AuDAX Resources Ltd

ABN 50 009 058 646

Annual Report 2006

AuDAX
Resources Ltd

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Corporate Directory

Directors

Gary James Roper (Managing Director)
Leith Beal
David Ian Chalmers
Glen Warren Edwards

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
email: 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 and Corser
6th Floor
37 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

Dear Shareholder

Following delays beyond the Board's control, AuDAX participated in the drilling of its first oil and gas exploration well in the Cooper Basin during the reporting period.

The Joint Venture elected to drill Emily 1 using Century Rig 18 as a result of the ongoing delays associated with the White Sands Petroleum rig which has been contracted by the Joint Venture to drill 5 wells but has yet to complete its first shakedown well or receive its "fit for purpose" rating from the relevant authorities. The use of Rig 18 was very expensive and certainly at the rates charged, it is not an option for any future program.

Emily 1 was spudded in January 2006 and drilled to a total depth of 2,324 metres. A "fair" show of oil was reported at a depth of 1,901.5 however this discovery was unable to be properly tested as heavy rain caused road closures which prevented access to the site by the test contractors. The well was drilled to its total depth before the interval of interest could be tested. The results were inconclusive and the well was cased and suspended. However, it is anticipated that the oil bearing sand will be selectively perforated and retested when a rig is available to establish any potential oil production.

Emily 1 may have the potential to become a small producer and the discovery of oil in our first well certainly confirms the prospectivity of the Permit. We look forward to drilling the other 4 priority targets in the near future.

The White Sands rig remains the best option for AuDAX to drill future wells, provided the rig completes its shakedown well/s and receives all necessary clearances. Unfortunately, White Sands' drilling of the shakedown well commenced in June 2006, but continues to be extraordinarily slow and the future Cooper program cannot commence with this rig until the above matters are finalised.

Shareholders will be advised via the ASX of any progress towards White Sands commencing drilling or alternatively the Joint Venture contracting another drill rig.

Hard rock exploration was restricted due to the commitment to the oil and gas program and was further complicated by the uncertainty surrounding the White Sands rig and its availability.

The Company retains a strong portfolio of gold and base metal projects but has commenced a rationalisation of these to ensure the Company can meet its obligations. Joint venture partners have been sought and successfully found for the West Yandal and Marymia projects, both of which are subject to current exploration programs.

At West Yandal, View Resources has exercised the option to purchase the Venus deposit and is required to pay a further $250,000. Upon commissioning of the Bronzewing plant, View is to issue 1,000,000 fully paid shares and a further $375,000 is due on commencement of mining the Venus deposit.

Falcon Minerals farmed into the Marymia project and must spend $1.75m to earn 70% interest in the nickel and associated minerals. Falcon reported that it's experience at Collurabbie and the structural and geochemical similarities between it and Marymia are encouraging and we look forward to the results of the initial 2,200 soil samples collected by Falcon.

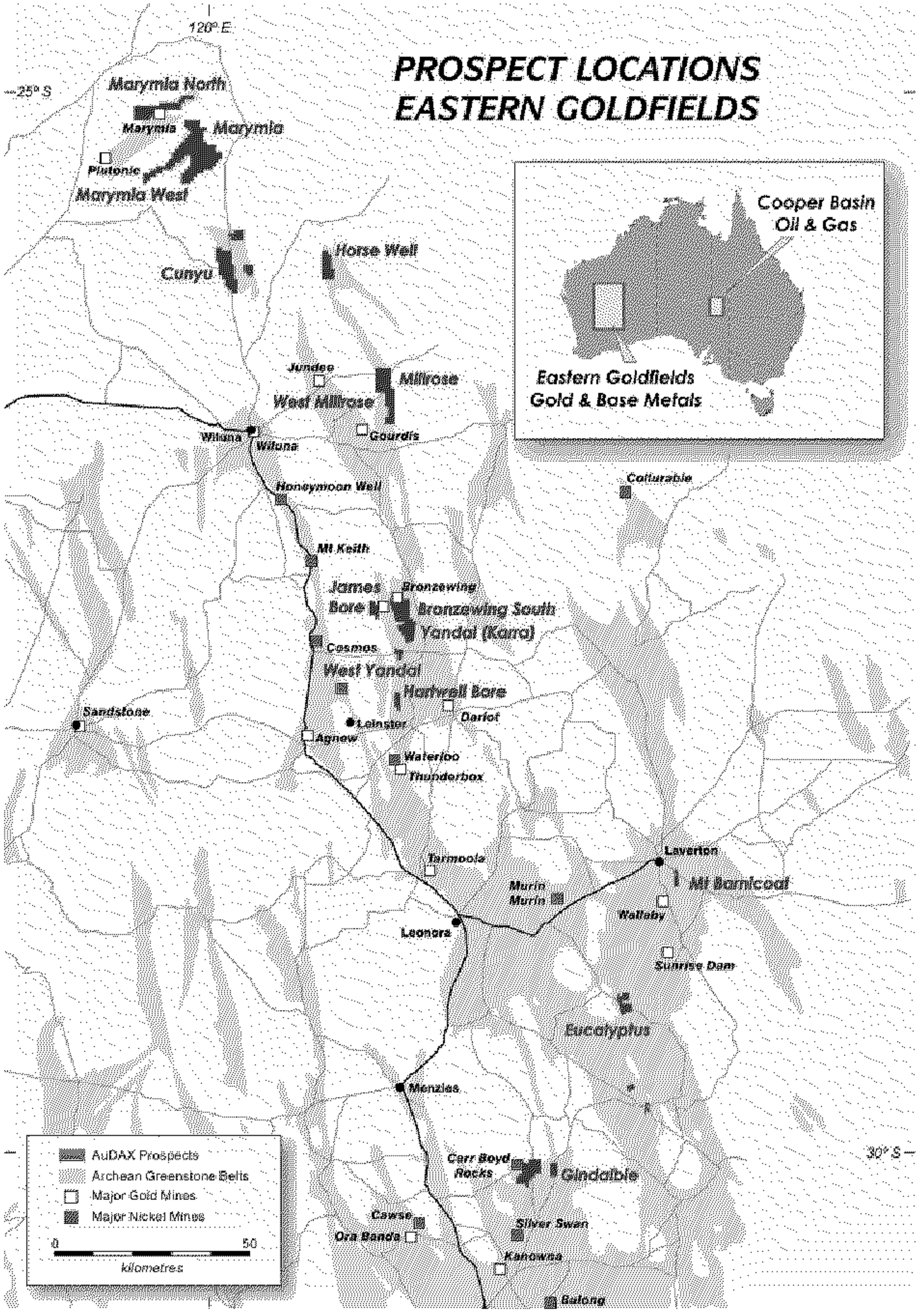
It has been a very slow year in terms of the drilling of wells in the Cooper Basin, however this reflects not only the inability of White Sands to deliver its rig but also the lack of other appropriate drill rigs. The Mines Department in South Australia recognises this situation and has allowed the Joint Venture to suspend its commitments on the PEL pending rig availability.

I am sure that the coming year will see a breakthrough on the rig situation and the next 4 wells will be drilled with or without White Sands.

Thank you for your support during such a trying year and I am sure we will have stronger results for the market in the coming year.

Gary J. Roper
Managing Director

Prospect Locations



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%)

Introduction

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 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 Cuttapirrie/Tirrawarra to Moomba gas pipeline traverses 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.

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.

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 Limited 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 a "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. 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 were 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.

The first of the agreed "shakedown" holes, WSP Primero, was spudded at Reid's Dome in Queensland on the 5 June 2006. Once the hole at Reid's Dome has been completed the rig is scheduled to complete a further two "work over" holes in the area before moving to the Cooper Basin to start drilling on PEL182. Drilling of the "shakedown" hole at Reid's Dome and the "work over" holes are considered necessary and are being done in order to prove that the rig is fully operational and fit for purpose and to ensure that "teething" problems are ironed out prior to drilling on PEL182.

Due to delays experienced getting the White Sands rig operational, AuDAX and joint venture partners decided to contract an independent operator to drill the first of the planned wells on PEL182. Oil and gas well Emily–1 was drilled with Century Rig 18 on secondment from Stuart Petroleum Ltd which operated the well in accordance with the JV's drilling program. Drilling was carried out in January 2006. White Sands agreed to participate in the drilling of this hole. Results are discussed later.

Geological and Geophysical Review

Experienced Cooper Basin geologists and geophysicists conducted an overall new interpretation of all existing geological and seismic data available for the permit. The review confirmed the prospectivity of this area, with a number (11) of targets being identified. This work highlighted at least 3 major areas for the proposed drilling of up to 5 new exploration wells in year 1 of the permit. These areas are detailed below together with size estimates – which would only apply if hydrocarbons are present. Prospect locations are shown on the accompanying diagram Figure 2.

Eastern 3 Well Program

1. **Emily-1 (drilled) and Sarahlyn-1**
    - Jurassic Oil plays in the NE of the permit
    - P50 reserves of 19.5 MMBO cumulative.
2. **Vanessa-1**
    - Permian Gas plays in the SE of the permit – low risk
    - P50 reserves of 15 BCF Gas.
    - Located between Pennie Gas Field and recent Ginko gas discovery.

Western 2 Well Program

1. **Jasmine-1 and Michelle-1**
    - Permian and Triassic stratigraphic oil plays in the western half of the permit.
    - P50 reserves of 10.0 MMBO cumulative.

The 5 proposed well locations have been site inspected, cleared and accepted by the Native Title Claimant Group, and the requisite Work Area Clearance Report filed. Proposed well locations and access roads have also been site inspected and an Environmental Assessment Report (ERA) has been prepared and filed for the Eastern 3 well locations. Progress is being made with respect to environmental clearances for the 2 Western Wells.

Prospect Descriptions

Prospects G and K to be tested by Emily No.1 and Sarahlyn 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) – Drilled – 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. See description of results below.

Sarahlyn 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, and hard. The Darter 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 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 to very coarse, poorly sorted, hard and friable to loose in part. The Arosa 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 with 10 metres of net pay. The P50 oil reserves are 4 MMbbls and the risk of 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 thinning 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 is therefore structurally medium risk. The P50 gas reserves are 10 BCF and the risk of finding gas is 1:2.

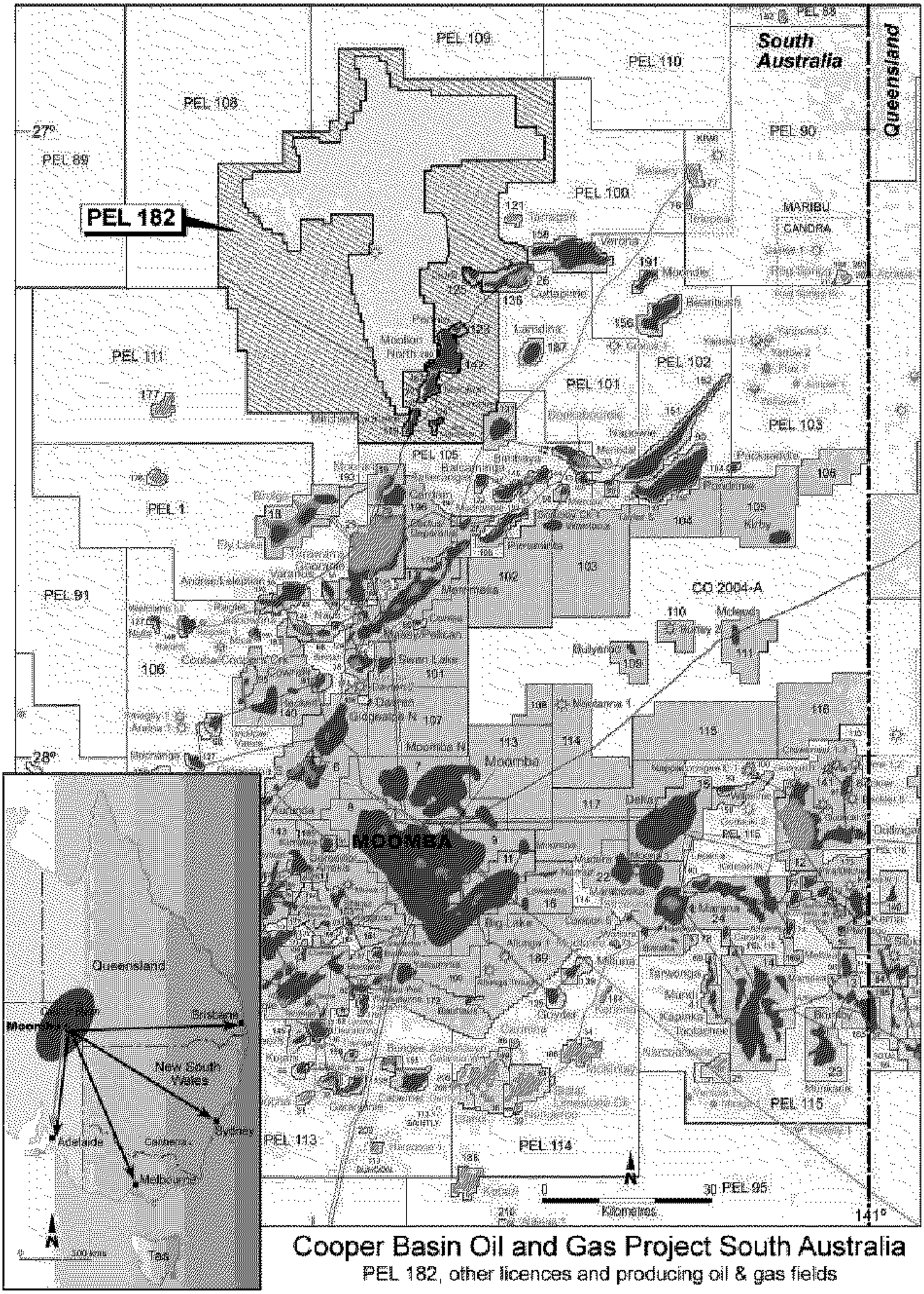
Emily 1 Drill Program January 2006

Emily 1 - was selected as the first well as it is a simple 4 way closure, oil prone, with 3 separate oil objectives in the Hutton, Poolowanna and Tinchoo sandstones. Emily-1 is located 6.5km up dip from the 1997 Santos oil discovery at Tarragon-1 which flowed 1,500 BOPD from the Hutton and 500 BOPD from the Tinchoo Sandstone reservoirs. Emily-1 is located in the NE part of PEL-182, within the Innamincka regional reserve, approximately 85 km by road north of Innamincka. It is located on the northern flank of the Cooper/Eromanga Basin, just updip of the Permian pinchout edge and down dip of the Triassic pinchout edge, in an ideal position to capture hydrocarbons migrating up and out of the deeper Patchawarra Trough and Cooper Basin source kitchen, into the overlying Triassic and Jurassic Sandstone reservoirs.

The Emily-1 oil and gas exploration well was spudded at 23:00 hours on the 7th January 2006 using Century 18 drill rig. The hole was drilled to total depth of 2,324m which it reached on the 18th January. As reported on the 16th January a fair oil show was noted in the Primary Objective at the Base Birkhead/Top Hutton at 1901.5m. No significant shows were recorded from the secondary and tertiary objectives of the Poolowanna Formation or top of the Tinchoo Formation. Due to rain in the area and road closures the contractors and drill stem test equipment did not arrive in time and a post logging straddle drill stem test was undertaken. Wire line logs were completed and results correlated well with the best oil and gas shows on the Basal Birkhead/Top Hutton. The straddle drill stem test was completed over the Base Birkhead/Top Hutton interval from 1,901 to 1,907.5 metres over two sand bodies that exhibited hydrocarbon shows when drilling and recorded higher resistivities on the electrical logs. The test recovered a total of 33.6 barrels of fluid, of which 1.3 barrels were light black oil. The hole was cased and suspended on the 24th January.

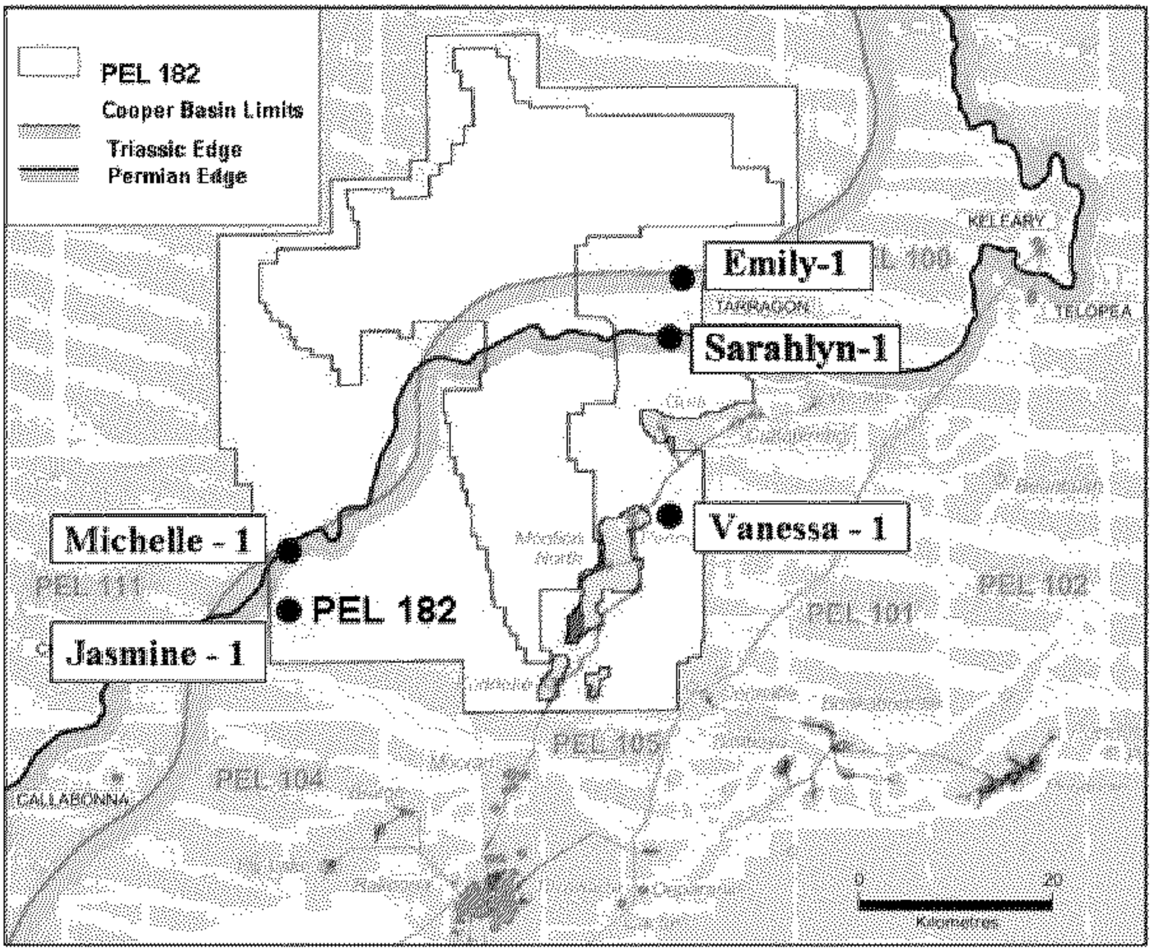
It is proposed that the upper sand be selectively perforated at a later date with a smaller work over rig to establish oil production with less water. AuDAX and the joint venture partners are encouraged by the presence of oil in this first well and are looking forward to drilling the other targets on PEL 182.

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 unrisked 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.*



Cooper Basin Oil and Gas Project South Australia
PEL 182, other licences and producing oil & gas fields

Review of Operations



Cooper Basin Oil and Gas Project South Australia

PEL182, Prospect Locality Map and Drill Targets Year 1

Hard Rock Exploration

Millrose Project
E53/600, M(A)53/788, M(A)53/882-886,
E(A)53/1240
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:

Millrose 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
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.

During the reporting period rehabilitation of RC holes drilled in May 2005 was completed. Discussions are being held with various parties regarding the best way to extract value from this asset. A review is currently being undertaken to investigate the impact of the current high gold price on the economics of the resource.

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 require additional deep diamond drilling which should be done with a view to determining the viability of the area beneath the proposed open cut as an underground operation. Drilling to obtain geotechnical, hydrological and metallurgical data is also required, this information is critical to pit design, recoveries and ultimately profitability. Additional drilling is also required to upgrade the current resource category and to add additional resource ounces from the southern pods.

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 RAB/Aircore drilling is required to evaluate this target.

Bronzewing South Project
E36/215, M36/602, M36/613, M(A)36/669, M(A)36/670, M(A)36/671, M(A)36/672
AuDAX Resources Ltd 80% in EL and MLA's & 100% in ML's

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; prospecting; 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.

In June 2005, the Independence Group NL (IGO) entered into a split commodity joint venture with AuDAX on the Bronzewing South project area (not including M36/602 and M36/613). IGO could earn up to 70% interest in the rights to nickel and associated elements. Work completed by IGO on the Bronzewing South tenement included soil sampling and ground TEM surveys. Both soil and TEM surveys returned a number of anomalies that appear not to have been adequately followed up. The ground TEM survey completed over the Eastern Ultramafic mapped a bedrock conductor which appears to have a steep northerly dip and a strike length of approximately 800m. Field checks have been carried out and a portion of the conductor appears to be spatially related to a prominent east-south-east striking "ironstone ridge". The ironstone ridge is interpreted to represent the surface expression of remobilised sulphides into a major fault zone. The ground TEM survey completed over the Western Ultramafic returned a more complex pattern, which appeared to be strongly influenced by IP and SPM effects. The area is geologically complex and characterised by folded and faulted sediments, basalts and ultramafic sequences. Some but not all of the conductors appear to be spatially related to a black shale-ultramafic contact. Previous reconnaissance RAB drilling by AuDAX in the area returned anomalous Ni (up to 0.58% Ni often with associated elevated Cu up to 738ppm, Co and Pt). Petrological analysis of samples from RAB holes in the area has indicated the presence of spinifex and olivine ad-cumulate textures. A number of TEM anomalies appear to be unrelated to this contact. IGO elected to withdraw from the Yandal split commodity JV in January 2006.

During the reporting period prospecting activities continued to yield significant quantities of coarse gold, some "spiky" gold nuggets and specimens in quartz veins from the Thompson's Grid and Ken's Bore areas. Rock chip sampling by AuDAX from both areas returned a number of interesting results including: 1.15g/t Au and 1.28g/t Au from the Thompson's North area and 1.90g/t Au, 1.24g/t Au, 7.85g/t Au, 37.0g/t Au, 497.0g/t Au and 399.0g/t Au from the Ken's Bore area. A number of small soil sampling programs were carried out in an attempt to further define and constrain areas of known coarse gold mineralisation. While work to date in both the Thompson's and Ken's Bore areas has located a number of small mineralised quartz veins that are undoubtedly the source of some of the coarse gold, further work is needed, especially at Thompson's to determine if any more substantial sized or density of mineralised veins are present.

Results from RAB/Aircore drilling undertaken to follow up previously defined surface geochemical anomalies and anomalous RAB/AC drill intercepts were disappointing and failed to upgrade the areas drilled. A total of 10 AC and 18 RAB holes were drilled for an aggregate of 1694m. The best result was 4m @ 1.14g/t Au from 56m. Further work is required to explain RAB/Aircore anomalies within the Bronzewing Structural Corridor and to evaluate potential for E-W orientated structures.

West Yandal Project
E36/404, M(A)36/615
AuDAX Resources Ltd 100%
View Resource Limited Option to Purchase

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.

In June 2005 View Resources Limited entered an agreement with AuDAX to purchase the Venus gold deposit subject to due diligence. View took an option to acquire the Venus gold resource located in the northern portion E36/404 (MLA36/615) for $1,000,000. The sale was subject to a due diligence period in which View could conduct such drilling and other work that it deemed appropriate to make a decision to proceed with the acquisition. As part of this due diligence process View completed a 32 hole RC drilling program (1,160m). The drilling confirmed the presence of coherent shallow mineralisation and View considered the deposit to be open along strike. A number of holes returned spectacular intercepts. One metre resplits of original 4m composite samples confirmed mineralisation but suggested narrower higher grade intercepts than indicated in the composite sampling. Significant resplit results included:

- 7m @ 34.6g/t Au incl. 1m @ 229g/t Au from 22m in VREVENC10
- 2m @ 9.8g/t Au from 17m and 1m @ 5.1g/t Au from 22m in VREVENC9
- 2m @ 85g/t Au from 25m in VREVENC15
- 6m @ 7.8g/t Au incl 1m @ 29.9g/t Au from 11m in VREVENC26
- 14m @ 10.13g/t Au incl 1 @ 103g/t Au from 33m in VREVENC37

In June 2006 AuDAX and View renegotiated the option agreement relating to the Venus gold deposit. This was done in order to allow View more time to complete the evaluation and economic modeling needed to make the decision to exercise the option to purchase. Under the terms of the new agreement:

- View issued AuDAX 500,000 fully paid VRE shares,
- Subject to View completing a JORC compliant resource and exercising its option to purchase the Venus deposit and tenement by 30 September 2006, VRE to pay AuDAX $250,000 cash within 30 days of advising AuDAX of its intention to purchase,
- Upon re-commissioning the Bronzewing Plant, View is to issue AuDAX 1,000,000 fully paid VRE shares. These will be issued within 30 days of the Bronzewing Plant restarting gold production,
- View will pay AuDAX $375,000 cash within 30 days of commencement of mining at Venus,
- AuDAX will transfer title to View on completion of certain milestones described above,
- A royalty of 5% of gold price per ounce above $700/oz AUD at the time of mint receipt is payable to AuDAX Resources Ltd,
- View is to pay the Newmont royalty as it pertains to the Venus deposit and tenement,
- View is to pay AuDAX a further 1% NSR on any future reserves discovered and mined on the licence.

View has indicated that it will complete additional resource definition RC drilling and geotechnical and metallurgical test work.

Renewed interest in the Yandal belt in terms of the potential of the ultramafic units to host massive nickel sulphide deposits led to a re-evaluation of the AuDAX tenements in the belt. 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. As a result of this work and work of its own, Independence Group NL entered into a split commodity joint venture with AuDAX on the West Yandal project area in June 2005. Independence could earn up to 70% interest in the rights to nickel and associated elements on a group of tenements (E36/

Review of Operations

404, E36/509 and E36/215) by spending a minimum of $100,000 within 12 months and a total of $1M within 3 years. During the reporting period IGO completed systematic soil sampling and a number of ground electromagnetic surveys over areas considered prospective for nickel sulphides. This work identified 4 priority bedrock targets. These targets were subsequently tested for nickel sulphide mineralisation by a small RC drilling program. Four RC holes were drilled for a total of 359m. A graphitic black shale was determined to be the likely source of the bedrock conductor at 3 of the targets and a clay gangue filled shear zone was considered to be the probable source of the conductor at the fourth target. IGO withdrew from the joint venture in January 2006.

Marymia Project
E52/1687, E52/1688
AuDAX Resources Ltd 100%
Falcon Minerals Ltd earning 70% nickel sulphides

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 Marymia Project is considered prospective for both gold and nickel sulphide mineralisation. The tenements host a sequence of strongly folded komatiitic ultramafic rocks which have a combined strike length in excess of 20km. Previous work by BHP and International Nickel established the clear presence of komatiite stratigraphy with MgO level of 25-32%. The komatiitie lithology is considered to be of the correct composition to host Ni sulphide deposits. The area has seen little post "nickel-boom" exploration. Limited work carried out by Growth Resources in the mid 1990's on a portion of the Western Ultramafic returned some interesting drill intercepts which included: 12m @ 0.65% Ni from 8m, 8m @ 1.05% Ni from 28m, 15m @ 0.62% Ni from 9m and 4m @ 1.07% Ni from 28m.

A high resolution airborne magnetic and radiometric survey was completed in October 2004. Magnetic, radiometric and Aster data has been processed, imaged and interpreted. Interpretation of data resulted in the definition of a number of high quality gold and nickel-copper-PGE targets.

In April 2006, AuDAX reached an agreement with Falcon Minerals Ltd on a split commodity arrangement in relation to the Marymia Project. Falcon may earn 70% interest in the rights to nickel and associated metals and base metals by spending a total on $1,750,000 within 5 years. Falcon shall spend a minimum of $150,000 within 12 months of the commencement date. Upon Falcon earning 70% interest in the Nickel rights, both parties shall contribute pro rata to nickel exploration and development or dilute according to a standard industry formula. This arrangement enables Falcon to use its in-house expertise and capability to focus purely on the nickel sulphide exploration of the tenements. AuDAX will continue to explore for and retain all rights to gold within the tenements and receive the added bonus of being able to access the data (including gold assays) generated by Falcon.

Falcon reported that the project contains the correct komatiite lithology to host Ni sulphide deposits. Of additional interest is the location and setting of the project, in that it is adjacent to the same Proterozoic terrain and deep craton scale structure that sits next to both the Collurabbie and Gunbarrel projects. Regional 1:250,000 geochemical mapping and sampling carried out by the GSWA shows several soil samples (in close proximity to the prospective stratigraphy) which have elevated coincident Ni/Cu/Pt. These samples show stronger anomalism than the samples from the same regional GSWA survey which covers the Collurabbie stratigraphy. At this regional sample spacing, and compared to typical background levels, these levels should be considered extremely anomalous.

Falcon has commenced field work and a review of previous exploration. A regional nickel geochemistry lag sampling program at the Western Area and Eastern Area, was completed for a total of 2,217 samples. These samples were dispatched for nickel suite analysis. This work will provide definitive lithological and geochemical information, to allow targeting of the prospective stratigraphy.

Yandal (Karra) Project
E36/509, P36/1494, 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 Australian Resources Ltd delineated a number of robust mineralised systems that require additional work. Historical intercepts include 3m @ 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.

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 by Newmont Australia 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.

During the reporting period collation and interpretation of historical data continued. A reconnaissance field trip was conducted and 4 composite rock chip samples were taken from a number of small workings east of the main RAB/AC/RC anomalies. Samples returned 30.1g/t, 18.2g/t and 15.0 g/t Au. RC drilling is needed to further test the new structural/geological model.

James Bore Project
E36/537
AuDAX Resources 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. AuDAX has confirmed the presence of the anomaly and will conduct mapping, rock chip sampling and infill soil sampling in order to locate the source of gold anomalism and to define drill targets.

Lake Mackay Project
E(A)80/3450, E(A)80/3451, E(A)80/3452
AuDAX Resources Ltd 100%

The project consists of 3 tenements in the Lake Mackay Area located close to the Western Australia

Review of Operations

– Northern Territory 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 1,640 million years for the intrusion and has also identified extensive magmatic alteration (sodic-calsic and sericitic) and brecciation.

The area is poorly explored with only limited exploration having been competed 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.

Gindalbie Project
E31/491, E31/492
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 tenements cover 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 currently being compiled, collated and interpreted.

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 has been acquired and interpreted and used together with geochemical data to rank and define new drill targets. RAB/Aircore drilling is needed to test these targets.

Millrose West Project
E(A)53/1240
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 appears to have only partially tested the area.

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 mineralisation.

Marymia West Project
E(A)52/1960
AuDAX Resources Ltd 100%

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

Telfer
EL(A)45/2761, EL(A)45/2764
AuDAX Resources Ltd 100%

This project lies approximately 35 km north west of the Telfer mine and covers the area immediately surrounding the Lamil Hills region and strike extensions to the north. The area was applied for in anticipation of results of geophysical (magnetic and gravity) surveys, mapping and re-interpretive surveys conducted by the Geological Survey of WA. It is believed that this initiative together with new insights brought about as a result of the mining of the Telfer underground will lead to new and better models for mineralisation in the Telfer area.

Pilbara (Gallop Well, Charteris Creek)
EL(A)45/2762, EL(A)45/2763
AuDAX Resources Ltd 100%

The project lies approximately 50 km north of Nullagine and covers an area considered prospective for gold and base metal mineralisation.

Uaroo
EL(A)08/1638
AuDAX Resources Ltd 100%

The area applied for located approximately 140km east of Exmouth and is located within the Gascoyne Geological Province. The area is considered to be prospective for base metal mineralisation.

Ulura
EL(A)09/1294
AuDAX Resources Ltd 100%

The area applied for located approximately 150km east-south-east of Exmouth and is located within the Gascoyne Geological Province. The area is considered to be prospective for base metal mineralisation.

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

Prospect	Tenement	Interest
Bronzewing South	E36/215	80% (Leith Beal - Hot Holdings Pty Ltd - 20%)
	M36/602	100%
	M36/613	100%
	M(A)36/669	80% (Leith Beal - Hot Holdings Pty Ltd - 20%) *Not Yet Approved*
	M(A)36/670	80% (Leith Beal - Hot Holdings Pty Ltd - 20%) *Not Yet Approved*
	M(A)36/671	80% (Leith Beal - Hot Holdings Pty Ltd - 20%) *Not Yet Approved*
	M(A)36/672	80% (Leith Beal - Hot Holdings Pty Ltd - 20%) *Not Yet Approved*
Charteris Creek	E(A)45/2763	100% *Not Yet Approved*
Cunyu Woolshed	E(A)69/1957	100% *Not Yet Approved*
Dovers Hill	E(A)80/3450	100% *Not Yet Approved*
Dulcie	E77/351	20% (Sons of Gwalia Ltd 80%)
	M(A)77/807	20% (Sons of Gwalia Ltd 80%) *Not Yet Approved*
Eucalyptus	E39/480	50% (Enterprise Gold Mines NL 50%)
	M(A)39/464	50% (Enterprise Gold Mines NL 50%) *Not Yet Approved*
	M(A)39/465	50% (Enterprise Gold Mines NL 50%) *Not Yet Approved*
	M(A)39/466	50% (Enterprise Gold Mines NL 50%) *Not Yet Approved*
Gallop Well	E(A)45/2762	100% *Not Yet Approved*
Gindalbie	E31/491	100%
	E31/492	100%
Gutha	E(A)70/2824	100% *Not Yet Approved*
Hartwell Bore	E(A)36/547	100% *Not Yet Approved*
Horse Well	E(A)69/1960	100% *Not Yet Approved*
James Bore	E36/537	100%
Lake MacKay	E(A)80/3451	100% *Not Yet Approved*
Marymia	E52/1687	100%
	E52/1688	100%
Marymia North	E(A)52/1803	100% *Not Yet Approved*
Marymia West	E(A)52/1960	100% *Not Yet Approved*
Millrose	E53/600	100%
	M(A)53/788	100% *Not Yet Approved*
	M(A)53/882	100% *Not Yet Approved*
	M(A)53/883	100% *Not Yet Approved*
	M(A)53/884	100% *Not Yet Approved*
	M(A)53/885	100% *Not Yet Approved*
	M(A)53/886	100% *Not Yet Approved*
Millrose West	E(A)53/1240	100% *Not Yet Approved*
Mt Barnicoat	M(A)38/406	80% (BD Richardson 20%) *Not Yet Approved*
	M(A)38/713	80% (BD Richardson 20%) *Not Yet Approved*
	M(A)38/714	80% (BD Richardson 20%) *Not Yet Approved*
	M(A)38/715	80% (BD Richardson 20%) *Not Yet Approved*
Munn Well	E(A)69/1958	100% *Not Yet Approved*
North Dovers Hill	E(A)80/3450	100% *Not Yet Approved*
Pollock Hills	E(A)80/3452	100% *Not Yet Approved*
Station Hill	E(A)69/1959	100% *Not Yet Approved*
Telfer 1	E(A)45/2761	100% *Not Yet Approved*
Telfer 2	E(A)45/2764	100% *Not Yet Approved*
Uaroo	E(A)08/1638	100% *Not Yet Approved*
Ulura	E(A)09/1294	100% *Not Yet Approved*
West Yandal	E36/404	100% (Royalty)
	M(A)36/615	100% (Royalty) *Not Yet Approved*
Yandal (Karra)	E36/509	100%
	P36/1494	100%
	P(A)36/1505	100% *Not Yet Approved*
	P(A)36/1506	100% *Not Yet Approved*
	P(A)36/1507	100% *Not Yet Approved*
	P(A)36/1508	100% *Not Yet Approved*

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 2005. 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:

Corporate Governance Statement

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;
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 2005).

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.

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 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 2005, 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, 2006 and the state of affairs at that date.

Directors

The Directors in office at the date of this report and at any time during the financial year are as follows. Directors were in office for the entire year unless otherwise stated.

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 \$2,652,039 [2005: \$4,980,752].

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 5-17.

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, 2006.

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.

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.

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.

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

6,900,000 ordinary shares and 6,900,000 options exercisable at 20 cents expiring 31 December 2008 were issued during the year pursuant to a placement.

Employee Option Scheme

600,000 options exercisable at 12 cents each on or before 31 December 2008 were issued under the Company's Employee Option Scheme during the financial year.

Remuneration Report

This report details the nature and amount of remuneration for each director and executive of AuDAX Resources Limited. The information provided in the remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the financial report and have been audited.

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:

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 2005, 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 arrange-ments. 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

Directors' Report

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, including any related company and each of the officers of the company receiving the highest emoluments are set out in the following tables.

	Year	Primary Benefits		Post Employment	Share Based	
		Salary & Fees	Cash Bonus	Superannuation	Options	Total
Directors		$	$	$	$	$
Gary Roper	2006	130,000	–	11,700	–	141,700
	2005	130,000	–	11,700	–	141,700
L Beal	2006	89,900	–	1,755	–	91,655
	2005	86,069	–	1,755	–	87,824
I Chalmers	2006	19,985	–	1,755	–	21,740
	2005	24,505	–	1,755	–	26,260
G Edwards*	2006	40,000	–	3,600	13,240	56,840
	2005	–	–	–	–	–
Executives						
P Ironside	2006	26,400	–	–	13,240	39,640
	2005	26,400	–	–	–	26,400

*appointed 3 March 2006, resigned 14 July 2006.

There were no performance related payments made during the year.

The Black and Scholes valuation was used to value the options issued as share-based payments. The following factors and assumptions were used in determining the fair value of options on grant date:

Expiry Date	Fair Value per Option	Exerecise Price	Estimated Volatility	Risk Free Interest Rate
31 December 2008	$0.0662	$0.12	95%	6%

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	OptionsHeld Indirectly
Gary James Roper	8,303,732	125,000	428,342	25,000
Leith Beal	6,212,302	2,113,708	51,667	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 2006 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	2006	2005
	$	$
Auditors' remuneration		
– auditing the accounts	19,000	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 29th day of September 2006

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 2006 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 2006.

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

GJRoper.

Gary J Roper
Managing Director

Dated this 29th day of September 2006

Statement of Financial Position

Balance Sheet as at 30 June 2006

	NOTES	2006 $	2005 $
ASSETS			
Current Assets			
Receivables	4	1,440,645	1,522,448
Other financial assets at fair value	5	399,034	310,118
Cash and cash equivalents	6	1,280,659	2,640,732
Total Current Assets		3,120,338	4,473,298
NON-CURRENT ASSETS			
Property, plant & equipment	7	135,326	191,488
Exploration & evaluation expenditure	8	3,071,518	3,250,768
Total Non-Current Assets		3,206,844	3,442,256
TOTAL ASSETS		6,327,182	7,915,554
LIABILITIES			
Current Liabilities			
Payables	9	63,375	76,499
Interest-bearing liabilities	10	22,001	22,001
Provisions	11	43,115	35,104
Total Current Liabilities		128,491	133,604
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	10	65,421	79,641
Total Non-Current Liabilities		65,421	79,641
TOTAL LIABILITIES		193,912	213,245
NET ASSETS		6,133,270	7,702,309
EQUITY			
Contributed Equity	2	28,346,085	27,302,805
Reserves	3	3,205,262	3,165,542
Accumulated Losses	14	(25,418,077)	(22,766,038)
TOTAL EQUITY		6,133,270	7,702,309

The accompanying notes form part of these statements.

Statement of Financial Performance

Income Statement for the year ended 30 June 2006

	NOTES	2006 $	2005 $
Interest income		97,750	136,169
Other revenue		17,426	84,835
Unrealised gain on investments		667	77,051
Total revenue from continuing activities		115,843	298,055
Audit fees		(20,000)	(14,000)
Consultants fees		(18,744)	(84,617)
Depreciation expense		(56,163)	(56,163)
Employee expenses		(320,058)	(281,267)
Exploration written-off		(2,136,669)	(4,588,662)
Investor relations		(29,608)	(52,038)
Office & equipment expenses		(29,283)	(34,046)
Motor vehicles		(46,633)	(46,271)
Printing, postage & stationery		(17,371)	(21,926)
Stock exchange fees		(28,632)	(25,779)
Share registry fees		(12,012)	(17,895)
Telephone & communications		(14,529)	(13,258)
Other expenses		(38,150)	(42,885)
Loss before income tax expense	12	(2,652,039)	(4,980,752)
Income tax expense	13	–	–
Net loss attributable to members of AuDax Resources Limited		(2,652,039)	(4,980,752)
Basic earnings per share (cents per share)	15	(0.03)	(0.07)

The accompanying notes form part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2006

	NOTES	2006 $	2005 $
Total equity at the beginning of the year		7,702,309	7,265,268
Loss for the year		(2,652,039)	(4,980,752)
Total recognised income and expense for the year attributable to members of AuDax Resources Limited		(2,652,039)	(4,980,752)
Transactions with equity holders in their capacity as equity holders:			
Share issued during the year		1,043,280	–
Cost of share based payments		39,720	–
Total equity at the end of the year		6,133,270	7,702,309

The accompanying notes form part of these statements.

Statement of Cash Flows

For the year ended 30 June 2005

	NOTES	Inflow/ (Outflow) 2006 $	Inflow/ (Outflow) 2005 $
Cash Flow from Operating Activities			
Payments to Suppliers & Employees		(454,336)	(836,462)
Interest Received		101,750	136,169
Rental Income		3,960	3,663
Dividends Received		–	322
Joint venture cash re-imbursement		404,000	–
Net Cash Flows Provided/(Used) by Operating Activities	23	55,374	(696,308)
Cash Flow from Investing Activities			
Payment for Investments		(90,320)	–
Payment for Plant & Equipment		–	–
Payment for Exploration and Evaluation		(2,368,407)	(2,054,001)
Proceeds from Sale of Investments		–	178,200
Loan to other entities		–	(1,312,164)
Net Cash Flows Used in Investing Activities		(2,458,727)	(3,187,965)
Cash Flow from Financing Activities			
Proceeds from issue of Shares and Options		1,104,000	3,151,222
Cost of share issues		(60,720)	(116,715)
Net Cash Flows From Financing Activities		1,043,280	3,034,507
Net increase in cash and cash equivalents held		(1,360,073)	(849,766)
Cash and cash equivalents at 1 July		2,640,732	3,490,498
Cash and cash equivalents at 30 June	23	1,280,659	2,640,732

Notes to and Forming Part of the Accounts

Note 1 – Significant Accounting Policies

This financial report was authorised for issue by the Directors on 29th September 2006.

Statement of Compliance

This financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRSs) form the basis of AASBs adopted by the AASB, and for the purpose of this report are called are called Australian equivalents to IRFS (AIFRS) to distinguish from previous Australian GAAP. The financial report complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the first financial report prepared in accordance with AIFRS and AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transistion to AIFRS has affected the reported financila position, financial performance and cashflow is provided in note 24

Basis of Preparation

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 functional currency and presentation currency of the Company is Australian dollars. The following specific accounting policies have been consistently applied, unless otherwise stated.

a. **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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 and 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. 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. **Trade Payables**

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

i. **Impairment of assets**

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated I order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash fllows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

Notes to and Forming Part of the Accounts

i. **Earnings per share**

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

k. **Share-based payments**

Where shares or options are issued to employees, including directors, as remuneration for services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the shares or options issued is recorded in contributed equity.

l. **Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value, less any estimated credit adjustments, of trade receivables and payables are assumed to approximate their fair value.

m. **New accounting standards and UIG interpretations**

Certain new accounting standards and UIG interpretations, effective for the 2007 financial statements, have been published that are not mandatory for 30 June 2006 reporting periods. The Company has elected not to adopt, where available, theses standards and UIG interpretations early. Application of the standards and UIG interpretations is not expected to effect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in the notes to the financial statements.

n. **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 2 – Contributed Equity 20062005

	2006 $	2005 $
a. **Issued Capital**		
104,937,919 ordinary shares fully paid (2005 – 98,037,919 ordinary shares fully paid)	28,346,805	27,302,805

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

6,900,000 ordinary shares at 16 cents each together with 6,900,000 free attaching options exercisable at 20 cents on or before 31 December 2008 were issued on 18 January 2006.

In the 2005 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-renouncable pro-rata issue to shareholders at the record date of 18 March 2005. Costs of the issue were $116,715.

In the 2005 year 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.

Notes to and Forming Part of the Accounts

Note 3 – Reserves

	2006 $	2005 $
Option Premium	2,955,262	2,915,542
Asset Revaluation	250,000	250,000
	3,205,262	3,165,542

Movement during the year:

During the year 600,000 options exercisable at 12 cents on or before 31 December 2008 were issued pursuant to the employee share scheme. These have been valued using the Black and Scholes model at 6.62 cents

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

	2006 $	2005 $
Current		
GST Receivable	128,481	210,284
Other advance	1,312,164	1,312,164
	1,440,645	1,522,448

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.

Note 5 – Other Financial Assets at Fair Value through Profit and Loss

	2006 $	2005 $
Listed equity securities held for trading	399,034	310,118

Notes to and Forming Part of the Accounts

Note 6 – Cash Assets

	2006	2005
	$	$
Cash at Bank and on hand	126,643	93,393
Short Term Deposits	1,154,016	2,547,339
	1,280,659	2,640,732

Note 7 – Property, Plant & Equipment

Land & Buildings – at cost	251,517	251,517
Less: Accumulated Depreciation	(195,432)	(182,856)
	56,085	68,661
Equipment and Motor Vehicles - at cost	193,719	193,719
Less: Accumulated Depreciation	(114,478)	(70,892)
	79,241	122,827
Total Property, Plant & Equipment	135,326	191,488

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

Land & Buildings		
Carrying amount at beginning of year	68,661	81,237
Depreciation	(12,576)	(12,575)
Carrying amount at end of year	56,085	68,661
Plant & Equipment		
Carrying amount at beginning of year	122,827	166,414
Depreciation	(43,586)	(43,587)
Carrying amount at end of year	79,241	122,827

Note 8 – Exploration & Evaluation Expenditure

Exploration & Evaluation expenditure costs carried forward in respect of areas of interest	3,071,518	3,250,768

Note 9 – Payables

Trade Creditors	63,375	76,499

Trade payables are unsecured and payable on supplier credit terms, usually payable within 30 days of recognition. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Notes to and Forming Part of the Accounts

Note 10 – Interest Bearing Liabilities

	2006 $	2005 $
Current		
Hire purchase commitment	22,001	22,001
Non-Current		
Hire purchase commitment	65,421	79,641

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

Note 11 – Provisions

Employee entitlements	43,115	35,104

There are 4 employees (2005: 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	20,000	14,000
– other services	1,500	1,000
Provision for employee entitlements	8,011	20,659

Note 13 – Income Tax Expense

Prima facie tax on operating loss at 30%	(795,611)	(1,494,225)
Non-deductible items	11,916	–
Deferred tax asset not brought to account	783,695	1,494,225
Income tax attributable to operating loss	–	–

At 30 June 2006. the Company has $9,257,560 of tax losses that are available indefinitely for offset against future profits of the Company. No deferred tax asset has been recognised on the Balance Sheet in respect of the amount of these losses.

The potential deferred tax asset will only be obtained if:

- assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company in accordance with Division 170 of the Income Tax Assessment Act 1997;
- conditions for deductability imposed by the law are complied with; and
- no change in tax legislation adversely affect the realisation of the benefit from the deductions

Note 14 – Accumulated Losses

	2006 $	2005 $
Balance at the beginning of the year	(22,766,038)	(17,785,286)
Net loss attributable to members of AuDAX Resources Ltd	(2,652,039)	(4,980,752)
Balance at the end of the year	(25,418,077)	(22,766,038)

Note 15 – Earnings Per Share

Basic earnings per share (cents per share)	(0.03)	(0.07)
Net loss used to calculate basic earnings per share	(2,652,039)	(4,980,752)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	88,901,651	72,865,383

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 $600,000 (2005: $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 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

	2006 %	2005 %
Joint Venture:		
i) Dulcie	20	20
ii) Eucalyptus	50	50

i) AuDAX is contributing to maintain its 20% interest.

ii) 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

	Year	Primary Benefits		Post Employment	Share Based	
		Salary & Fees	Cash Bonus	Superannuation	Options	Total
Directors		$	$	$	$	$
Gary Roper	2006	130,000	–	11,700	–	141,700
	2005	130,000	–	11,700	–	141,700
L Beal	2006	89,900	–	1,755	–	91,655
	2005	86,069	–	1,755	–	87,824
I Chalmers	2006	19,985	–	1,755	–	21,740
	2005	24,505	–	1,755	–	26,260
G Edwards*	2006	40,000	–	3,600	13,240	56,840
	2005	–	–	–	–	–
Executives						
P Ironside	2006	26,400	–	–	13,240	39,640
	2005	26,400	–	–	–	26,400

*appointed 3 March 2006, resigned 14 July 2006.

The Company does 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 2005, 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.

Note 20 – Related Party Transactions

Mr Beal is a director and shareholder of Runyon Pty Ltd a company that was paid $70,400 (2005: $66,569) 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 $485 (2005: $5,005) 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.

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:

	2006 $	2005 $
Ordinary shares	16,863,910	16,918,077
Options over ordinary shares	544,551	544,551

Ordinary Shares

Name	Balance at the start of the year	Purchased/Sold net movement	Balance as the end of the year
Gary Roper	2,428,732	6,000,000	8,428,732
Leith Beal	14,380,177	(6,054,167)	8,326,010
David Ian Chalmers	109,168		109,168
Total	16,918,077		16,863,910

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	(12,500)	56,875
David Ian Chalmers	21,834	–	21,834
Total	544,551		932,051

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:

2006	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	–	126,643	–	–	–	126,643
Deposits – Cash	6.25	–	1,154,016	–	–	1,154,016
Receivables	–	–	–	–	1,440,645	1,440,645
Accounts Payable	–	–	–	–	63,375	63,375
Hire Purchase	8.95	–	22,001	65,421	–	87,422

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 2006.

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:

	2006 $	2005 $
Cash on Hand	200	200
Cash at Bank	126,443	93,193
Cash on Deposit	1,154,016	2,547,339
	1,280,659	2,640,732

Reconciliation of Cash Flows from Operations with Operating Profit (Loss) after Income Tax

	Inflow/ (Outflow) 2006 $	Inflow/ (Outflow) 2005 $
Operating Profit(Loss) after Income Tax	(2,612,319)	(4,980,752)
Non Cash Flows in Operating Profit(Loss)		
Depreciation	56,163	56,163
Movements in Provisions	8,011	20,659
Diminution in Value of Shares	(667)	(77,051)
Exploration Writedown	2,136,669	4,588,662
Profit on Sale of Assets	–	–
Joint venture reimbursement	404,000	(165,512)
Decrease (Increase) in Receivables	76,641	(141,531)
(Decrease) Increase in Accounts Payable	(13,124)	3,054
Net Cash Provided (Utilised) by Operating Activities	55,374	(696,308)

Note 24 – Impacts of Adopting Australian Equivalents to International Financial Reporting Standards

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

	30 June 2006 $	1 July 2005 $
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 2006 $
Net loss as reported under AGAAP	4,980,752
Adjustments for effect of transition to AIFRSs	–
Net loss under AIFRS	4,980,752

(c) 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.

Note 25 - Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor:

	2006 $	2005 $
(a) Audit services	**19,000**	15,000
Audit and review of financial reports under the Corporations Act 2001		
(b) Other services	**1,000**	1,000
Total remuneration of auditors	**20,000**	16,000

The Company has received notification from the Company's auditor that he satisfies the independence criterion and that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit.

ROTHSAY

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

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AUDAX RESOURCES LTD

ACN 009 058 646

Scope

The financial report comprises the income statement, statement of changes in equity, balance sheet, statement of cashflows, accompanying notes, the disclosures made as required by AASB 124 *Related party disclosures* of the remuneration report in the Directors' report and the Directors' declaration for AuDAX Resources Limited, the Company, for the year ended 30 June 2006.

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. The Directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under AASB 1 *First-time adoption of Australian equivalents to IFRS.*

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 and the remuneration disclosures in the Directors' report comply with AASB 124. 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 and whether the remuneration disclosures in the Directors' report comply with AASB 124.

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

1. 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 2006 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.

2 the remuneration disclosures in the Directors' report comply with AASB 124

Rothsay

Graham R Swan

Partner

Dated 29th September 2006

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 25 September 2006

(a) Substantial Shareholders

Name	Shareholding	%
Runyon Pty Ltd Super Fund	8,326,010	7.93
Mr Gary James Roper	8,196,232	7.81
Newmont Exploration	6,315,000	6.02

(b) Shareholder Distribution Schedule

1 - 1000	119
1001 - 5000	540
5001 - 10000	392
10001 and over	839
Total	1,890

There are 723 shareholders who hold less than a marketable parcel of 6,025 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 25 September 2006

(d) Twenty largest holders of quoted Equity Securities hold 42.51% of the total shares issued:

	Name	Number Held	%
1.	Runyon Pty Ltd Super Fund	8,326,010	7.93
2.	Mr Gary James Roper	8,196,232	7.81
3.	Newmont Exploration Pty Ltd	6,315,000	6.02
4.	Whittingham Securities Pty Ltd	4,000,000	3.81
5.	Caverndale Pty Ltd	3,110,000	2.96
6.	Chanrich Properties Pty Ltd	1,635,000	1.56
7.	Trident Nominees Ltd	1,448,584	1.38
8.	Shebandowan Investments Pty Ltd	1,340,000	1.28
9.	Howieson Pty Ltd	1,338,264	1.28
10.	Equity Underwriters	1,250,000	1.19
11.	Mr Willy Joseph Kohlen	1,130,000	1.08
12.	Mr Lewis & Mrs Janet Draper	1,010,000	0.96
13.	Mines & Resources Pty Ltd	825,000	0.79
14.	Mauncrest Pty Ltd	800,000	0.76
15.	Tricom Nominees Pty Ltd	707,790	0.67
16.	Frontlaw Pty Ltd	700,000	0.67
17.	Jeam Pty Ltd	637,500	0.61
18.	Mr David Webster	614,000	0.59
19.	Ship Agencies Australia Pty Ltd	607,964	0.58
20.	Wogeboy Pty Ltd	607,668	0.58
	Total	44,599,012	

(e) Twenty largest holders of quoted Options Expiring 31 December 2008 at 20 cents hold 59.89% of the total shares issued:

	Name	Number Held	%
1.	Caverndale Pty Ltd	3,064,000	11.29
2.	Mr Brendon Atkinson	1,500,000	5.53
3.	Equity Underwriters Pty Ltd	1,450,000	5.34
4.	Whittingham Securities Pty Ltd	1,000,000	3.69
5.	Natalie Anne Naylor	939,038	3.46
6.	Zero Nominees Pty Ltd	900,000	3.32
7.	Mr Geoffrey & Mrs Jennifer Sobey	800,000	2.95
8.	Reef Securities Ltd	710,000	2.62
9.	CJ Woodrow Investments Pty Ltd	612,500	2.26
10.	Tricom Nominees Pty Ltd	593,040	2.19
11.	Even Pty Ltd	580,867	2.14
12.	Mr Andrew Sobey	556,999	2.05
13.	Chanrich Properties Pty Ltd	500,000	1.84
14.	Ironside Pty Ltd	472,692	1.74
15.	Prosperity Resources Ltd	472,692	1.74
16.	Mr James Sobey	443,000	1.63
17.	Mr Steve & Mrs Karen Zielinski	430,000	1.58
18.	Mr Gary James Roper	426,842	1.57
19.	Trader Bell Pty Ltd	402,309	1.48
20.	Mauncrest Pty Ltd	400,000	1.47
	Total	16,253,979	

(f) Unlisted Options issued under the Employee Option Scheme

600,000 exercisable at 12 cents each until 31 December 2008
600,000 exercisable at 15 cents each until 31 December 2007