

**AuDAX RESOURCES LTD**  
ABN 50 009 058 646  
**NOTICE OF ANNUAL GENERAL MEETING**

**Notice is given that the Annual General Meeting of AuDAX Resources Ltd will be held in the Pavilion Room at the Sebel of Perth 37 Pier Street Perth on Friday 26th November 2004 at 10.30am (WST).**

**AGENDA**

**Financial Report and Directors' and Audit Reports**

1. To receive and consider the financial report, including the directors' declaration, for the year ended 30 June 2004 and the related directors' report and audit report.

**Resolution 1 - Election of Mr Ian Chalmers as a Director**

2. To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:  
*"That Mr Ian Chalmers, who retires by rotation in accordance with the Constitution of the Company, and being eligible, offers himself for re-election, is hereby re-appointed a Director of the Company".*

**Resolution 2. Approval of Future Issue of Securities**

3. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, for the purpose of Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the directors of the Company be authorised to allot and issue up to 10,000,000 fully paid ordinary shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice".*

**Short Explanation:** Under the ASX Listing Rules, the Company may seek shareholder approval prior to a share issue to allow it the flexibility to make future issues of securities up to the threshold of 15% of its total ordinary securities in any one twelve month period. Please refer to the Explanatory Statement for further details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any other person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons.

**Resolution 3. Company Employee Option Scheme**

4. To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, the Company's Employee Option Scheme ("the Scheme") originally approved by shareholders on 28 October 1988 and subsequently re-adopted by Special Resolution at a meeting of shareholders on 22 November 1991, 18 November 1994, 28 November 1997 and 21 November 2001, be re-adopted for a further 3 years commencing on 26 November 2004".*

An unabridged copy of the terms and conditions of the existing Scheme under which the Scheme operates will also be made available free of charge to any shareholder upon request.

The Company will disregard any vote cast on Resolution 3 by any of the directors and any associate of the directors. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**PROXY FORM**  
**AuDAX RESOURCES LTD**  
ABN 50 009 058 646

I/We \_\_\_\_\_ of \_\_\_\_\_  
(print shareholder(s) name(s)) (print address of shareholder(s))

being a member/members of AuDAX Resources Ltd, hereby appoint:

\_\_\_\_\_ of \_\_\_\_\_  
(print proxy's name in full)

and (if you wish to appoint two proxies) \_\_\_\_\_ of \_\_\_\_\_  
(print second proxy's name in full) (print second proxy's address)

or, in the proxy's/proxies' absence or if no other appointee is mentioned, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the annual general meeting of the company to be held on 26 November 2004 and at any adjournment of that meeting.

If the Chairman of the meeting is your proxy and you have not directed your proxy how to vote, please place a mark in this box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your vote and your vote will not be counted in computing the required majority if a poll is called on these items. The Chairman intends to vote undirected proxies in favour of all of the resolutions.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

I/We desire to vote on the resolution as indicated below:  
Please indicate with a tick how you wish your vote to be cast. Unless otherwise instructed, the proxy may vote as he/she thinks fit.

	FOR	AGAINST	ABSTAIN
Re-election of Director – Ian Chalmers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Approval of Future Issue of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Company Employee Option Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2004

Signature(s) of member(s)

Notes: 1. If you have appointed two proxies please indicate what proportion of your voting rights each proxy is to represent.  
2. If the appointment of a proxy is signed by the appointor's attorney, this form must be accompanied by the authority under which the appointment was signed, or a certified copy of the authority.

The completed proxy form may be:

- Mailed to AuDAX Resources Ltd 125 Edward Street Perth WA 6000 or Computershare Investor Services Pty Ltd, 45 St Georges Tce Perth WA 6000, or
- Faxed to AuDAX Resources Ltd on 08 9328 2869 or Computershare Investor Services Pty Ltd 08 9323 2033, or
- Emailed to [audax@inet.com.au](mailto:audax@inet.com.au) A proxy received by e-mail will be valid only if the original signed proxy form is presented for verification 48 hours before or at the meeting.

**AuDAX RESOURCES LTD**  
**ABN 50 009 058 646**

**EXPLANATORY STATEMENT**

This Explanatory Statement has been prepared to assist shareholders with the consideration of the Resolutions set out in the Notice.

**Resolution 1 - Re-election of Mr Ian Chalmers as a Director of the Company**

The present constitution of the Company requires that at each annual general meeting of the Company, one third of the directors for the time being, shall retire from office. A retiring Director is eligible for re-election. Additional Directors appointed since the last annual general meeting are not taken into account in determining the number of Directors who are to retire by rotation. Mr Ian Chalmers retires by rotation and is eligible for re-election. Mr Chalmers puts himself forward for re-election at the Meeting.

**Resolution 2 - Approval of Future Issue of Securities**

ASX Listing Rule 7.1 provides that a company must not issue more than 15% of its issued capital in any 12 month period without first obtaining the approval of its shareholders.

To provide the Company with the flexibility to make future issues of securities during the next 12 months, Resolution 3 seeks such shareholder approval to the issue of up to a maximum of 10,000,000 fully paid ordinary shares.

In compliance with the information requirements of ASX Listing Rule 7.3:

- (a) the shares will be issued at a price of at least 85% of the average market price of the Company's shares as traded on ASX over the 5 day period preceding the date of issue of the shares;
- (b) the shares will be issued no later than 3 months after the date of the Meeting or such later date as may be permitted by any ASX waiver or modification of the Listing Rules;
- (c) the shares when issued will rank equally with the Company's existing shares;
- (d) all shares the subject of this resolution will be allotted on the same date;
- (e) the identity of the allottees of the shares is not yet known, and will be determined at the Directors' discretion; and
- (f) the Company intends to use the funds raised from the issue of the shares:
  - (i) funding on-going exploration on the Company's existing projects; and
  - (ii) funding of new exploration opportunities in the precious metals, base metals or the oil and gas sectors.

**Resolution 3. Company Employee Option Scheme**

On 28 October 1988, the Company adopted an employee option scheme (the **AuDAX Employee Option Scheme**). The AuDAX Employee Option Scheme was subsequently readopted by shareholders on 22 November 1991, 18 November 1994, 28 November 1997 and 21 November 2001.

The principal provisions of the AuDAX Employee Option Scheme (as amended) include:

- the plan will be available to all employees of the Company (including casual and part time employees) and directors of the Company (collectively, the **Participants**);
- the number of options issued to any Participant, the exercise price and the exercise period of such options shall be determined by the directors of the Company in their sole discretion;

- the options will be issued for no consideration;
- options issued under the scheme to directors of the Company will not exceed 5% of the issued share capital of the Company;
- the resignation of a Participant who has been issued options under the scheme will not affect their right to exercise the options held by them according to their terms;
- the options are not transferable without the written consent of the directors of the Company;
- in the event of any reduction or reconstruction of the issued capital of the Company, the exercise price of the options and/or the number of options will be adjusted in accordance with the terms of the scheme;
- the options shall not participate in any bonus issues of securities unless and until they are exercised; and
- the options issued under the scheme will be unlisted, but application will be made by the Company for any shares issued upon the exercise of such options to be listed for quotation on ASX.

A full copy of the terms of the AuDAX Employee Share Option Plan are set out in schedule 1 to this explanatory memorandum.

Since the AuDAX Employee Scheme was last re-adopted by shareholders on 21 November 2001, the following issues have been made under the scheme:

Date of issue	Holder of options	Number	Terms of issue
23 November 2001	Peter Ironside	200,000	Exercisable at 30 cents each on or before 31 December 2003
23 November 2001	Wendy Donegan	100,000	Exercisable at 30 cents each on or before 31 December 2003
24 September 2002	Peter Ironside	200,000	Exercisable at 40 cents each on or before 31 December 2005
24 September 2002	Wendy Donegan	100,000	Exercisable at 40 cents each on or before 31 December 2005
13 November 2003	Peter Ironside	100,000	Exercisable at 30 cents each on or before 31 December 2005
13 November 2003	Wendy Donegan	100,000	Exercisable at 30 cents each on or before 31 December 2005
13 November 2003	Glen Edwards	100,000	Exercisable at 30 cents each on or before 31 December 2005

Resolution 3 seeks shareholder approval to permit future issues under the AuDAX Employee Option Scheme for a period of 3 years from the date of the meeting to be an exception to ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides (broadly) that a company must not issue in aggregate securities equal to more than 15% of the issued capital of the Company in any rolling 12 month period unless shareholder approval has been obtained.

If resolution 3 is passed by shareholders, all issues of options under the AuDAX Employee Option Scheme (and the issue of shares upon the exercise of those options) for a period of 3 years from 26 November 2004 will be excluded from the calculations in determining the number of securities which the Company may issue without shareholder approval under the 15% rule in ASX Listing Rule 7.1.

Resolution 3 is an ordinary resolution requiring it to be passed by a simple majority of the votes cast by shareholders entitled to vote on it.

The Company will disregard any vote cast on Resolution 3 by any of the directors and any associate of the directors. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Enquiries** - Shareholders are invited to contact the Managing Director, Mr Gary Roper on (08) 9328 4622 if they have any queries in respect of the matters set out in these documents.

## **Other Business**

5. To deal with any other business which may be brought forward in accordance with the Constitution and the *Corporations Act 2001*.

By Order of the Board

Gary James Roper  
Managing Director  
24 September 2004

## **Proxies**

If you are unable to attend and vote at the meeting and wish to appoint a person who is attending as your proxy, please complete the enclosed proxy form. This form must be received by the company's share registrar, Computershare Investor Services must receive this form, by 10.30am on 24 November 2004.

The completed proxy form may be:

- Mailed to the address on the form, or
- Faxed to AuDAX Resources Ltd on 08 9328 2869 or Computershare Investor Services on 08 9323 2033, or
- Emailed to [audax@iinet.com.au](mailto:audax@iinet.com.au). A proxy received by e-mail will be valid only if the original signed proxy form is presented for verification 48 hours before or at the meeting.

A member entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the company.

# AUDAX RESOURCES LTD

ABN 50 009 058 646

## ANNUAL REPORT 2004

# CONTENTS

	Page
Company Particulars	2
Report to Shareholders	3
Prospect Location	4
Review of Operations	5-12
Corporate Governance Statement	13-15
Tenement Schedule	16
Directors' Report	17-20
Directors' Declaration	21
Statement of Financial Position	22
Statement of Financial Performance	23
Statement of Cash Flows	24
Notes to and Forming Part of the Accounts	25-35
Auditors' Report	36
Shareholder Information	39

# CORPORATE DIRECTORY

## DIRECTORS

Gary James Roper (Managing Director)

Leith Beal

David Ian Chalmers

## SECRETARY

Peter Reynold Ironside

## REGISTERED AND PRINCIPAL OFFICE

125 Edward Street

Perth WA 6000

Telephone: (08) 9328 4622

Facsimile: (08) 9328 2869

Web Page: [www.audax.com.au](http://www.audax.com.au)

email: [audax@iinet.com.au](mailto:audax@iinet.com.au)

## SHARE REGISTRY

Computershare Investor Services Pty Ltd

45 St George's Terrace

Perth WA 6000

Telephone: (08) 9323 2001

## SOLICITORS

Corser & Corser

19th Floor

109 St George's Terrace

Perth WA 6000

## BANKERS

National Australia Bank

50 St Georges Tce

Perth WA 6000

## HOME STOCK EXCHANGE

Australian Stock Exchange Ltd

2 The Esplanade

Perth WA 6000

ASX Code: ADX

## AUDITORS

Rothsay Chartered Accountants

Level 1

2 Barrack Street

Sydney NSW 2000

# REPORT TO SHAREHOLDERS

AuDAX conducted a significant amount of exploration over the past 12 months in keeping with its stated commitment to find and develop mineral deposits.

Several major programmes of aircore and RAB drilling have been completed on the Bronzewing South and Millrose prospects and additional drilling is scheduled for the ensuing year.

Despite receiving the major portion of this effort, Bronzewing South failed to deliver the results we all expected. Accordingly the Company's share price has not performed as we would have liked, however I do believe the current price does not accurately reflect the potential or true value of the Company.

The exploration effort at Bronzewing South has defined numerous gold anomalies some of which are still to be tested. These and other untested areas will be progressively drilled during the coming year.

At Millrose, drilling outside the known resource (251,000oz gold) has continued to uncover significant mineralisation in a number of zones and work designed to convert these into resource categories continues. The Company has acquired additional land holdings adjacent to Millrose and now holds a substantial package of prospective ground in this area.

The Company also controls several other exploration areas which due to the emphasis placed on Bronzewing South have not received the attention they might have in different circumstances. These properties are currently being evaluated and various exploration programmes are proposed for the coming year. Of particular interest is the Marymia prospect where the Company controls 400 sq km's of ground, prospective for both gold and nickel. On ground work is expected to commence soon after the completion and interpretation of a low level aeromagnetic survey scheduled for September.

Like all shareholders the Directors are extremely disappointed that Bronzewing South has not performed to expectation, however that is the nature of exploration and the Board is determined

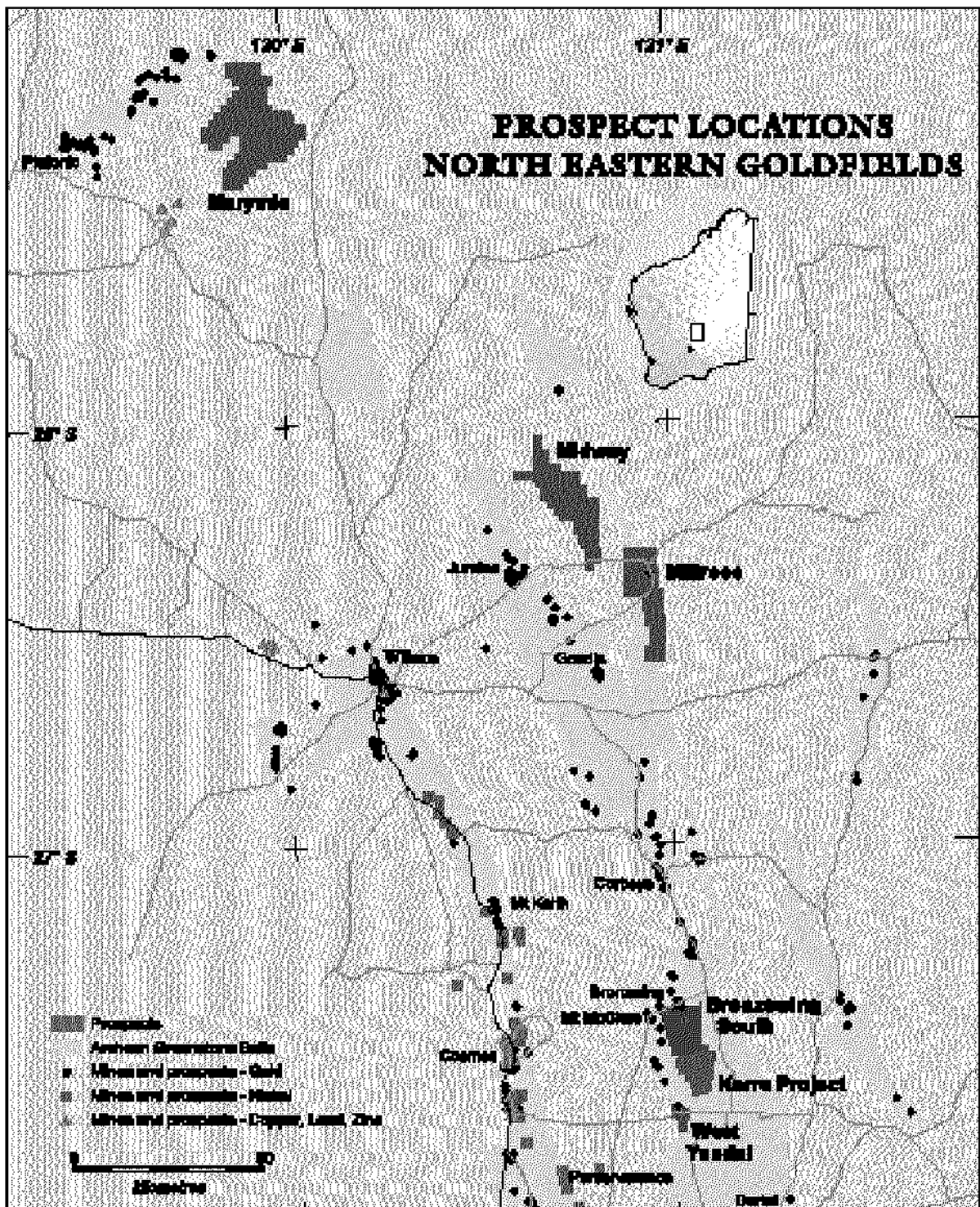
to move on and generate new and exciting prospects to further the Company's development.

AuDAX is in a sound financial position and has an experienced Board and excellent technical staff. We are continuing to investigate each and every opportunity and I am sure that with persistence and a small amount of luck we can create a positive future.



**Gary J. Roper**  
*Managing Director*

# PROSPECT LOCATIONS



# REVIEW OF OPERATIONS

## **Bronzewing South Project**

**E36/215, M36/602 M36/613**

**AuDAX Resources Ltd (acquiring 80%)**

**Newmont Australia Ltd (20% in M36/602 and M36/613 with option to earn up to 51%)**

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. Further work is required to follow up existing targets.

During the reporting period additional soil and lag sampling was undertaken to follow up previously defined anomalism and has led to the definition of a number of interesting gold-in-soil anomalies. The most significant of these being the Thompson's Well Grid and Ken's Bore anomalies. The former is a north-northeast striking anomaly between 100-450m wide with a strike length in excess of 3,800m. The anomaly appears to be associated with a north-northeast striking shear zone located on the eastern flank of the Bronzewing anticline. Composite rock chip sampling of quartz veins in the area has returned a number of anomalies, including one particular area which has given values of 30.9g/t, 13.0g/t, 18.1g/t gold. RAB/aircore drilling of a portion of the Thompson's Well Grid anomaly generated mixed results with intercepts of 12m @ 0.51g/t gold from 48m, 4m @ 0.79g/t gold from 56m and 4m @ 0.50g/t gold from 48m.

The Ken's Bore anomaly is located on the northeastern flank of the Hamster Tonalite in an area dominated by complex folding and thrusting. The anomaly extends over a width of approximately 400m and has a strike length in excess of 2,500m. Composite rock chip sampling of thin, poorly exposed, northwest trending quartz veins has returned anomalous results including 22.2g/t,

14.5g/t and 4.57g/t gold. RAB drilling in this area gave intercepts of 4m @ 1.3g/t gold from 0m and 2m @ 2.74g/t gold from 26m.

Follow up of soil anomalies in other areas has also returned anomalous results. The best being 3 composite rock chip samples taken from a quartz vein the vicinity of a 10ppb gold-in-soil anomaly, which returned 21.20g/t, 11.30g/t and 17.80g/t gold. RAB drilling beneath one of these anomalous rock chips intersected 2m @ 1.69g/t Au from 33m.

RAB/AC drilling (881 holes for 49,117m) undertaken by both AuDAX and Newmont to August 2004 focused on the evaluation of the southern portion of the Bronzewing Structural Corridor as well as testing regional conceptual structural/magnetic targets and follow up of soil and rock chip anomalies. This work resulted in previously discovered anomalies being extended and a number of new targets being generated. The more interesting prospects defined to date include:

- \* Bronzewing structural corridor – Gleeson, Gaudron, Kirby and McHugh prospects,
- \* Regional structural/magnetic targets – Eastern and Western Palaeochannels prospects,
- \* Regional soil and rock chip anomalies – Ken's Bore, Thompson's Grid North and South prospects and numerous other, as yet to be named anomalies.

Bronzewing structural corridor - RC/diamond drilling (3747.5m) was undertaken to evaluate conceptual and RAB/AC geology/geochemical targets in the area immediately to the south of the Bronzewing Mine. A sub-horizontal diamond hole drilled from 350m below surface to test a conceptual target base on a possible repetition of the Bronzewing lodes failed to return any significant intercepts.

Seven RC/diamond holes drilled to evaluate and obtain structural information from the Gaudron prospect proved disappointing. A number of holes intersected zones of significant alteration, veining, deformation and mineralisation but the best intercept to date is 2m @ 3.45g/t gold from 161m and 4m @ 2.36g/t gold from 124m. Other holes failed to return significant intercepts but there is

# REVIEW OF OPERATIONS

some doubt as to their effectiveness, especially in the absence of a reinterpretation of the possible controls on mineralisation. In many cases there is no explanation for supergene anomalies and there is a strong possibility that the source for the gold anomalism may be in a different structural orientation (possibly east-west strike with moderate north dip).

Three RC/diamond holes were drilled to evaluate the Gleeson prospect. Results were disappointing with only one hole returning a significant intercept of 0.9m @ 0.53g/t gold from 197.9m. The supergene anomalism again remains largely unexplained.

One RC hole drilled to test supergene anomalism at the Kirby prospect intersected a brecciated quartz vein in leucoxene altered dolerite from 68m. The most significant assays returned were 4m @ 0.1g/t gold from 44m and 4m @ 0.33g/t gold from 60m. Both these anomalous zones are interpreted to correlate to lateral dispersion within the regolith that may be "base of complete oxidation/ top of saprolite" controlled. The basement source of mineralisation is as yet unknown.

Eastern and Western Palaeochannel prospects – wide spaced reconnaissance RAB/Aircore drilling has highlighted a number of interesting zones of alteration/deformation/gold/arsenic anomalism. The northern portion of the Eastern Palaeochannel is defined by anomalous gold (>0.1g/t) and arsenic within sheared mafic volcanic units on all 5 widely spaced lines drilled over a strike length of ~1400m. Best result to date is 4m @ 0.92g/t gold.

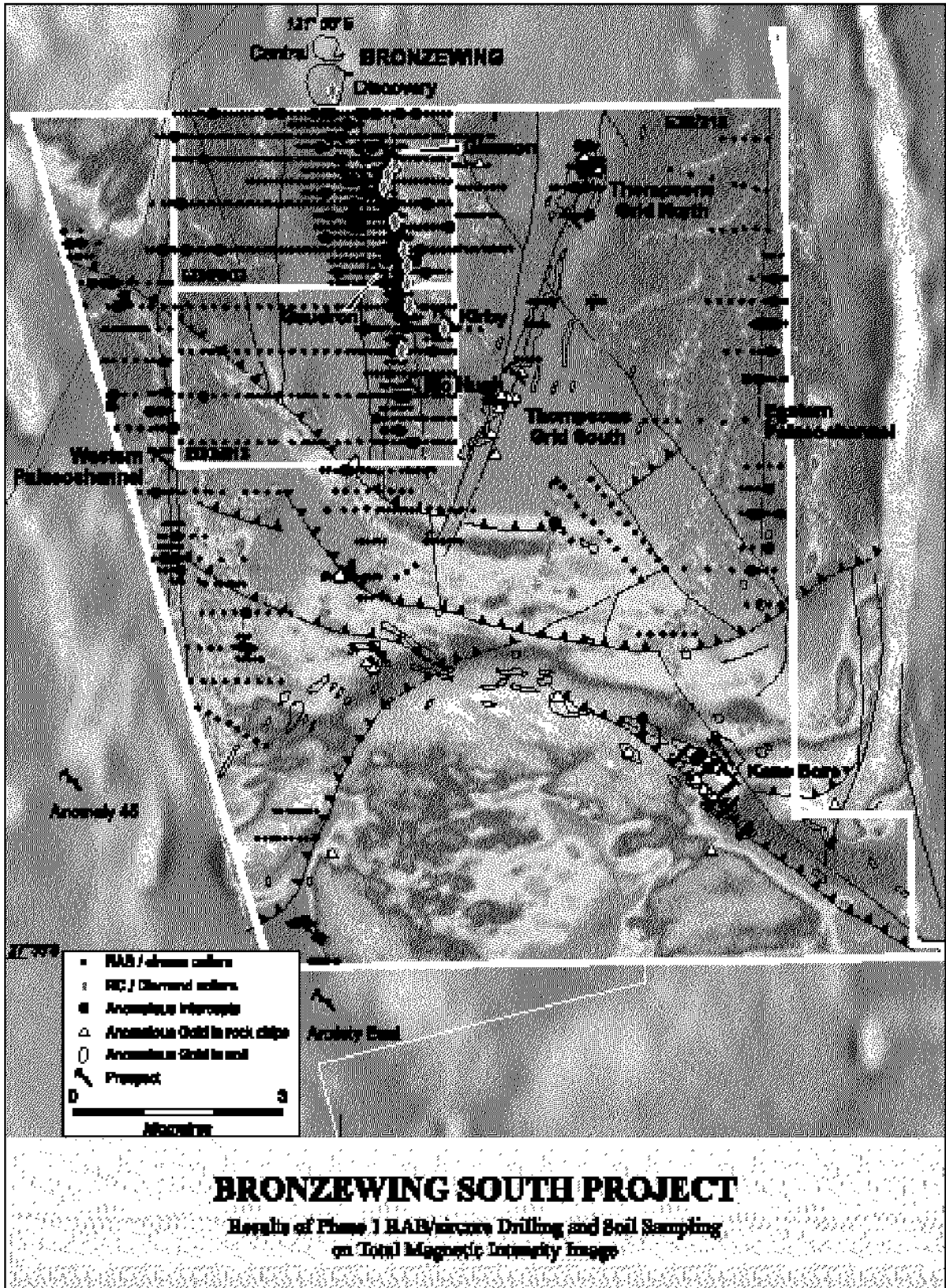
The southern portion of the Eastern Palaeochannel is also defined by anomalous gold (>0.1g/t) and arsenic within a sheared mafic volcanic unit on all 4 widely spaced lines drilled over a strike length of ~1300m. Best result to date is 4m @ 0.49g/t gold.

Western Palaeochannel prospect – continues to yield sporadic anomalous gold intercepts over strike of some 4.5km. Better results include 4m @ 1g/t, 4m @ 0.42g/t, 4m @ 0.37g/t gold, 4m @ 0.35g/t and 4m @ 0.31g/t gold within variable altered and sheared basalts, dolerites and felsic intrusive units.

The majority of these anomalies have not been drilled in any detail and most are open along strike. Typical drill spacing is 320m x 80m in zones with preserved lateritic profiles and 200m x 50m in areas with stripped profiles. Drilling to date has largely been limited to testing discrete structural magnetic targets and gold-in-soil anomalies.

Soil sampling, mapping, petrology and geochemistry from bottom of hole samples drilled to test the South Western and South Eastern magnetic anomalies have returned interesting results with respect to the nickel potential of the area. The complex high magnetic response in both areas is due to an intercalated folded and thrust sequence comprising ultramafic, sediment (black shale and chert), basalt and dolerite units. Profiles are stripped and soil sampling has effectively mapped the ultramafic sequences in both areas and has returned nickel values in excess of 800ppm. Ultramafic units in both areas appear to represent differentiated komatiitic flows with preserved high-magnesia basal portions and basal contacts. Magnetic modelling suggests high magnetic susceptibilities, no doubt representing serpentinised olivine rich sequences. These factors together with geochemistry indicate prospectivity for nickel sulphide mineralisation.

# REVIEW OF OPERATIONS



# REVIEW OF OPERATIONS

## 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.

In September 2003 AuDAX reached an agreement and purchased Mines and Resources Australia Ltd's (M&R) interest in the project. The acquisition of 53% equity from M&R gave AuDAX 100% interest in the 140sq km project area, which includes a resource with potential for possible future mine, development.

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 volcanoclastic, 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. Better results within a broad >1g/t Au zone include **4m @ 18.74g/t, 6m @ 3.15g/t, 3m @ 14.27g/t, 5m @ 3.64g/t, 3m @ 4.78g/t and 3m @ 11.14g/t gold.** There is therefore significant potential to upgrade these resources in the future. Also the structure

hosting the mineralisation, the Celia Lineament, is present throughout the length of the project area but remains untested for the majority of its length.

The Identified Mineral Resources (northern 700m of Old Camp Bore prospect only), quoted at the appropriate levels of precision, are as per the table below.

AuDAX has carried out a detailed review and additional scoping studies on the Millrose Resource. Work included a review of the resource model and the production of a set of open pit optimisations and financial modelling for various open pit scenarios and sensitivities. Scenarios included toll treatment, stand-alone and heap leach options. Results suggest that all three scenarios present positive cash flows. Based on the conclusions of this study a decision was made to:

- complete additional drilling to the south of the existing resource with a view to expanding the size of the resource,
- obtain metallurgical samples to evaluate suitability for a heap leach of the laterite resource,
- continue to work on the existing resource especially with respect to looking at ways to reduce mining and processing costs and maximize returns, and;
- test regional targets with a view to finding new prospects and additional resources.

Two vertical RAB holes were designed and drilled to obtain material for metallurgical test work to be

### RESOURCES at 1.0g/t Gold Cut Off Grade

	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
<b>TOTAL</b>	<b>2,415,000</b>	<b>2.29</b>	<b>178,000</b>	<b>1,246,000</b>	<b>1.83</b>	<b>73,000</b>	<b>3,661,000</b>	<b>2.13</b>	<b>251,000</b>

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.

# REVIEW OF OPERATIONS

carried out on the laterite resource. The holes confirmed low-moderate gold grades occur within transported pisolithic and lateritic gravels returning **5m @ 1.89g/t gold from 3m and 5m @ 2.55g/t gold from 3m**. Results of this testwork are currently being analysed but initial indications are that recoveries are lower than expected and the laterite will not support a heap leach without additional grinding.

Ninety nine aircore holes were drilled (8980m) to further evaluate the area to the south of the resource and to test regional conceptual targets along strike. Results from the area to the south of the existing resource are considered very encouraging.

The broad low-grade supergene gold anomaly surrounding the Millrose Resource continues for at least another 2.6km south and in places reaches widths in excess of 500m. Drilling to date has confirmed the presence of a number of sub-parallel high-grade structures/zones within this broader low-grade supergene gold anomaly.

These high-grade structures represent significant targets that have the potential to add substantial ounces. Previous reconnaissance RC drilling targeted three of these zones and confirmed the robust nature of a number of them.

The "Eastern Zone" contains high-grade intercepts on each section over a strike extent of approximately 400m, including: **5m @ 3.06g/t, 4m @ 2.75g/t, 3m @ 4.1g/t, 7m @ 2.9g/t (inc. 4m @ 6.54g/t), 19m @ 5.45g/t (inc 9m @ 10.41g/t), 9m @ 4.78g/t and 7m @ 2.12g/t gold**. Aircore drilling during the reporting period returned **4m @ 1.34g/t gold** from a hole drilled 100m to the south of this zone and **40m @ 1.17g/t from 52m (inc 20m @ 2.06g/t) and 4m @ 3.19g/t gold from 56m** and ending in mineralisation from two holes drilled 100m to the north. The current strike extent of this high-grade mineralisation is now in excess of 600m.

Previous reconnaissance RC drilling of the "Southern Zone" while returning a number of interesting intercepts suggests mineralisation is perhaps thinner and slightly less continuous. Existing intercepts include **7m @ 3.00g/t and 7m @ 3.16g/t gold**. The strike of this zone currently

extends over 300m. Aircore drilling completed during the reporting period to the north of this zone returned only low-grade mineralisation but drilling 100m to the south returned a number of encouraging intercepts including **4m @ 1.31g/t from 24m and 4m @ 1.43g/t from 96m** and ended in >1g/t gold.

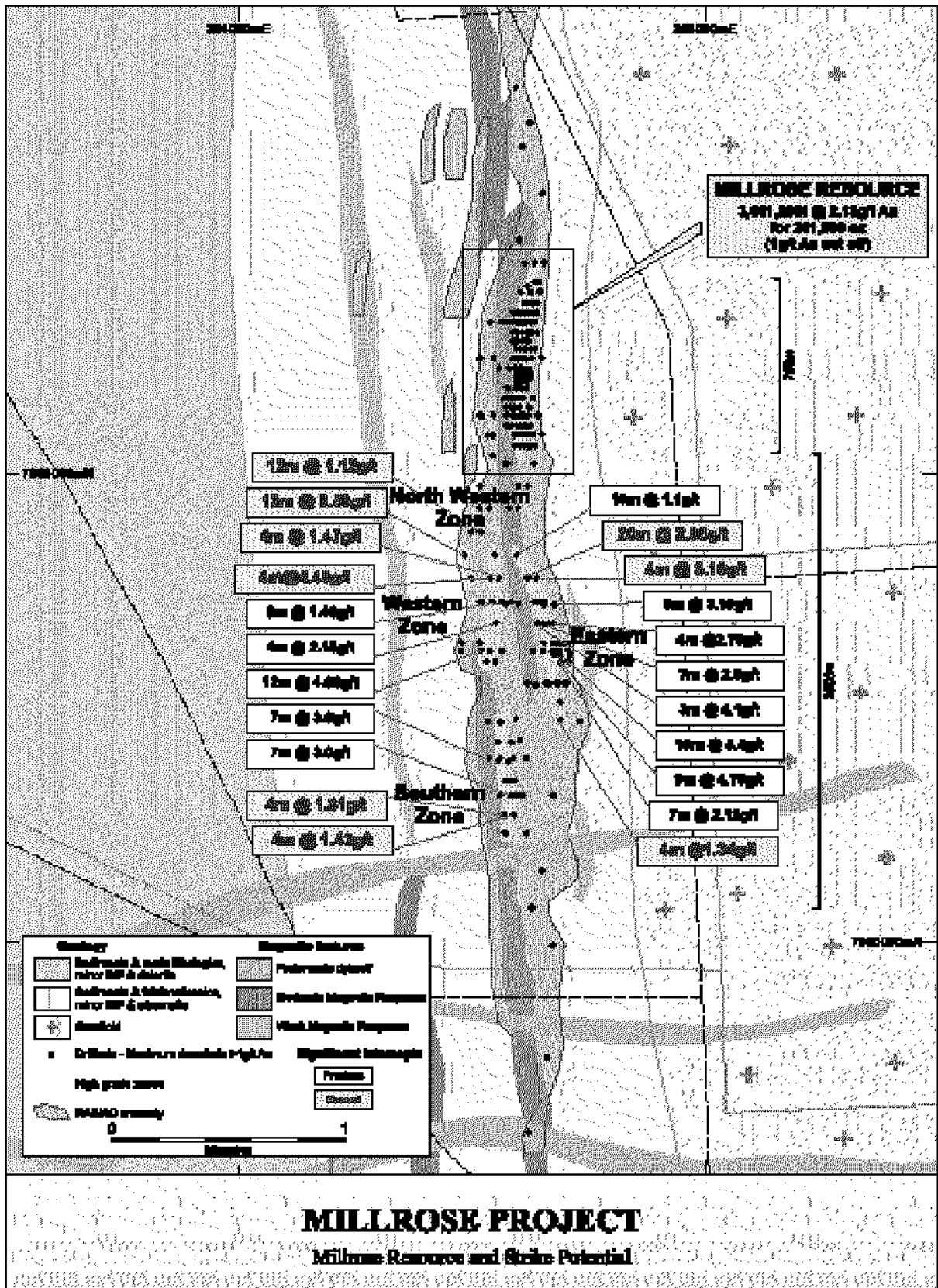
Previous broad spaced RC and aircore drilling of the "Western Zone" defined mineralisation over approximately 300m. Intercepts include **6m @ 1.46g/t, 4m @ 2.15g/t and 12m @ 4.88g/t gold**. Aircore drilling during the reporting period returned **4m @ 4.46g/t from 24m and 4m @ 1.47g/t from 88m** on a section drilled 100m to the north of previously defined mineralisation.

Of particular interest was one result from the recent aircore drilling in that it represents a new zone west of the previously known mineralisation. The hole returned **34m @ 2.16g/t including 12m @ 5.59g/t gold from 64m**, with the hole ending in mineralisation. Drilling 100m to the north returned **4m @ 1.0g/t from 16m and 124m and 4m @ 1.12g/t from 80, and 4m @ 1.33g/t gold from 76m**.

Drilling of regional targets to the west and north west of the main Millrose Resource continues to define extensive zones of low grade supergene anomalism including **16m @ 0.47g/t gold and 12m @ 0.40g/t gold**. A hole drilled some 600m to the north of the resource returned **2m @ 1.59g/t gold** and ended in mineralisation.

A small orientation geochemistry survey (partial digest) has been undertaken in an attempt to investigate the potential to use such techniques to discriminate between tenure and nature of supergene and primary gold mineralisation. Results are awaited.

# REVIEW OF OPERATIONS



# REVIEW OF OPERATIONS

## Marymia Project

E(A)52/1433, E(A)52/1434

AuDAX Resources Ltd 100%

The Marymia Project is located approximately 180km north east of Meekatharra and lies within the Marymia Dome, an Archean basement high hosting a complexly folded and faulted greenstone sequence, situated within the major Proterozoic Capricorn Orogenic Belt. The Marymia Dome hosts the 2.65 million ounce Plutonic gold deposit of Barrick Mines Ltd.

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 Prospects

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

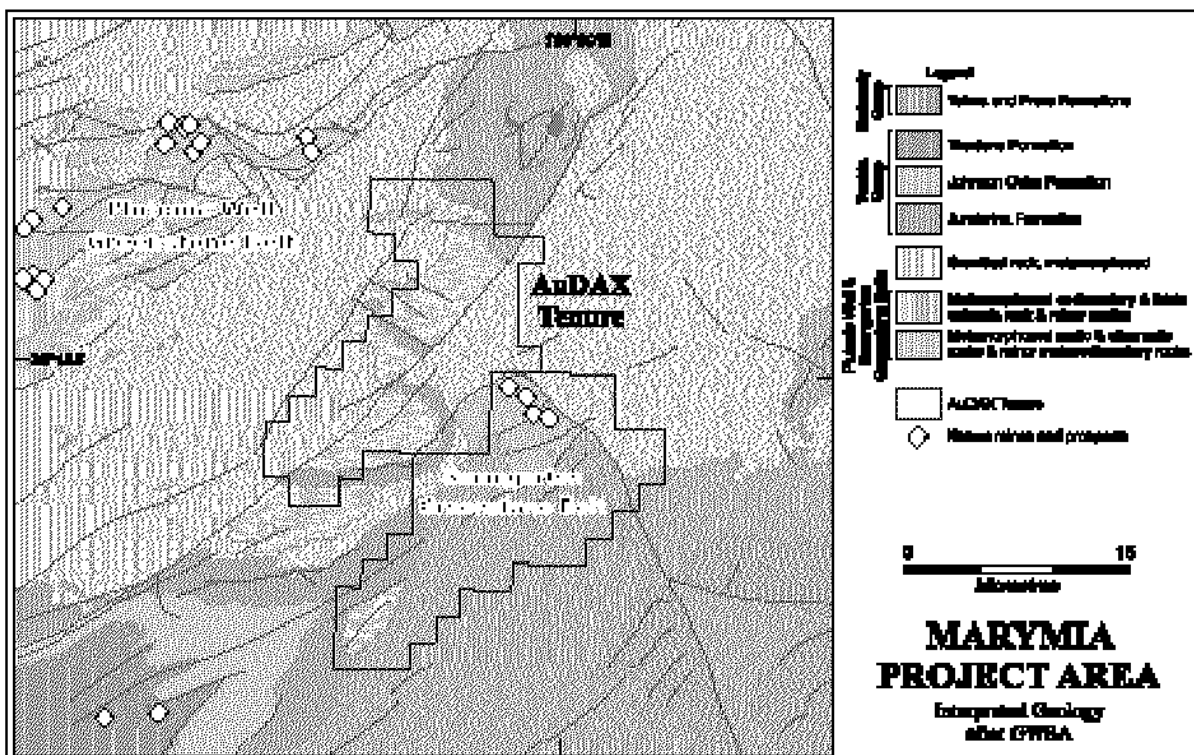
and 14.2m @ 0.55g/t Au

## 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. The 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 proposed low level detailed aeromagnetic survey has been delayed due to weather conditions but should be completed by the end of October.



# REVIEW OF OPERATIONS

## **West Yandal Project E36/404, M(A)36/615**

**AuDAX Resources Ltd 49%**

**Newmont Yandal Ltd 51%**

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.

All of the RC/diamond holes targeting interpreted steep southwest plunging high-grade shoots identified from drilling in late 2002 intersected the mineralised north-south trending shear/thrust at or near the targeted depth. Despite the strike and down-dip continuity of this mineralised unit, grades were disappointing, the best intercept being 8m @ 0.36g/t from 95m and 13m @ 0.64g/t which included 1m @ 5.76g/t gold from 108m. The potential of the Venus Prospect to deliver a small economic resource is still high and is currently being investigated.

Significant high-grade values were returned from rock chip samples collected from the Vulcan prospect (3km south of Venus). Rock chip samples collected from north easterly trending sulphidic quartz veins 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 orientated east-west 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 sulphide work has been completed in the past and many soil, rock chip and drill samples were not analysed for nickel at all. A total of 20 samples has been collected from spoil from old RAB holes that intersected ultramafic units and submitted for Ni and indicator element analysis. A number of holes have returned elevated Ni, Cu, Pt and Pd values. Further work on the Nickel sulphide potential is proposed.

## **Gindalbie**

The project area is located some 20km north northeast of the Gindalbie mining center and close to the Carr Boyd Rocks nickel deposit. A preliminary assessment of the area has highlighted the nickel potential and data is currently being compiled and assessed.

Mt Barnicoat, Midway, Millrose West and Yandal data is currently being collected, collated and interpreted with a view to determining prospectivity, delineating targets and defining work programs.

# 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 fulfill 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](http://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

# CORPORATE GOVERNANCE STATEMENT

or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;

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 Directors' 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

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.

# CORPORATE GOVERNANCE STATEMENT

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 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 Director 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](http://www.audax.com.au).

# TENEMENT SCHEDULE

Tenement Schedule as at 30 June 2004

Prospect	Tenement	Interest
Bronzewing South	E36/215	Option over 80% (Agreement with Leith Beal - Hot Holdings Pty Ltd)
	M36/602	Option over 80% - Newmont Exploration Pty Ltd 20%
	M36/613	Option over 80% - Newmont Exploration Pty Ltd 20%
Dulcie	E77/351	Sons of Gwalia Ltd 90% (AuDAX 10% free carried)
	M(A)77/807	Sons of Gwalia Ltd 90% <i>Not Yet Approved</i> (AuDAX10% free carried)
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>
Marymia	E(A)52/1687	100% <i>Not Yet Approved</i>
	E(A)52/1688	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	100% <i>Not Yet Approved</i>
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>
West Yandal	E36/404	49% Newmont 51%
	M(A)36/615	49% Newmont 51% <i>Not Yet Approved</i>
Yandal	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>

# DIRECTORS' REPORT

The Directors present their report on the results of the Company for the year ended 30 June, 2004 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 \$2,378,093 [2003: \$570,867].

## 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 in the Review of Operations in this report.

Subsequent to year end the Company acquired 80% of Exploration Licence 36/215 by the allotment and issue of 10,000,000 ordinary fully paid 25 cent shares. The financial effect of this transaction has not been recognised in the financial statements. No other 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, 2004.

## LIKELY DEVELOPMENTS

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

## MEETINGS OF DIRECTORS

During the financial year, 7 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

Mr Gary James Roper	7
Mr Leith Beal	7
Mr David Ian Chalmers	7

# 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.

## 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.

## CHALMERS, DAVID IAN

MSc, FAusIMM, FIMM, 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.

## 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 ON THE EXERCISE OF OPTIONS

The following ordinary shares were issued during the financial year on the exercise of options:

Date options granted	Issue price of shares	Number of shares issued
28 August 2001	\$0.30	55,719

## EMPLOYEE OPTION SCHEME

300,000 Options exercisable at 30 cents each on or before 31 December 2005 were granted under the Company's Employee Option Scheme during the financial year.

## DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The Company's remuneration policy is disclosed in the Corporate Governance Statement preceding this report.

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.

# DIRECTORS' QUALIFICATIONS AND EXPERIENCE

## EXECUTIVE DIRECTOR OF AUDAX RESOURCES LTD

Name	Director's 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	62,716	1,755	83,971
Ian Chalmers	19,500	13,663	1,755	34,918

## OTHER EXECUTIVES OF AUDAX RESOURCES LTD

Name	Base Salary	Superannuation	Total
	\$	\$	\$
Peter Ironside (Company Secretary)	19,800	-	19,800

There are no other executives of AuDAX Resources Ltd.

# DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

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	1,775,390	100,000	-	-
Leith Beal	12,062,302	2,268,500	-	-
David Ian Chalmers	-	87,334	-	-

Signed at Perth in accordance with a resolution of Directors.



Gary J Roper  
Managing Director

Dated this 24th day of September 2004

# 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 2004 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.

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



Gary J. Roper  
Managing Director

Dated this 24th day of September 2004

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE, 2004

	NOTES	2004 \$	2003 \$
<b>CURRENT ASSETS</b>			
Receivables	4	68,753	26,238
Investments	5	329,945	288,056
Cash assets	6	3,490,498	4,804,968
<b>TOTAL CURRENT ASSETS</b>		<b>3,889,196</b>	<b>5,119,262</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	7	247,652	189,351
Exploration & Evaluation Expenditure	8	3,332,172	4,368,741
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,579,824</b>	<b>4,558,092</b>
<b>TOTAL ASSETS</b>		<b>7,469,020</b>	<b>9,677,354</b>
<b>CURRENT LIABILITIES</b>			
Payables	9	73,445	42,165
Interest-bearing Liabilities	10	22,001	-
Provisions	11	14,445	8,542
<b>TOTAL CURRENT LIABILITIES</b>		<b>109,891</b>	<b>50,707</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing Liabilities	10	93,861	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>93,861</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>203,752</b>	<b>54,764</b>
<b>NET ASSETS</b>		<b>7,265,268</b>	<b>9,626,647</b>
<b>EQUITY</b>			
Contributed Equity	2	21,885,012	21,868,298
Reserves	3	3,165,542	3,165,542
Accumulated Losses		(17,785,286)	(15,407,193)
<b>TOTAL EQUITY</b>		<b>7,265,268</b>	<b>9,626,647</b>

The accompanying notes form part of these statements.

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE, 2004

	NOTES	2004 \$	2003
Interest income		258,508	29,610
Other revenue from ordinary activities		38,794	5,501
Total revenue from ordinary activities		297,302	35,111
Audit fees		(16,000)	(10,000)
Consultants fees		(21,971)	(20,913)
Depreciation expense		(39,881)	(15,555)
Employee expenses		(272,241)	(274,430)
Exploration written-off		(2,089,584)	(79,876)
Investor relations		(33,231)	(63,640)
Office & equipment maintenance		(12,285)	(17,586)
Motor vehicles		(54,675)	(37,471)
Printing, postage & stationery		(15,997)	(21,888)
Stock exchange fees		(20,836)	(26,572)
Share registry fees		(17,574)	(21,523)
Telephone & communications		(13,306)	(15,254)
Unrealised gain on investments		(13,384)	61,739
Other expenses from ordinary activities		(54,430)	(63,009)
(Loss) from ordinary activities before related income tax expense	12	(2,378,093)	(570,867)
Income tax expense relating to ordinary activities	13	-	-
(Loss) from ordinary activities after related income tax expense		(2,378,093)	(570,867)
Accumulated (Losses) at the beginning of the financial year		(15,407,193)	(14,836,326)
Accumulated (Losses) at the end of the financial year		(17,785,286)	(15,407,193)
Basic earnings per share	14	(0.03)	(0.01)

The accompanying notes form part of these statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE, 2004

		Inflow/ (Outflow) 2004 \$	Inflow/ (Outflow) 2003 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Payments to Suppliers & Employees		(481,913)	(651,502)
Interest Received		258,508	10,294
Rental Income		3,720	3,900
Dividends Received		620	1,931
Net Cash Provided (Utilised) by Operating Activities	22	(218,245)	(635,377)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for Investments		(185,041)	(15,379)
Payment for Plant & Equipment		(14,360)	(108,369)
Payment for Exploration and Evaluation		(1,154,961)	(301,123)
Proceeds from Sale of Investments		213,423	-
Proceeds from sale of Plant & Equipment		28,000	-
		(1,112,939)	(1,532)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of Shares and Options		16,714	5,829,581
		16,714	5,829,581
Net Increase in Cash Held		(1,314,470)	4,769,333
Cash at 1 July 2003		4,804,968	35,635
Cash at 30 June 2004	22	3,490,498	4,804,968

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

## 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%

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

## 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. 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.

## H. INTERNATIONAL ACCOUNTING STANDARDS

With regard to AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, the Company has instigated a continual review of International Accounting Standards and the effects they will have on the Company's future financial statements. The Company does not have any non-current assets which, being subject to an impairment test, and as far as it can be judged at present, will have any significant impact on future financial statements with regard to assets other than exploration tenements.

With regard to exploration and evaluation costs, given that the International Accounting Standards Board has not yet finalised its proposed standard, the new policy cannot be determined until finalisation of the relevant accounting standard and therefore it is not possible to identify whether there will be a significant impact on the financial statements as a result of the move to International Financial Reporting Standards in future years.

At present, the Company is not aware of any key differences in accounting policies that are expected to arise from adopting A-IFRS. The company is continuing to monitor the Standards and have a committee in place to evaluate the new Standards and their impact on a continuing basis.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

	2004	2003
	\$	\$
<b>NOTE 2 – CONTRIBUTED EQUITY</b>		
<b>A. ISSUED CAPITAL</b>		
67,807,872 ordinary shares fully paid (2003 – 66,837,153 ordinary shares fully paid)	21,885,012	21,868,298

During the year 55,719 ordinary shares were issued at 30 cents pursuant to the exercise of options, 825,000 ordinary shares were issued pursuant to the acquisition of a mineral tenement and 90,000 ordinary shares were issued for services rendered.

## 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>3,165,542</u>	<u>3,165,542</u>

### **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.

## NOTE 4 – RECEIVABLES

GST Receivable	68,753	26,238
----------------	--------	--------

## NOTE 5 – INVESTMENTS

Shares in Corporations listed on a prescribed stock exchange at market value	329,945	288,056
--	---------	---------

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

	2004 \$	2003 \$
<b>NOTE 6 – CASH ASSETS</b>		
Cash at Bank and on hand	246,135	85,653
Short Term Deposits	3,244,363	4,719,315
	<u>3,490,498</u>	<u>4,804,968</u>

## NOTE 7 – PROPERTY, PLANT & EQUIPMENT

Land & Buildings - at cost	251,517	251,517
Less: Accumulated Depreciation	(170,280)	(157,705)
	<u>81,237</u>	<u>93,812</u>
Equipment and Motor Vehicles - at cost	193,719	146,108
Less: Accumulated Depreciation	(27,304)	(50,569)
	<u>166,415</u>	<u>95,539</u>
Total Property, Plant & Equipment	<u>247,652</u>	<u>189,351</u>

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

### Land & Buildings

Carrying amount at beginning of year	93,812	106,387
Depreciation	(12,575)	(12,575)
	<u>81,237</u>	<u>93,812</u>

### Plant & Equipment

Carrying amount at beginning of year	95,539	-
Additions	126,180	146,108
Disposals	(28,000)	(47,590)
Depreciation	(27,304)	(2,979)
	<u>166,415</u>	<u>95,539</u>

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

	2004	2003
	\$	\$
<b>NOTE 8 – EXPLORATION &amp; EVALUATION EXPENDITURE</b>		
Exploration & Evaluation expenditure costs carried forward in respect of areas of interest	3,332,172	4,368,741

During the year ended 30 June 2004 the Directors reviewed the valuation of the Company's interests in mining tenements to reflect the future exploration and income potential of the areas.

## NOTE 9 – PAYABLES

Trade Creditors	73,445	42,165
-----------------	--------	--------

## NOTE 10 – INTEREST BEARING LIABILITIES

Current		
Hire purchase commitment	22,001	-
Non-Current		
Hire purchase commitment	93,861	-

## NOTE 11 – PROVISIONS

Employee entitlements	14,445	8,542
-----------------------	--------	-------

There are 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	15,000	11,000
- other services	1,000	1,000
(the auditors received no other benefits)		
Provision for employee entitlements	5,903	2,002

## NOTE 13 – INCOME TAX EXPENSE

Prima facie tax on operating loss at 30%	(713,428)	(171,260)
Future income tax benefit not brought to account	713,428	171,260
Income tax attributable to operating loss	-	-

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

	2004	2003
	\$	\$
Estimated future income tax benefits attributable to tax losses and timing differences available to be carried forward amount to \$6,979,639 (2003: \$6,265,936)		

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.

## NOTE 14 - EARNINGS PER SHARE

Basic earnings per share (cents per share)	(0.03)	(0.01)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	67,357,857	58,677,776

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 15 - 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 \$600,000 (2003: \$500,000). 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 16 - SEGMENTAL INFORMATION

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

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

## NOTE 17 - INTEREST IN JOINT VENTURES

	2004	2003
	%	%
Joint Venture:		
i) Millrose	100	47.38
ii) Dulcie	10	20
iii) Eucalyptus	50	50

ii) AuDAX's 10% interest is free carried.

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.

## NOTE 18 - 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	62,716	19,500	1,755	83,971
I Chalmers	Director, Geological consulting	13,663	19,500	1,755	34,918
Total 2004		76,379	169,000	15,210	260,589

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	59,860	19,500	1,755	81,115
I Chalmers	Director, Geological consulting	15,341	19,500	1,755	36,596
Total 2003		75,201	169,000	15,210	259,411

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.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

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 Director 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.

## NOTE 19 - RELATED PARTY TRANSACTIONS

Mr Beal is a director and shareholder of Runyon Pty Ltd a company that was paid \$62,716 (2003: \$59,860) 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 \$13,663 (2003: \$15,341) 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**

The Company entered into an option agreement dated 4 March, 1994 with Mr Beal, a director of the Company, to acquire 80% of Exploration Licence 36/215. The Company shall exercise the option within 12 months after the date of grant of the tenement or such further time as the parties may agree. The exercise price will be satisfied by the allotment and issue of a further 10,000,000 ordinary fully paid 25 cent shares. ( see Note 21)

### **Millrose E53/600**

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

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

## DIRECTORS 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:

	2004	2003
Ordinary shares	6,293,526	6,293,526
Options over ordinary shares	-	6,854,262

Name	Balance at the start of the year	Purchased/Sold during the year	Balance as the end of the year
Gary Roper	1,875,390	-	1,875,390
Leith Beal	4,330,802	-	4,330,802
David Ian Chalmers	87,334	-	87,334
Total	6,293,526	-	6,293,526

The options held at 30 June 2003 expired during the year.

## NOTE 20 – 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:

2003	Average Interest Rate	Variable Interest Rate 1 Year	Fixed Interest Rate Maturity Less than 1 year	Non-interest Bearing	Total
	%	\$	\$	\$	\$
Cash	-	85,453			85,453
Deposits - Cash	5.1		4,719,315		4,719,315
Receivables	-				
Accounts Payable				42,165	42,165

2004	Average Interest Rate	Variable Interest Rate 1 Year	Fixed Interest Rate Maturity Less than 1 year	Non-interest Bearing	Total
	%	\$	\$	\$	\$
Cash	-	246,135			246,135
Deposits - Cash	5.5		3,244,363		3,244,363
Receivables	-				
Accounts Payable				73,445	73,445

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

## **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 21 - SUBSEQUENT EVENTS**

Subsequent to year end the Company acquired 80% of Exploration Licence 36/215 by the allotment and issue of 10,000,000 ordinary fully paid 25 cent shares (see Note 19). The financial effect of this transaction has not been recognised in the financial statements. No other 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 2004.

## **NOTE 22 - 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:

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Cash on Hand	200	200
Cash at Bank	245,935	85,453
Cash on Deposit	3,244,363	4,719,315
	<hr/>	<hr/>
	3,490,498	4,804,968
	<hr/>	<hr/>

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE, 2004

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

	Inflow/ (Outflow) 2004 \$	Inflow/ (Outflow) 2003 \$
Operating Profit(Loss) after Income Tax	(2,378,093)	(570,867)
Non Cash Flows in Operating Profit(Loss)		
Depreciation	39,881	15,555
Movements in Provisions	5,903	2,002
Diminution in Value of Shares	13,384	(61,739)
Exploration Writedown	2,089,584	79,876
Profit on Sale of Assets	(34,454)	-
Other	43,334	(94,145)
Decrease (Increase) in Receivables	(42,515)	-
(Decrease) Increase in Accounts Payable	44,731	(6,059)
Net Cash Provided (Utilised) by Operating Activities	<u>(218,245)</u>	<u>(635,377)</u>

# ROTHSAY

Level 1, 2 Barrack St, Sydney NSW 2000  
Phone: 02 9299 0091 E-mail: swan2000@bigpond.com.au

## 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 2004.

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.



Chartered Accountants

Liability limited by the Accountants Scheme, approved  
under the Professional Standards Act 1994 (NSW).

# ROTHSAY

Level 1, 2 Barrack St, Sydney NSW 2000  
Phone: 02 9299 0091 E-mail: swan2000@bigpond.com.au

## 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 2004 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 28 September 2004

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



Chartered Accountants

Liability limited by the Accountants Scheme, approved  
under the Professional Standards Act 1994 (NSW).

# SHAREHOLDER INFORMATION

Shareholdings as at 23 September 2004

(a) Substantial Shareholders

Name	Shareholding	%
Leith Beal	12,000,277	15.44
Newmont Exploration	6,315,000	8.13

(b) Shareholder Distribution Schedule

1 - 1000	136
1001 - 5000	595
5001 - 10000	463
10001 and over	812
Total	<u>2,006</u>

There are 753 shareholders who hold less than a marketable parcel of 5,556 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.

# SECURITIES INFORMATION

Shareholder Information as at 23 September 2004

(d) Twenty largest holders of quoted equity securities hold 42.62% of the total shares issued:

Name	Number Held	%
1. Mr Leith Beal	12,000,277	15.44
2. Newmont Exploration Pty Ltd	6,315,000	8.13
3. Runyon Pty Ltd	2,108,500	2.71
4. Gary J. Roper	1,707,365	2.20
5. Trident Nominees Ltd	1,448,584	1.86
6. Chanrich Properties Pty Ltd	1,135,000	1.46
7. Mr LA & Mrs JA Draper	1,010,000	1.30
8. Mr Wayne R Jones	937,500	1.21
9. Mines & Resources Australia Pty Ltd	825,000	1.06
10. Barley Holdings Pty Ltd	823,000	1.06
11. Mr David H Webster	614,000	.79
12. Wogeboy Pty Ltd	607,668	.78
13. FH Nominess Pty Ltd	600,000	.77
14. Jeam Pty Ltd	510,000	.66
15. Ship Agencies Australia Pty Ltd	510,000	.66
16. AWD Consultants Pty Ltd	400,000	.51
17. Mr Arthur Carbo	400,000	.51
18. Victory Crest Pty Ltd	400,000	.51
19. Natnina Pty Ltd	390,000	.50
20. Lorenz Investments	388,000	.50
<b>Total</b>	<b>33,129,894</b>	

(e) 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

This page has been left blank intentionally