m in AMILC03, 8m @ 2.40g/t Au from 74m and 1m @ 5.33g/t Au from 204m in AMILC04 and 2m @ 2.00g/t Au from 110m, 6m @ 1.66g/t Au from 145m and 3m @ 1.86g/t Au from 154m in AMILC06.

Three RC holes designed to test strike and dip potential of the North Western Zone (previous aircore drill intercept of 12m @ 5.59g/t Au) returned mixed results. Two holes drilled in the vicinity of the previously reported anomalous aircore hole intersected a deeply weathered profile ending in variable deformed intermediate and felsic lithologies. The ore zone is characterised by silica-haematite alteration. Deeper primary intercepts on this section appear to be thin and of moderate-grade and include 1m @ 1.33g/t Au from 112m, 1 m @ 2.28g/t Au from 118m and 2m @ 2.0g/t Au from 134m in AMILC02. Intercepts within oxide and transitional zones appear to reflect significant supergene effects and have returned intercepts of 4m @ 8.37g/t Au from 60m and 14m @ 1.52g/t Au from 78m in AMILC01. A single hole drilled some 200m north of this section and designed to evaluate strike continuity of this zone was disappointing. While intersecting the same lithologies and weak silica-haematite alteration, assay results were anomalous but not highly significant.

A review of previous data has defined a number of regional targets that require more work. One such area consists of a structural/magnetic target associated with a large (3km x 3km) supergene gold anomaly defined by historical wide spaced shallow set depth (typically 17m) RAB drilling. Historical drilling is considered to have been ineffective with the majority of the holes failing to adequately test basement or to penetrate the depleted zone. Limited deeper drilling by Mines and Resources in the late 1990's returned some interesting intercepts in this area including 1m @ 1.9g/t, 1m @ 1.8g/t and 1m @ 30.2g/t Au.

Further work is needed on the Millrose resource in order to clarify structural control and assess continuity in high-grade shoots within the primary zone beneath the proposed open cut. This will be done with a view to determining the viability of the area beneath the proposed open cut as an underground operation and to target additional drilling.

REVIEW OF OPERATIONS

Bronzewing South Project

E36/215, M36/602 M36/613

AuDAX Resources Ltd (80% in EL & 100% in ML's)

Independence Group NL Earning 70% of Ni on E36/215

The Bronzewing South project is located within the Yandal greenstone belt approximately 65km north-east of Leinster and immediately south of the Bronzewing Mine site.

To date work has included an airborne magnetic survey; geological mapping; rock chip; soil and lag sampling; reconnaissance and follow up RAB/aircore, RC and diamond drilling. While results have generated a number of interesting anomalies and confirmed the geological prospectivity of the area they have been disappointing in that they have not yet resulted in the delineation of a significant oxide resource.

Newmont withdrew from the Bronzewing South Agreement on M36/602 and M36/613 in June 2005. This has left the way open for AuDAX to evaluate areas considered not adequately tested by Newmont. It is anticipated that this will include infill RAB/Aircore drilling to follow up previous anomalous aircore intercepts and turning the rig around to further evaluate the source of significant supergene anomalies at the Gaudron and Gleeson prospects.

During the reporting period AuDAX completed additional soil and lag sampling in order to follow up and further define existing soil anomalies and to extend soil coverage over areas previously not covered by soil sampling. Results confirmed and extended a number of the existing anomalies but failed to generate any significant new anomalies. Rock chip sampling programs in areas of anomalous gold-in-soil and areas known to contain coarse gold returned a number of interesting results including 1.85g/t Au from an east-north east striking sulphidic quartz vein in the Thompsons Grid North area.

During the reporting period AuDAX completed RAB/AC drilling (60 holes for 3,241m) to further test previously defined targets. Drill testing a structural/magnetic target within the Western Palaeochannel returned a number of anomalous

intercepts within intensely altered (biotite-pyrite) porphyry. Results were disappointing and work failed to upgrade the prospect. Follow up drill testing of a geochemical anomaly in the Central Thompsons Grid area also proved to be disappointing and while not fully explaining the source of the anomaly the work did downgrade the prospect.

The Independence Group (IGO) has entered into a split commodity joint venture with AuDAX on the Bronzewing South project area (not including M36/602 and M36/615). IGO may earn up to 70% interest in the rights to nickel and associated elements. IGO has plans to explore the south eastern and south western ultramafic for Nickel sulphide mineralisation within the next year.

West Yandal Project

E36/404, M(A)36/615

AuDAX Resources Ltd 100%

Independence Group NL earning 70% of Ni

The West Yandal project area is located within the Yandal greenstone belt approximately 50km north-east of Leinster and 30km south of the Bronzewing Mine.

The project management was handed back to AuDAX by Newmont Yandal Ltd in June 2004. Since then AuDAX has acquired 100% of the project in return for a royalty. Newmont will retain a 1% NSR for all gold mined to 100,000oz, 2% NSR for all gold mined in excess of 100,000oz and a 1% NSR for all other metals.

Previous exploration has indicated the potential for a small but economically profitable resource at Venus, possibly in the order of 20,000oz. Additional work is required to firm up the resource and discussions are being held with interested parties.

High-grade rock chip samples collected from the Vulcan prospect (3km south of Venus) were followed up by structural mapping. Samples collected from sulphidic quartz vein stockwork returned values of 6.8g/t, 47.0g/t, 58.0g/t, 81.10g/t, 48.10g/t, 99.10g/t, 5.59g/t and 4.19g/t gold. The vein sets sub-crop within a northerly striking corridor of approximately 250m strike. Historical drilling in the area is

REVIEW OF OPERATIONS

orientated E-W on 100m spacing and, while having returned a number of anomalous intercepts, has not tested these vein sets.

Renewed interest in the Yandal belt in terms of the potential of the ultramafic units to host massive nickel sulphide deposits has led to a re-evaluation of the AuDAX tenements in the belt. Little nickel work has been carried out in the past and most of the soil, rock chip and drill samples were not even assayed for nickel. Re-sampling of selected old RAB holes that intersected ultramafic units were submitted for Ni and associated indicator element analysis and returned a number of interesting results. A number of holes have returned elevated Ni, Cu, Pt and Pd values and petrological work confirmed the presence of olivine adcumulates.

IGO has entered into a split commodity joint venture with AuDAX on the West Yandal project area. IGO may earn up to 70% interest in the rights to nickel and associated elements. IGO has plans to explore the West Yandal for nickel sulphides mineralization within the next year.

Marymia Project

E(A)52/1688, E(A)52/1689

AuDAX Resources Ltd 100%

The Marymia project is located approximately 180km north east of Meekatharra and lies within the Marymia Dome, an Archaean basement high hosting a complexly folded and faulted greenstone sequence, situated within the major Proterozoic Capricorn Orogenic Belt. Previous exploration has consisted of acquisition, processing and interpretation of remote sensing data, geological mapping, soil, lag and rock chip sampling, RAB and limited RC and diamond drilling. Geology, structure and mineralisation encountered to date are considered encouraging and further work is considered warranted. Significant drill intercepts include (previously reported):

Baumgarten North Prospect

2m @ 4.3g/t Au

Chardonnay North and South

4m @ 2.4g/t Au, 3m @ 3.87g/t, 6m @

4.17g/t Au,

8m @ 1.43g/t Au and 4m @ 1.49g/t Au

Champagne Prospect

4m @ 6.4g/t Au and 8m @ 2.1g/t Au

Area 2

2.1m @ 2.75g/t Au, 4m @ 1.02g/t Au and

14.2m @ 0.55g/t Au

Southern Mag Prospect

12m @ 1.99g/t Au and 4m @ 4.51g/t Au

The tenements also host a sequence of strongly folded komatiitic ultramafic rocks which have a combined strike length in excess of 20km. Limited nickel exploration of this sequence was carried out in the early 1970's with several interesting surface samples located. The nickel potential of the project is being reviewed using modern exploration models and techniques.

A high resolution airborne magnetic and radiometric survey was completed in October 2004. Magnetic, radiometric and Aster data has been processed, imaged and is currently being interpreted.

Yandal (Karra) Project

E(A)36/509, P(A)36/1494, P(A)36/1505,

P(A)36/1506, P(A)36/1507, P(A)36/1508

AuDAX Resources Ltd 100%

The area lies some 15km south of Bronzewing gold mine and to the east of what is locally known as the southwest trend and to the south of a large pluton known as the Hamster Tonalite. The Hamster tonalite hosts mineralisation at the Hamster and Fettuccine prospects. The southern portion of the area is dominated by undifferentiated felsic and intermediate (andesite) volcanic units. These units host mineralisation at the Karra prospect. A number of east-west, north-south and east-southeast, west-southwest trending Early Proterozoic dolerite dykes and north-south, northeast-southwest and east-west trending structures have been interpreted from airborne magnetic data. Previous work by ARL delineated a number of robust mineralized systems that require additional work. Historical intercepts include 3m at 8.4g/t Au from 65m at the Hamster prospect and 16m @ 4.49g/t Au from 68m, 3m @ 6.21g/t Au from 127m and 6m @ 7.06 g/t Au from 146m at the Karra prospect.

The project area also includes an ultramafic unit that appears to be the northern strike extension of the

REVIEW OF OPERATIONS

West Yandal ultramafic and as in the West Yandal area this unit is considered prospective for nickel sulphide mineralisation. IGO has entered into a split commodity joint venture with AuDAX on the Karra project area. IGO may earn up to 70% interest in the rights to nickel and associated elements. IGO has plans to explore the area for Nickel sulphides within the next year.

Lake Mackay Project

E(A)80/3450, E(A)80/3451, E(A)80/3452

AuDAX Resources Ltd

The project consists of 3 tenements in the Lake Mackay Area located close to the WA-NT border. Geologically the area lies on the western margin of the Arunta Block and is centered on the Mt Webb proterozoic granite intrusion. The Mt Webb granite and its comagmatic felsic volcanics in the Pollock Hill Formation have many similarities to other Australian proterozoic regions where hydrothermal Cu-Au deposits have been linked to magmatic sources (e.g Williams Batholith - Eastern Succession Mt Isa and Hiltaba Suite - Gawler Craton). Relatively recent work by AGSO has returned an age of 1640-Ma for the intrusion and has also identified extensive magmatic alteration (sodic-calcic and sericitic) and brecciation.

The area is poorly explored with only limited exploration having been completed since 1997 by Aurora Gold and BHP. This work was restricted to the southern portion south of Lake MacKay and was hampered by Native Title issues. Limited work in the general area by Aurora Gold has returned encouraging results including semi-continuous rock-chip sampling returning 9.1%Cu, 3g/t Ag, and 0.38g/t Au over a true width of 4m, and 0.3% Cu and 8g/t Ag over a true width of 10m. Aircore drilling of three Au-Cu-Ag anomalous areas returned a number of anomalies with a peak of 0.21g/t Au and 896ppm Cu on adjacent 800m spaced grid lines. More recent drilling by BHP returned 36m @ 0.42%Cu and 0.55ppm Au including 6m @ 1.68% Cu and 0.29ppm Au.

The area represents a model based greenfields exploration play and an opportunity to apply standard reconnaissance exploration techniques to test well established iron-oxide-copper-gold

exploration models to an area that has all the right geology but has had very little or no exploration in the past.

Hartwell Bore Project

E(A)36/547

AuDAX Resources Ltd 100%

The project area is located some 30km west of Darlot gold mine and lies within the South Yandal greenstone belt. Previous RAB/AC drilling defined two significant gold-in-saprolite anomalies. Both Northern (400m x 1000m) and Southern Anomalies (250m x 800m) were tested with limited east west orientated RC drilling. Results were generally disappointing and to a large extent failed to define a basement source. More recently limited RC drilling by Normandy designed to test interpreted north-east and east-north-east striking controls intersected significant mineralisation including 5m @ 2.99g/t, 3m @ 7.71g/t 7m @ 1.35g/t and 3m @ 2.45g/t Au. Further work is needed to test the model.

Gindalbie Project

E(A)31/491, E(A)31/492

AuDAX Resources Ltd 100%

The project area is located some 20km north northeast of the Gindalbie mining centre and close to the Carr Boyd Rocks nickel deposit. The tenement covers a portion of the Carr Boyd ultramafic complex and a preliminary assessment of the area has highlighted the nickel potential of the area. Data is being compiled, collated and interpreted and an exploration program is being put together.

Mt Barnicoat Project

M(A)38/406, M(A)38/713, M(A)38/714,

M(A)38/715

AuDAX Resources Ltd 80%

The project area is located some 20km south east of Laverton and lies within and close to the western margin of the Laverton Tectonic Zone. An assessment of historical exploration data suggests that there are a number of untested or poorly tested geochemical targets that require further work. High resolution magnetic data will be acquired and interpreted and used together with geochemical data to rank and define new drill targets.

REVIEW OF OPERATIONS

Midway Project

E(A)53/835, E(A)53/836

AuDAX Resources Ltd 100%

The project area is located 25 km north northeast of Newmont's Jundee operation. While the area is largely underlain by granites, and therefore considered to be of lower prospectivity, limited historical drilling has returned a number of interesting intercepts that require follow up.

Millrose West Project

E(A)53/1117

AuDAX Resources Ltd 100%

The area lies to the northwest of the Millrose resource and some 30km east of Jundee within the Millrose belt. Historical work by Newcrest and BHP has defined a number of low order gold-in-saprolite anomalies in shallow RAB/AC/RC drilling in the eastern portion of the tenement. Holes in most cases have failed to penetrate the depleted zone and not effectively tested the basement. Gold and arsenic soil anomalies have also been defined in the western portion of the tenement by Great Central Mines. Shallow RAB and vacuum drilling designed to follow up these anomalies once again appear to have only partially tested the area. Further work is required.

Cunyu Project Area

E(A)69/1957, E(A)69/1958, E(A)69/1959

AuDAX Resources Ltd 100%

The project consists of three separate areas located within the Cunyu greenstone belt and approximately 80km north of Wiluna. Work by previous explorers has delineated a number of interesting gold anomalies in the belt and in the areas under application that require further work. While the Cunyu belt is not readily correlated with either the Agnew – Wiluna or Yandal belts it does represent an under explored belt in terms of nickel sulphides. Work to date has not returned any economic intercepts but has returned moderately anomalous nickel sulphide indicator elements in places. No details exist with respect to ultramafic geology.

Horse Well Project

E(A)69/1960

AuDAX Resources Ltd 100%

The project covers a poorly exposed portion of the Horse Well greenstone belt which lies approximately

80km north east of Wiluna. Geology is relatively poorly understood and previous exploration has defined a number of targets some of which need to be tested further. A number of holes returned anomalous gold especially in the vicinity of the Crack O' Dawn workings.

Marymia North Project

E(A)52/1803

AuDAX Resources Ltd 100%

The area lies immediately to the north of the Plutonic mine. This poorly exposed area is underlain by granites with numerous mapped greenstone remnants throughout. While some work has been done in the past this has not been thorough or systematic and the area still appears to have some potential to host gold mineralization.

Marymia West Project

E(A)52/1804

AuDAX Resource Ltd 100%

The area lies immediately to the west of AuDAX's Marymia project and covers a portion of the Baumgarten greensone belt and the prospective Gooden fault zone. The area is considered prospective for gold mineralisation.

James Bore Project

E(A)36/537

AuDAX Resource Ltd 100%

This project lies approximately 5km to the west of Mt McClure gold mine and is underlain by greenstone remnants within the western granite gneiss terrain located immediately to the west of the Yandal greenstone belt. Reconnaissance soil sampling by Normandy over exposed greenstone remnants returned significant gold-in-soil anomalies over hundreds of metres (up to 40ppb Au). No follow up was undertaken.

The hard rock information in this report is based on information compiled by Mr Glen W Edwards. Mr Glen W Edwards, AusIMM, AIG, (Exploration Manager of the Company) has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. G W Edwards consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

TENEMENT SCHEDULE

AS AT 30 JUNE 2005

Prospect	Tenement	Interest
Bronzewing South	E36/215	80% (Leith Beal - Hot Holdings Pty Ltd - 20%)
	M36/602	100%
	M36/613	100%
Cunyu Woolshed	E(A)69/1957	100% <i>Not Yet Approved</i>
Dovers Hill	E(A)80/3450	100% <i>Not Yet Approved</i>
Dulcie	E77/351	20% (Sons of Gwalia Ltd 80%)
	M(A)77/807	20% (Sons of Gwalia Ltd 80%) <i>Not Yet Approved</i>
Eucalyptus	E39/480	50% (Enterprise Gold Mines NL 50%)
	E(A)39/815	50% (Enterprise Gold Mines NL 50%) <i>Not Yet Approved</i>
	M(A)39/464	50% (Enterprise Gold Mines NL 50%) <i>Not Yet Approved</i>
	M(A)39/465	50% (Enterprise Gold Mines NL 50%) <i>Not Yet Approved</i>
	M(A)39/466	50% (Enterprise Gold Mines NL 50%) <i>Not Yet Approved</i>
Gindalbie	E(A)31/491	100% <i>Not Yet Approved</i>
	E(A)31/492	100% <i>Not Yet Approved</i>
Horse Well	E(A)69/1960	100% <i>Not Yet Approved</i>
James Bore	E(A)36/537	100% <i>Not Yet Approved</i>
Lake MacKay	E(A)80/3451	100% <i>Not Yet Approved</i>
Marymia	E(A)52/1687	100% <i>Not Yet Approved</i>
	E(A)52/1688	100% <i>Not Yet Approved</i>
Marymia North	E(A)52/1803	100% <i>Not Yet Approved</i>
Marymia West	E(A)52/1804	100% <i>Not Yet Approved</i>
Midway	E(A)53/835	100% <i>Not Yet Approved</i>
	E(A)53/836	100% <i>Not Yet Approved</i>
Millrose	E53/600	100%
	E(A)53/904	100% <i>Not Yet Approved</i>
	M(A)53/788	100% <i>Not Yet Approved</i>
	M(A)53/882	100% <i>Not Yet Approved</i>
	M(A)53/883	100% <i>Not Yet Approved</i>
	M(A)53/884	100% <i>Not Yet Approved</i>
	M(A)53/885	100% <i>Not Yet Approved</i>
	M(A)53/886	100% <i>Not Yet Approved</i>
	Millrose West	E(A)53/1117
Mt Barnicoat	M(A)38/406	80% (BD Richardson 20%) <i>Not Yet Approved</i>
	M(A)38/713	80% (BD Richardson 20%) <i>Not Yet Approved</i>
	M(A)38/714	80% (BD Richardson 20%) <i>Not Yet Approved</i>
	M(A)38/715	80% (BD Richardson 20%) <i>Not Yet Approved</i>
Munn Well	E(A)69/1958	100% <i>Not Yet Approved</i>
Pollock Hills	E(A)80/3452	100% <i>Not Yet Approved</i>
Station Hill	E(A)69/1959	100% <i>Not Yet Approved</i>
West Yandal	E36/404	100% (Royalty)
	M(A)36/615	100% (Royalty) <i>Not Yet Approved</i>
Yandal (Karra)	E(A)36/509	100% <i>Not Yet Approved</i>
	P(A)36/1494	100% <i>Not Yet Approved</i>
	P(A)36/1505	100% <i>Not Yet Approved</i>
	P(A)36/1506	100% <i>Not Yet Approved</i>
	P(A)36/1507	100% <i>Not Yet Approved</i>
	P(A)36/1508	100% <i>Not Yet Approved</i>

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices that have been revised and updated, and in place since the 1st of July 2004. These corporate governance practices comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

BOARD OF DIRECTORS

Role of the Board

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. To fulfil this role, the Board is responsible for setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals.

Because of the limited size of the Company and its financial affairs and operations, the use of separate committees of the Board of Directors is not considered generally appropriate. All matters that might properly be dealt with by such committees are currently dealt with by the full Board of Directors. Decisions of the Board are, to the extent practicable, unanimous. There were no occasions during the year when decisions were not unanimous.

The Board operates in accordance with the broad principles set out in its charter, which is available from the corporate governance information section of the Company website at www.audax.com.au.

Composition of the Board

The names and details of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report.

The composition of the Board is determined using the following principles:

- Persons nominated as Non-Executive Directors shall be expected to have skills, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.
- The Chairperson should ideally be non-executive and independent and be elected by the Board based on his/her suitability for the position. Currently however, due to the limited size of the Company and of its operations and financial affairs, the Managing Director has been elected and acts as the Chairperson. The Board believes that this Chairperson is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairperson.
- All Non-Executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.
- Under the Company's Constitution, the minimum number of Directors is three. At each Annual General Meeting, one third of the Directors (excluding the Managing Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

The Company considers that the Board should have at least three Directors (minimum required under the Company's constitution) and strives to have a majority of independent Directors but acknowledges that this may not be possible at all times due to the size of the Company. Currently the Board has three Directors, of which only one is independent.

The number of Directors is maintained at a level which will enable effective spreading of workload and efficient decision making.

The Board has accepted the following definition of an Independent Director:

"An Independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;

CORPORATE GOVERNANCE STATEMENT

2. has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
3. is not a principal of a professional adviser to the Company or another group member;
4. is not a significant consultant, supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
5. has no significant contractual relationship with the Company or another group member other than as a Director of the Company;
6. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company."

AuDAX considers a significant consultant, supplier or customer to be material if the total of their annual invoices amounts to more than 5% of the Company's total expenditure in that category.

The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Performance of Directors

The performance of all Directors and the Board as a whole is reviewed annually in accordance with the

Company's corporate governance guidelines (effective 1 July 2004).

Conflict of Interest

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the Board meeting whilst the item is considered. Details of Director's related entity transactions with the Company are set out in the related parties note in the financial statements.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of advice received by the Director is made available to all other members of the Board.

Remuneration Report

The Board of Directors maintains remuneration policies which are aimed at attracting and retaining a motivated workforce and management team. The intention is to match the outcomes from the remuneration system with the performance of the Company and ultimately the value received by our shareholders on a long-term basis.

As an overall policy, the Company will remunerate in such a way that it:

- motivates Directors and management to pursue the long-term growth and success of the Company; and
- demonstrates a clear relationship between key executive performance and remuneration.

Full details of Directors' and specified executives' remuneration are set out in the Directors' Report and in the Directors' and Executives' Disclosures note in the financial statements.

CORPORATE GOVERNANCE STATEMENT

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate for AuDAX. The Board has adopted the following policies of Director's and executive's remuneration:

Non-Executive Directors' Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Effective 1 June 2004, any newly appointed Non-Executive Directors will serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-Executive Directors are entitled to receive options under the rules of the AuDAX Employee Option Scheme.

Executive Remuneration

Senior executives, including Executive Directors, are engaged under the terms of individual employment

contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their remuneration arrangements. Executive Directors are entitled to receive options under the rules of the AUDAX Employee Option Scheme, and may be offered additional options as part of their remuneration, subject to Shareholder approval. The monetary package is divided between a base salary/consulting fee and, for non-directors, an incentive portion if considered appropriate. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

Company Website

AuDAX has made available details of all its corporate governance principles, which can be found in the corporate governance information section of the Company website at www.audax.com.au.

DIRECTORS' REPORT

The Directors present their report on the results of the Company for the year ended 30 June, 2005 and the state of affairs at that date.

DIRECTORS

The names of the Directors in office at the date of this report are:

Mr Gary James Roper
Mr Leith Beal
Mr David Ian Chalmers

Principal Activity

The principal activities of the Company in the course of the year were the acquisition of mineral tenements, mineral exploration and investment.

Operating Results

The net loss of the Company for the year, after provision for income tax amounted to \$4,980,752 [2004: \$2,378,093].

Dividends

No dividends were paid during the year and no recommendation is made as to dividends.

Review of Operations

Information on the operations of the company during the year and the results of those operations are set out on pages 00000 to 000000000.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 30 June, 2005.

Likely Developments

The Company intends to continue its exploration programme on its existing tenements, and to acquire further suitable tenements for exploration.

Meetings of Directors

During the financial year, 2 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

Mr Gary James Roper	2
Mr Leith Beal	2
Mr David Ian Chalmers	2

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

ROPER, Gary James (Executive Managing Director). Director since 1985

Mr Roper has had extensive administrative experience in both government and commerce, principally in the areas of tenement management and co-ordination of exploration staff and programmes. He was a founding Director of AuDAX and has been Managing Director since 1987.

Other Directorships of Listed Companies in the last three years: Nil

BEAL, Leith (Non-Executive Director) Director since 1989

Mr Beal is a Mining Tenement Consultant with many years experience in the mining industry. He spent 12 years with the Western Australia Department of Minerals and Energy and has been an independent tenement management consultant for various companies.

Other Directorships of Listed Companies in the last three years: Nil

CHALMERS, David Ian MSc, FAusIMM, FIMMM, FSEG, FAIG, FAICD, MGSA (Independent Non-Executive Director) Director since 1993

Mr Chalmers is a geologist with a Master of Science degree. He has worked in the mining and exploration industry for over 34 years, many with international corporations, during which time he has had experience in all facets of exploration from grass roots through feasibility and development up to the production phase. He is currently a principal of Multi Metal Consultants Pty Ltd and is a director of Alkane Exploration Ltd and Northern Star Resources Ltd.

Other Directorships of Listed Companies in the last three years: Alkane Exploration Ltd and Northern Star Resources Ltd.

DIRECTORS' REPORT

Company Secretary

Peter Ironside B.Com, CA

Mr Ironside is a chartered accountant and business consultant with over 17 years experience in the exploration and mining industry. He has been a director and/or company secretary of several ASX listed companies. Mr Ironside is a director of Ausvaal Pty Ltd, a corporate services company. Mr Ironside brings a significant level of accounting, compliance and corporate governance experience to the Board, together with support in the areas of corporate initiatives and capital raisings. Mr Ironside has been a director of Integra since 21 December 2000.

Other Directorships of Listed Companies in the last three years: Non-executive director of Yilgarn Gold Ltd from 2001 to 2003.

Environmental Issues

The Company would be subject to performance bonds for the rehabilitation of a mining tenement. These performance bonds are required by the Mines Department to cover environmental regulation rehabilitation.

Directors' Interests and Benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts or received as the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than:

- a) consulting fees paid to Runyon Pty Ltd, an entity of which Mr Leith Beal is a Director and shareholder; and
- b) consulting fees and disbursements paid to Multi Metal Consultants Pty Ltd of which Mr Ian Chalmers is a Director and shareholder.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and shown in the Company's accounts, prepared in accordance with

the Corporations Regulations, or the fixed salary of a full-time employee.

Shares Issued

20,230,047 ordinary shares and 20,230,047 options exercisable at 20 cents expiring 31 December 2008 were issued during the year pursuant to a non-renouncable pro-rata issue to shareholders at the record date of 18 March 2005 and 10,000,000 ordinary fully paid shares of 25 cent shares were issued to acquire 80% of Exploration Licence 36/215.

Employee Option Scheme

600,000 options exercisable at 15 cents each on or before 31 December 2007 were issued under the Company's Employee Option Scheme during the financial year.

Remuneration Report

The Board of Directors maintains remuneration policies which are aimed at attracting and retaining a motivated workforce and management team. The intention is to match the outcomes from the remuneration system with the performance of the Company and ultimately the value received by our shareholders on a long-term basis.

As an overall policy, the Company will remunerate in such a way that it:

- motivates Directors and management to pursue the long-term growth and success of the Company; and
- demonstrates a clear relationship between key executive performance and remuneration.

Full details of Directors' and specified executives' remuneration are set out in the Directors' Report and in the Directors' and Executives' Disclosures note in the financial statements.

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate for AuDAX. The Board has adopted the following policies of Director's and executive's remuneration:

DIRECTORS' REPORT

Non-Executive Directors' Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Effective 1 June 2004, any newly appointed Non-Executive Directors will serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-Executive Directors are entitled to receive options under the rules of the AuDAX Employee Option Scheme.

Executive Remuneration

Senior executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their

remuneration arrangements. Executive Directors are entitled to receive options under the rules of the AuDAX Employee Option Scheme, and may be offered additional options as part of their remuneration, subject to Shareholder approval. The monetary package is divided between a base salary/consulting fee and, for non-directors, an incentive portion if considered appropriate. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

Details of the nature and amount of each element of each director and each of the officers of the company receiving the highest emoluments are set out in the following tables.

Executive Director of AuDAX Resources Ltd

Name	Directors' Base Salary \$	Committee Fee \$	Superannuation \$	Total \$
Gary Roper	130,000	-	11,700	141,700

Non-executive Directors of AuDAX Resources Ltd

Name	Directors' Base Fee \$	Fees for Services \$	Superannuation \$	Total \$
Leith Beal	19,500	66,569	1,755	87,824
Ian Chalmers	19,500	5,005	1,755	26,260

Other Executives of AuDAX Resources Ltd

Name	Base Salary \$	Superannuation \$	Total \$
Peter Ironside (Company Secretary)	26,400	-	26,400

There are no other executives of AuDAX Resources Ltd.

Directors' Interests in the Share Capital of the Company as at the date of this report

Name of Director	Shares Held Directly	Shares Held Indirectly	Options Held Directly	Options Held Indirectly
Gary James Roper	2,203,732	125,000	428,342	25,000
Leith Beal	12,106,469	2,273,708	64,167	5,208
David Ian Chalmers	-	109,168	-	21,834

DIRECTORS' DECLARATION

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

Auditors' independence -section 307C

The following is a copy of a letter received from the Company's auditors:

"Dear Sirs,

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2005 annual financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)
Rothsay Chartered Accountants"

The following amounts were paid to the auditors	2005	2004
	\$	\$
Auditors' remuneration		
– auditing the accounts	14,000	15,000
– taxation services	1,000	1,000

The Board is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Signed at Perth in accordance with a resolution of Directors.



Gary J Roper
Managing Director

Dated this 30th day of September 2005

DIRECTORS' DECLARATION

In the opinion of the Directors of AuDAX Resources Ltd:

- (a) the financial statements and notes, set out on the following pages are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the financial position of the Company as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date, and
 - ii complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2005.

Signed at Perth in accordance with a resolution of the Directors:



Gary J Roper
Managing Director

Dated this 30th day of September 2005

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2005

	NOTES	2005 \$	2004 \$
CURRENT ASSETS			
Receivables	4	1,522,448	68,753
Investments	5	310,118	329,945
Cash assets	6	2,640,732	3,490,498
TOTAL CURRENT ASSETS		<u>4,473,298</u>	<u>3,889,196</u>
NON-CURRENT ASSETS			
Property, Plant & Equipment	7	191,488	247,652
Exploration & Evaluation expenditure	8	3,250,768	3,332,172
TOTAL NON-CURRENT ASSETS		<u>3,442,256</u>	<u>3,579,824</u>
TOTAL ASSETS		<u><u>7,915,554</u></u>	<u><u>7,469,020</u></u>
CURRENT LIABILITIES			
Payables	9	76,499	73,445
Interest-bearing liabilities	10	22,001	22,001
Provisions	11	35,104	14,445
TOTAL CURRENT LIABILITIES		<u>133,604</u>	<u>109,891</u>
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	10	79,641	93,861
TOTAL NON-CURRENT LIABILITIES		<u>79,641</u>	<u>93,861</u>
TOTAL LIABILITIES		<u>213,245</u>	<u>203,752</u>
NET ASSETS		<u><u>7,702,309</u></u>	<u><u>7,265,268</u></u>
EQUITY			
Contributed Equity	2	27,302,805	21,885,012
Reserves	3	3,165,542	3,165,542
Accumulated Losses	14	(22,766,038)	(17,785,286)
TOTAL EQUITY		<u><u>7,702,309</u></u>	<u><u>7,265,268</u></u>

The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	2005 \$	2004 \$
Interest income		136,169	258,508
Other revenue from ordinary activities		84,835	38,794
Unrealised gain on investments		77,051	–
		<hr/>	<hr/>
Total revenue from ordinary activities		298,055	297,302
Audit fees		(14,000)	(16,000)
Consultants fees		(84,617)	(21,971)
Depreciation expense		(56,163)	(39,881)
Employee expenses		(281,267)	(272,241)
Exploration written-off		(4,588,662)	(2,089,584)
Investor relations		(52,038)	(33,231)
Office & equipment expenses		(34,046)	(12,285)
Motor vehicles		(46,271)	(54,675)
Printing, postage & stationery		(21,926)	(15,997)
Stock exchange fees		(25,779)	(20,836)
Share registry fees		(17,895)	(17,574)
Telephone & communications		(13,258)	(13,306)
Diminution in value of investments		–	(13,384)
Other expenses from ordinary activities		(42,885)	(54,430)
		<hr/>	<hr/>
(Loss) from ordinary activities before related income tax expense	12	(4,980,752)	(2,378,093)
Income tax expense relating to ordinary activities	13	–	–
		<hr/>	<hr/>
(Loss) from ordinary activities after related income tax expense		(4,980,752)	(2,378,093)
		<hr/>	<hr/>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS		(4,980,752)	(2,378,093)
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share	15	(0.07)	(0.03)

The accompanying notes form part of these statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	Inflow/ (Outflow) 2005 \$	Inflow/ (Outflow) 2004 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to Suppliers & Employees		(836,462)	(481,913)
Interest Received		136,169	258,508
Rental Income		3,663	3,720
Dividends Received		322	620
		<hr/>	<hr/>
Net Cash Provided (Utilised) by Operating Activities	23	(696,308)	(218,245)
		<hr/>	<hr/>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for Investments		–	(185,041)
Payment for Plant & Equipment		–	(14,360)
Payment for Exploration and Evaluation		(2,054,001)	(1,154,961)
Proceeds from Sale of Investments		178,200	213,423
Proceeds from sale of Plant & Equipment		–	28,000
Loan to other entities		(1,312,164)	–
		<hr/>	<hr/>
		(3,187,965)	(1,112,939)
		<hr/>	<hr/>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of Shares and Options		3,151,222	16,714
Cost of share issues		(116,715)	–
		<hr/>	<hr/>
		3,034,507	16,714
		<hr/>	<hr/>
Net Increase in Cash Held		(849,766)	(1,314,470)
Cash at 1 July		3,490,498	4,804,968
		<hr/>	<hr/>
Cash at 30 June	22	2,640,732	3,490,498
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 1 – STATEMENT OF ACCOUNTING POLICIES

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

It has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuation of non-current assets. The following specific accounting policies have been consistently applied, unless otherwise stated.

a. Income Tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit before tax, adjusted for permanent differences. Timing differences which arise due to the different accounting years in which items of revenue and expense are included in the determination of operating profit and taxable income are brought to account as either provision for deferred income tax or an asset described as future income tax benefit. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

b. Exploration Expenses

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Such costs are carried forward where they are expected to be recouped through

successful development and exploitation of the area of interest or alternatively, by its sale; or where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

The ultimate recoupment of costs related to areas of interest in the exploration and/or evaluation phase is dependent on the successful development and commercial exploitation or sale of the relevant areas.

Each area of interest is reviewed annually to determine whether costs should continue to be carried forward in respect of that area of interest. Where it is decided to abandon an area of interest, costs carried forward in respect of that area are written off in full in the year in which the decision is taken. Otherwise, such costs are amortised over the life of the area of interest based on the rate of depletion of the economically recoverable reserves. Provision for the cost of restoration of sites is made at the various relevant stages and included in the cost of that stage.

c. Property, Plant & Equipment

These are included at cost. Buildings, plant and equipment are depreciated using the straight line method over their estimated useful life commencing from the time the asset is first used or held ready for use. The depreciation rates used for each class of asset are as follows:

Buildings	5%
Plant & Equipment	12.5%

d. Joint Ventures

The Company's interest in joint ventures is brought to account by including the appropriate proportions of the relevant assets, liabilities, and costs of the joint venture into the respective categories in the accounts of the Company.

e. Marketable Securities

Shares in listed companies held as current assets are valued at market value at balance date.

NOTES TO AND FORMING PART OF THE ACCOUNTS

The gains or losses, whether realised or unrealised, are included in operating profit before income tax.

f. Mineral Tenements

The Company's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decision in what is known generally as the "Mabo" case and any State or Federal legislation regarding native and mining titles. Approvals, although granted in most cases, are discretionary. The question of

native title has yet to be determined and could effect any mining title area whether granted by the State or not.

g. Employee Benefits

Provision is made in respect of the Company's liability for annual leave at the reporting date. Employee benefits expected to be settled within one year, together with benefits arising from wages and salaries, annual leave and long service leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled.

NOTE 2 – CONTRIBUTED EQUITY

	2005 \$	2004 \$
a. Issued Capital		
98,037,919 ordinary shares fully paid		
(2004 – 67,807,872 ordinary shares fully paid)	27,302,805	21,885,012
	<u> </u>	<u> </u>

The following ordinary shares and options were issued during the year:

20,230,047 ordinary shares and 20,230,047 options exercisable at 20 cents expiring 31 December 2008 were issued during the year pursuant to a non-renounceable pro-rata issue to shareholders at the record date of 18 March 2005. Costs of the issue were \$116,715

10,000,000 ordinary shares were issued at 25 cents pursuant to an agreement to acquire an 80% interest in Exploration Licence 36/215.

b. Terms and conditions of contributed equity

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. In the event of winding up of the company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

NOTE 3 – RESERVES

Option Premium	2,915,542	2,915,542
Asset Revaluation	250,000	250,000
	<u> </u>	<u> </u>
	3,165,542	3,165,542

Nature and Purpose of Reserves:

Option Premium Reserve:

The option premium reserve is used to accumulate proceeds received from the issuing of options and accumulate the value of options issued in consideration for services rendered.

Asset Revaluation Reserve:

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. This reserve can only be used to pay dividends in limited circumstances.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 4 – RECEIVABLES

GST Receivable	210,284	68,753
Other advance	1,312,164	–
	<u>1,522,248</u>	<u>68,753</u>

The other advance of \$US1,000,000 which converted to \$A1,312,164 was made to secure drill priority on 5 drill slots and the company will receive a credit of \$US250,000 on each drilled well equating to a return of \$US1,250,000. The advance is interest free and the wells are expected to be drilled within twelve months.

2005	2004
\$	\$

NOTE 5 – INVESTMENTS

Shares in Corporations listed on a prescribed stock exchange at market value	310,118	329,945
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NOTE 6 – CASH ASSETS

Cash at Bank and on hand	93,393	246,135
Short Term Deposits	2,547,339	3,244,363
	<u>2,640,732</u>	<u>3,490,498</u>

NOTE 7 – PROPERTY, PLANT & EQUIPMENT

Land & Buildings - at cost	251,517	251,517
Less: Accumulated Depreciation	(182,856)	(170,280)
	<u>68,661</u>	<u>81,237</u>
Equipment and Motor Vehicles - at cost	193,719	193,719
Less: Accumulated Depreciation	(70,892)	(27,304)
	<u>122,827</u>	<u>166,415</u>
Total Property, Plant & Equipment	<u>191,488</u>	<u>247,652</u>

Reconciliations of the carrying amounts for each class of property, plant and equipment follow:

Land & Buildings

Carrying amount at beginning of year	81,237	93,812
Depreciation	(12,576)	(12,575)
	<u>68,661</u>	<u>81,237</u>

Plant & Equipment

Carrying amount at beginning of year	166,414	95,539
Additions	–	126,180
Disposals	–	(28,000)
Depreciation	(43,587)	(27,304)
	<u>122,827</u>	<u>166,415</u>

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 8 – EXPLORATION & EVALUATION EXPENDITURE

Exploration & Evaluation expenditure costs carried forward in respect of areas of interest	3,250,768	3,332,172
	2005	2004
	\$	\$

NOTE 9 – PAYABLES

Trade Creditors	76,499	73,445

NOTE 10 – INTEREST BEARING LIABILITIES

Current

Hire purchase commitment	22,001	22,001

Non-Current

Hire purchase commitment	79,641	93,861

These commitments relate to a motor vehicle under hire purchase over 5 years at a rate of 8.95%.

NOTE 11 – PROVISIONS

Employee entitlements	35,104	14,445

There are 5 employees (2004: 5 employees) including the Directors.

NOTE 12 – OPERATING LOSS

The operating loss from ordinary activities
has been determined after including as charges:

Auditors' remuneration		
– auditing the accounts	14,000	15,000
– other services	1,000	1,000
Provision for employee entitlements	20,659	5,903

NOTE 13 – INCOME TAX EXPENSE

Prima facie tax on operating loss at 30%	(1,494,225)	(713,428)
Future income tax benefit not brought to account	1,494,255	713,428
Income tax attributable to operating loss	–	–

Estimated future income tax benefits attributable to tax losses and timing differences
available to be carried forward amount to \$8,473,865 (2004: \$6,979,639)

This benefit which has not been brought to account, will only be obtained if the Company:

- a. derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- b. continues to comply with the conditions for deductibility imposed by the law; and
- c. there are no changes in the tax legislation affecting the Company in realising the benefit.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 14 – ACCUMULATED LOSSES

Balance at the beginning of the year	(17,785,286)	(15,407,193)
Net loss attributable to members of AuDAX Resources Ltd	(4,980,752)	(2,378,093)
Balance at the end of the year	(22,766,038)	(17,785,286)
	2005	2004

NOTE 15 – EARNINGS PER SHARE

Basic earnings per share (cents per share)	(0.07)	(0.03)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	72,865,383	67,357,857

Diluted earnings per share is not disclosed because potential ordinary shares, being options granted, are not dilutive and their conversion to ordinary shares would not demonstrate an inferior view of the earnings performance of the Company.

NOTE 16 – CAPITAL COMMITMENTS

In order to maintain current rights of tenure to exploration tenements the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the WA State Government. The estimated exploration and joint venture expenditure commitments for the ensuing year amount to \$500,000 (2004: \$600,000). This expenditure will only be incurred should the Company retain its existing level of interest in its various exploration areas and provided access to mining tenements is not restricted.

The Company has potential commitments in accordance with the acquisition agreement for EL53/600 as follows:

- payment of \$500,000 and the issue of 5 million shares (credited as fully paid) on the tenement being found to contain at least 400,000 proven ounces of gold; and
- payment of \$1 million and the issue of 5 million shares (credited as fully paid) on the tenement being found to contain at least 600,000 proven ounces of gold.

NOTE 17 – SEGMENTAL INFORMATION

The Company derives income from investments and the exploration and exploitation of mining tenements predominantly in Western Australia.

NOTE 18 – INTEREST IN JOINT VENTURES

	2005	2004
	%	%
Joint Venture:		
i) Millrose	100	100
ii) Dulcie	20	20
iii) Eucalyptus	50	50
ii) AuDAX is contributing to maintain its 20% interest.		
iii) Equally contributing Joint Venture with Enterprise Gold Mines NL.		

The Joint Ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 19 – REMUNERATION OF DIRECTORS

Name	Service	Consulting Fees \$	Directors Fees/Salary \$	Superannuation \$	Total \$
G Roper	Executive Managing Director	–	130,000	11,700	141,700
L Beal	Director, Tenement consulting	66,569	19,500	1,755	87,824
Chalmers	Director, Geological consulting	5,005	19,500	1,755	26,260
Total 2005		71,574	169,000	15,210	255,784

Name	Service	Consulting Fees \$	Directors Fees/Salary \$	Superannuation \$	Total \$
G Roper	Executive Managing Director	–	130,000	11,700	141,700
L Beal	Director, Tenement consulting	62,716	19,500	1,755	83,971
Chalmers	Director, Geological consulting	13,663	19,500	1,755	34,918
Total 2004		76,379	169,000	15,210	260,589

The Company did not have any executive officers other than the Managing Director.

Remuneration Policy

The Board of Directors maintains remuneration policies which are aimed at attracting and retaining a motivated workforce and management team. The intention is to match the outcomes from the remuneration system with the performance of the Company and ultimately the value received by our shareholders on a long-term basis.

As an overall policy, the Company will remunerate in such a way that it:

- motivates Directors and management to pursue the long-term growth and success of the Company; and
- demonstrates a clear relationship between key executive performance and remuneration.

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate for AuDAX. The Board has adopted the following policies of Directors and executives remuneration:

Non-Executive Directors' Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Effective 1 June 2004, any newly appointed Non-Executive Directors will serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act as at the time of the Director's retirement or termination. Non-Executive Directors are entitled to receive options under the rules of the AuDAX Employee Option Scheme.

Executive Remuneration

Senior executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their remuneration arrangements. Executive Directors are

NOTES TO AND FORMING PART OF THE ACCOUNTS

entitled to receive options under the rules of the AUDAX Employee Option Scheme, and may be offered additional options as part of their remuneration, subject to Shareholder approval. The monetary package is divided between a base salary/consulting fee and, for non-directors, an incentive portion if considered appropriate. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

NOTE 20 – RELATED PARTY TRANSACTIONS

Mr Beal is a director and shareholder of Runyon Pty Ltd a company that was paid \$66,569 (2004: \$62,716) for tenement consulting services in the normal course of business at commercial rates. These consulting fees have been included as Directors' remuneration.

Mr Chalmers is a director and shareholder of Multi Metal Consultants Pty Ltd a company that was paid \$5,005 (2004: \$13,663) for geological consulting services including reimbursement of expenses in the normal course of business at commercial rates. These consulting fees have been included as Directors' remuneration.

Bronzewing South EL(A) 36/215

10,000,000 ordinary shares were issued at 25 cents pursuant to an agreement to acquire an 80% interest in Exploration Licence 36/215 from Mr Beal a Director of the Company.

Millrose E53/600

Mr Beal has an interest in exploration licence 53/600.

DIRECTOR'S and DIRECTOR RELATED ENTITIES' SHAREHOLDINGS

The interests of Directors and their Director related entities in shares and share options at year end are as follows:

	2005	2004
Ordinary shares	6,818,077	6,293,526
Options over ordinary shares	544,551	–

Ordinary Shares

Name	Balance at the start of the year	Purchased/Sold	Balance as the end of the year
Gary Roper	1,875,390	453,342	2,328,732
Leith Beal	4,330,802	49,375	4,380,177
David Ian Chalmers	87,334	21,834	109,168
Total	6,293,526	524,551	6,818,077

Options

Name	Balance at the start of the year	Purchased/Sold	Balance as the end of the year
Gary Roper	–	453,342	453,342
Leith Beal	–	69,375	69,375
David Ian Chalmers	–	21,834	21,834
Total	–	544,551	544,551

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 21 – FINANCIAL INSTRUMENTS

Significant Accounting Policies

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the accounts.

Interest Rate Risk

The following table details the Company's exposure to interest rate risk as at the reporting date:

2004	Average Interest Rate	Variable Interest Rate 1 Year	Fixed Interest Rate Maturity Less than 1 year	Fixed Interest Rate Maturity Greater than 1 year	Non-Interest Bearing	Total
	%	\$	\$	\$	\$	\$
Cash	–	246,135	–	–	–	246,135
Deposits – Cash	5.5	–	3,244,363	–	–	3,244,363
Receivables	–	–	–	–	68,753	68,753
Accounts Payable	–	–	–	–	73,445	73,445
Hire Purchase	8.95	–	22,001	93,861	–	115,862

2005	Average Interest Rate	Variable Interest Rate 1 Year	Fixed Interest Rate Maturity Less than 1 year	Fixed Interest Rate Maturity Greater than 1 year	Non-Interest Bearing	Total
	%	\$	\$	\$	\$	\$
Cash	–	93,393	–	–	–	93,393
Deposits – Cash	5.95	–	2,547,339	–	–	2,547,339
Receivables	–	–	–	–	1,522,248	1,522,248
Accounts Payable	–	–	–	–	76,499	76,499
Hire Purchase	8.95	–	22,001	79,641	–	101,642

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair basis.

The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure

to credit risk without taking account of the fair value of any collateral or other security obtained.

Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

NOTE 22 – SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 30 June 2005.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 23 – STATEMENT OF CASH FLOWS

RECONCILIATION OF CASH

For the purposes of this Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bankoverdrafts and investments in money market instruments.

Cash at the end of the year is shown in the statement of financial position as:

	2005	2004
	\$	\$
Cash on Hand	200	200
Cash at Bank	93,193	245,935
Cash on Deposit	2,547,339	3,244,363
	<u>2,640,732</u>	<u>3,490,498</u>

RECONCILIATION OF CASH FLOWS FROM OPERATIONS WITH OPERATING PROFIT(LOSS) AFTER INCOME TAX

	Inflow/ (Outflow) 2005	Inflow/ (Outflow) 2004
	\$	\$
Operating Profit(Loss) after Income Tax	(4,980,752)	(2,378,093)
Non Cash Flows in Operating Profit(Loss)		
Depreciation	56,163	39,881
Movements in Provisions	20,659	5,903
Diminution in Value of Shares	(77,051)	13,384
Exploration Writedown	4,588,662	2,089,584
Profit on Sale of Assets	–	(34,454)
Other	(165,512)	43,334
Decrease (Increase) in Receivables	(141,531)	(42,215)
(Decrease) Increase in Accounts Payable	3,054	44,731
Net Cash Provided (Utilised) by Operating Activities	<u>(696,308)</u>	<u>(218,245)</u>

NOTE 24 – IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

AuDAX Resources Ltd is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006.

During 2004, the company allocated resources to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS in the future, and is required when the company prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net loss for the year ended 30 June 2005.

The figures disclosed are management's best estimate of the quantitative impact of the changes as at the date

NOTES TO AND FORMING PART OF THE ACCOUNTS

of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- (a) ongoing work being undertaken due to the AIFRS review;
- (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and the International Financial Reporting Interpretations Committee, and;
- (c) emerging accepted practice in the interpretation and application of AIFRS and Urgent Issues Group interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	30 June 2005	1 July 2004
	\$	\$
Total equity under AGAAP	7,702,309	7,265,268
Adjustments for effect of transition to AIFRSs	–	–
Total equity under AIFRS	7,702,309	7,265,268

(b) Reconciliation of net loss under AGAAP to that under AIFRS

	30 June 2005
	\$
Net loss as reported under AGAAP	4,980,752
Adjustments for effect of transition to AIFRSs	–
Net loss under AIFRS	4,980,752

No material impacts are expected in relation to the statements of financial performance, financial position and cash flows.

NOTE 24 - IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS *continued*

Expected changes to accounting policies on adoption of AIFRS

A *Taxation*

Under AASB 112, the Australian equivalent to IAS 12 “Income Taxes”, a balance sheet approach will be adopted for calculating taxation, replacing the “statement of financial performance approach”. This method recognizes deferred tax balances for all temporary differences arising between the carrying value of an asset or liability and its tax base. Whilst there will be enhanced disclosure of the composition of the deferred tax assets and liabilities it is not expected that there will be any significant impact in terms of the statement of financial position or performance.

The Company will not bring to account the estimated future income tax benefits attributable to tax losses and temporary differences as a deferred tax asset, as it is not yet considered probable that future taxable profit will be available for utilisation.

B *Share based payments*

Under AASB 2 “Share Based Payments”, the Company will be required to bring to account the

effect of share-based payments, including options, on its financial performance and financial position.

The Company has not applied AASB 2 as AASB 1 (25B) allows first time adoption of AIFRS to relief, in this circumstance, from its application.

C *Impairment of Assets*

Under the Australian equivalent to IAS 36 “Impairment of Assets” the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in the company’s current accounting policy which determines recoverable amount of an asset on the basis of discounted (undiscounted) cashflows. Under the new policy it is likely that the impairment of assets will be recognized sooner and the amount of write downs will be greater.

Property plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses (the cost method). The fair value of property plant and equipment, as determined by reference to observable prices, is not materially different to the carrying amount.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AUDAX RESOURCES LTD

ACN 009 058 646

Scope

The financial report comprises the statement of financial performance, statement of financial position, statement of Cashflows, accompanying notes and the Directors' declaration for AuDAX Resources Limited, the Company, for the year ended 30 June 2005.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of AuDAX Resources Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2005 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.

Rothsay
Graham R Swan
Partner

Dated 30 September 2005

The liability of Rothsay Chartered Accountants is limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

SECURITIES INFORMATION

Shareholdings as at 30 September 2005

(a) Substantial Shareholders

Name	Shareholding	%
Leith Beal	11,914,444	12.16
Newmont Exploration	6,315,000	6.44
Caverndale Pty Ltd	3,062,000	3.12

(b) Shareholder Distribution Schedule

1 - 1000	119
1001 - 5000	559
5001 - 10000	406
10001 and over	863
Total	1,947

There are 452 shareholders who hold less than a marketable parcel of 3,449 ordinary shares.

(c) Voting Rights

- (i) at meetings of members entitled to vote each member may vote in person or by proxy or attorney, or in the case of a member which is a body corporate, by representative duly appointed under section 250D;
- (ii) on a show of hands every member entitled to vote and present in person or by proxy or attorney or representative duly authorised shall have one (1) vote;
- (iii) on a poll every member entitled to vote and present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he is the holder and in the case of contributing shares until fully paid shall have voting rights pro rata to the amount paid up or credited as paid up on each such share: and
- (iv) a member shall not be entitled to vote at general meeting or be reckoned in a quorum in respect of any shares upon which any call or other sum presently payable by him is unpaid.

SHAREHOLDER INFORMATION

AS AT 30 SEPTEMBER 2005

(d) Twenty largest holders of quoted equity securities hold 41.21% of the total shares issued:

	Name	Number Held	%
1.	Mr Leith Beal	11,914,444	12.16
2.	Newmont Exploration Pty Ltd	6,315,000	6.44
3.	Caverndale Pty Ltd	3,062,000	3.12
4.	Whittingham Securities Pty Ltd	2,500,000	2.55
5.	Mr Gary Roper	2,134,207	2.18
6.	Runyon Pty Ltd	2,113,708	2.16
7.	Trident Nominees Ltd	1,448,584	1.48
8.	Mr Steven & Mrs Karen Zielinski	1,300,000	1.33
9.	Reef Securities Ltd	1,200,000	1.22
10.	Chanrich Properties Pty Ltd	1,135,000	1.16
11.	Mr Lewis & Mrs Janet Draper	1,010,000	1.03
12.	Mines & Resources Australia Pty Ltd	825,000	0.84
13.	Frontlaw Pty Ltd	795,384	0.81
14.	Equity Underwriters Pty Ltd	785,166	0.80
15.	Natalie Anne Taylor	709,038	0.72
16.	Shebandowan Investments Pty Ltd	680,867	0.69
17.	Jeam Pty Ltd	637,500	0.65
18.	Mr David Webster	614,000	0.63
19.	Ship Agencies Australia Pty Ltd	607,964	0.62
20.	Wogeboy Pty Ltd	607,668	0.62
	Total	40,395,530	

(e) Twenty largest holders of quoted Options Expiring 31 December 2008 at 20 cents hold 65.83% of the total shares issued:

	Name	Number Held	%
1.	Caverndale Pty Ltd	3,136,152	15.50
2.	Mr Steven & Mrs Karen Zielinski	1,250,000	6.18
3.	Vagg Investment Management Services Pty Ltd	1,200,000	5.93
4.	Frontlaw Pty Ltd	795,384	3.93
5.	Natalie Anne Naylor	709,038	3.50
6.	Zero Nominees Pty Ltd	600,000	2.97
7.	Equity Underwriters Pty Ltd	535,166	2.65
8.	Whittingham Securities Pty Ltd	500,000	2.47
9.	Equity Underwriters Pty Ltd	472,793	2.34
10.	Ironside Pty Ltd	472,692	2.34
11.	Prosperity Resources Ltd	472,692	2.34
12.	Mr James Sobey	443,000	2.19
13.	Mr Gary Roper	426,842	2.11
14.	Shebandowan Investments Pty Ltd	400,867	1.98
15.	Tricom Nominees Pty Ltd	389,040	1.92
16.	EERC Australiasia Pty Ltd	343,154	1.70
17.	Even Pty Ltd	330,867	1.64
18.	Bluefirm Pty Ltd	300,000	1.48
19.	Mr Andrew Sobey	287,000	1.42
20.	Mr Wayne Douglas King	250,000	1.24
	Total	13,314,687	

(f) Unlisted Options issued under the Employee Option Scheme

300,000 exercisable at 40 cents each until 31 December 2005

300,000 exercisable at 30 cents each until 31 December 2005

600,000 exercisable at 15 cents each until 31 December 2007