MIDAS RESOURCES LIMITED

ABN 87 095 092 158

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2006

MIDAS RESOURCES LIMITED
And its Controlled Entities

DIRECTORS' REPORT

The directors present their report together with the financial report of Midas Resources Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the auditor's report thereon.

1. DIRECTORS

The directors at any time during or since the end of the financial year are:

D Boyer	Director since 16 November 2000
T Streeter	Director since 22 June 2001
G Balfe	Director appointed 10 August 2004

D. Don Boyer –Chairman

BSc(Hons), CPGeo, FAIMM, MAIG, MAICD

Mr Don Boyer is a geologist and resource company manager with more than 35 years experience in gold and base metals exploration and management of resource projects in Australia and overseas, and co-founder of Midas.

He has considerable experience in exploration management, project management and assessment, feasibility studies and development analysis. His experience includes responsibility for technical operations from project acquisition through discovery to production and has been instrumental in the listing of a number of successful junior exploration companies.

Mr Boyer was Managing Director of Gilt-Edged Mining NL, from its listing in 1996 until the successful take-over of that company by Goldfields Limited in 2000 after the discovery of in excess of 1 million ounces of gold at East Kundana, resulting in significant wealth creation for shareholders.

Mr Boyer has held management positions in various companies including MIM Holdings Limited's exploration division, a subsidiary of the French group COGEMA, and a number of listed Australian resource companies.

Geoffrey (Geoff) D Balfe – Managing Director

B.App.Geol., MAIMM

Geoff is a qualified geologist with more than 30 years experience in Australia and overseas in the management and operation of major exploration and evaluation projects. Geoff's extensive experience within Australia and overseas includes senior exploration management roles with MPI (10 years), ACM-Normandy (7 years) and AMAX, in addition to consultancy roles. His impressive track record includes direct involvement in the discovery and development of nickel ore bodies at Silver Swan and Forrestania in Australia, and of gold deposits in Turkey and Nevada (USA). He has also held board positions in the subsidiaries of a number of resource companies, including MPI and ACM.

Terry Streeter – Non-Executive Director

Mr Terry Streeter is a Perth-based businessman and investor with long involvement in the exploration and mining industries.

He has been involved with the nickel sulphide industry since 1970 and provides the Board and shareholders with many years of experience in funding, listing and overseeing junior explorers in all exploration and economic cycles.

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Don Boyer	Bass Metals Ltd	August 2004 – current
	Western Areas NL	March 2000 – August 2006
	Australia Mines Limited	September 2000 – May 2004
Geoff Balfe	Red River Resources NL	31 August 2004 – current
Terry Streeter	Western Areas NL	December 1999 – current
	Fox Resources Limited	June 2005 – current
	Jubilee Mines NL	1993 – May 2004

3. COMPANY SECRETARY

Mr Phillip MacLeod was appointed to the position of company secretary in January 2004. Mr MacLeod has over 18 years commercial experience and has held the position of company secretary with listed public companies since 1995.

4. DIRECTORS' MEETINGS

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Company during their term in office in the financial year is as follows.

Director	Meetings held	Meetings attended
Mr D Boyer	7	7
Mr T Streeter	7	7
Mr G Balfe	7	7

The Company does not have any committees. Matters usually considered by an audit, remuneration or nomination committee were dealt with by the directors during regular Board meetings.

5. REMUNERATION REPORT

5.1 Principals of compensation (audited)

Remuneration levels for key management personnel and other staff of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced personnel. Staff remuneration is reviewed in January each year.

All non-executive directors receive a fixed directors' fee. The aggregate amount of directors' fees payable by the Company must be presented for approval to the shareholders in general meeting. This was done at the 2001 annual general meeting and has not been changed since.

Two of the current directors were issued with options in 2001 in order to create a cost effective incentive for them to build and establish the Company in its early years. These options lapsed during the financial period. The number of options issued is disclosed elsewhere in the Directors' Report and in the notes to the financial statements.

The Managing Director is employed on normal commercial terms by the Company. Currently the cash component of remuneration is not dependent on the satisfaction of any performance condition. The Managing Director was granted 1,000,000 options in the prior year. 750,000 of those options have are performance based with the options only being exercisable on the Company's share price reaching prescribed levels.

The Managing Director is further remunerated by the issue of incentive options and performance based options that become exercisable once the share price has achieved certain threshold levels. The performance conditions of the options granted were set at the time Mr Balfe was employed to provide an incentive to increase the value of shareholder investments on similar terms to the previous Managing Director whilst taking into account prevailing market conditions and the Company's expected future direction. The Company's share price is monitored to determine if the performance conditions are met.

The Company has a management services agreement in place with BERM, a company associated with Mr Don Boyer. If the agreement is terminated by the Company, the Company shall be liable to pay to BERM $200,000 or if that amount exceeds the amount permissible under Section 237 (6) of the Corporations Act, such lesser amount as is permitted under that section. Other than the incentive and performance based options issued to the Managing Director, and the initial grant of options to directors in 2001 there are no other items of contingent remuneration to directors.

5.2 Directors' and senior executives' remuneration (audited)

Details of the nature and amount of each major element of the remuneration of each of the directors of the Company and consolidated entity and named executives of the Company and consolidated entity receiving the highest remuneration are:

		Primary	Post-employment	Equity Compensation		Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	Superannuation benefits	Options	Total	%	%
		$	$	$	$		
Directors							
Non-executive							
Mr T Streeter	2006	25,000	2,250	-	27,250	-	-
	2005	25,000	2,250	-	27,250	-	-
Mr D Boyer (1)	2006	96,088	3,150	-	99,238	-	-
	2005	89,850	3,150	-	93,000	-	-
Executive							
Mr G Balfe	2006	178,000	16,020	-	194,020	-	-
	2005	139,705	11,628	12,122	163,455	4.5%	7.4%
Total, all specified directors	2006	299,088	21,420	-	320,508		
	2005	254,555	17,028	12,122	283,705		
Executives							
Mr P MacLeod	2006	61,974	-	-	61,974	-	-
(Company Secretary)	2005	46,570	-	-	46,570	-	-
Total key management personnel of the Company and consolidated entity	2006	361,062	21,420	-	382,482		
	2005	301,125	17,028	12,122	330,275		

(1) Fees for consulting services paid to an entity associated with Mr Boyer include the sum of $6,000 (2005: $6,000) paid for the provision of equipment and use of geological software.

5.3 Value of options to directors (audited)

The value attributable to the Equity Option is calculated using the Black Scholes Model. No cash has been paid to the individuals. This value is based upon the following inputs and assumptions:

a) share issue price of 12 cents at grant date;
b) an estimated volatility factor of 82.9%;
c) option exercise prices;
d) a risk free rate of 5.13%; and
e) a term to expiry of 22.4 months (1 December 2006)

The value of Options will only be realised if and when the market price of the Company shares, as quoted on the Australian Stock Exchange, meets the performance criteria and rises above the Exercise Price of the options. Further details of the options are contained in the section Share Options below.

5.4 Options and rights over equity instruments granted as compensation (audited)

No options were granted to director's or senior executives during the financial year. No options have been issued subsequent to the end of the financial year to the date of this report.

During the last financial year, the Company granted 250,000 incentive options and 750,000 performance options over unissued ordinary shares to Mr G Balfe during the financial year, following approval by shareholders pursuant to a meeting held 20 January 2005 (grant date).

The terms of the options granted to Mr Balfe are:

Director	Expiry Date	Exercise price	Number of shares	Fair value per option
Mr G Balfe – Incentive	1 Dec 2006	$0.20	250,000	$0.019
Mr G Balfe – Managing Director Performance				
Series one	1 Dec 2006	$0.25	250,000	$0.013
Series two	1 Dec 2006	$0.30	250,000	$0.009
Series three	1 Dec 2006	$0.35	250,000	$0.007

The Managing Director's Performance options have the following additional terms and conditions;

- The options exercisable at $0.25 can only be exercised if the share price is at or above $0.30 for five consecutive days;
- The options exercisable at $0.30 can only be exercised if the share price is at or above $0.35 for five consecutive days;
- The options exercisable at $0.35 can only be exercised if the share price is at or above $0.40 for five consecutive days;
- The options will lapse if not exercised within 30 days of the expiry or termination of the contract of employment between the Company and Mr Balfe; and
- The options are not quoted on the Australian Stock Exchange.
- The options vested immediately on issue.

There were no other options granted to directors or senior executives of the Company during the year as part of their remuneration.

DIRECTORS' REPORT (continued)

6. SHARE OPTIONS

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

	Expiry Date	Exercise price	Number of shares
Managing Director's Incentive Options	1 Dec 2006	$0.20	250,000
and Performance Options			
Series one	1 Dec 2006	$0.25	250,000
Series two	1 Dec 2006	$0.30	250,000
Series three	1 Dec 2006	$0.35	250,000
Employee Options (granted under Employee option scheme)	24 Nov 2008	$0.20	450,000
Listed Options	1 Dec 2006	$0.25	21,186,482
Total share options on issue			**22,636,482**

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Share options lapsed

The following options lapsed or expired during the financial year.

	Expiry Date	Exercise price	Number of shares
Original promoter and seed investor options	1 March 2006	$0.20	10,205,145
Incentive options issued to directors	31 Dec 2005	$0.20	850,000
Options issued to retired directors	31 Dec 2005	$0.20	300,000
Employee Options	24 Nov 2008	$0.20	660,000
			12,015,145

Shares issued on exercise of options

The Company has not issued any ordinary shares as a result of the exercise of options during or since the end of the financial year.

DIRECTORS' REPORT (continued)

7. AUDIT COMMITTEE

The Company and its Board are not of a size that justifies having a separate Audit Committee. Matters typically dealt with by an Audit Committee are dealt with by the full Board.

8. PRINCIPAL ACTIVITY

The principal activity of the consolidated entity during the course of the financial year was mineral exploration in Australia, USA and the Peoples Republic of China.

9. RESULTS OF OPERATIONS

The consolidated entity made a loss for the period of $1,962,983 (2005: loss $1,160,215).

10. DIVIDENDS

No dividends were paid or declared by the Company during the financial year.

11. EVENTS SUBSEQUENT TO BALANCE DATE

On 7 September 2006, the Company announced a renounceable rights issue to raise approximately $3.02 million before the costs of the issue. The rights issue offers one new share with one free attaching option for every two shares held at an application price of 6 cents per share. The free attaching options have an exercise price of 10 cents each and expire 30 September 2009. The rights issue is fully underwritten by Patersons Securities Limited.

The Company issued 3,000,000 fully paid ordinary shares at 7 cents each in a placement during August 2006 to raise $210,000.

Two directors have provided addition funds of $150,000 by way of unsecured loans to the Company. The terms of the loans are the same as existing loans with those directors.

12. LIKELY DEVELOPMENTS

The Company will continue planning and executing exploration work on its existing projects in Australia, Alaska and China as well as projects under review in those countries during the financial year.

13. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options of the Company as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares	Options over ordinary shares
Mr D Boyer	2,777,794	117,500
Mr T Streeter	16,709,343	949,074
Mr G Balfe	200,000	1,000,000

14. ENVIRONMENTAL REGULATIONS

In the course of its normal mining and exploration activities the consolidated entity adheres to environmental regulations imposed on it by the various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The consolidated entity has complied with all material environmental requirements up to the date of this report. The board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Company.

15. INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has entered into Director and Officer Protection Deeds (Deed) with each Director and the Company Secretary (officers). Under the Deed, the Company indemnifies the officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed.

Also pursuant to the Deed, the Company must insure the officers against liability and provide access to all board papers relevant to defending any claim brought against the officers in their capacity as officers of the Company.

The Company has paid insurance premiums during the year in respect of liability for any past, present or future directors, secretary, officers and employees of the Company or related body corporate. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance or indemnification for the Auditor of the Company.

DIRECTORS' REPORT (continued)

16. NON-AUDIT SERVICES

During the year KPMG, the consolidated entity's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and has resolved that it is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and does not compromise, the auditor independence requirements of the Corporation Act 2001. The non-audit services provided did not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company and consolidated entity, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

Audit and review of financial reports (KPMG Australia)	$29,072
Taxation compliance services (KPMG Australia)	$ 3,450
	$32,522

17. LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set on page 10 and forms part of the directors' report for the financial year ended 30 June 2006.

18. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year the Company issued 27,469,480 fully paid ordinary shares in placements to sophisticated investors and directors. The Company's contributed equity increased by $2,196,719 from the funds raised net of costs. A further 3,000,000 shares were issued in placement subsequent to year end to raise $210,000.

In the opinion of directors, other than that disclosed elsewhere in this report, there were no other significant changes in the state of affairs of the Company and consolidated entity that occurred during the financial year under review.

This report is made with a resolution of the directors:

G Balfe
Director

Perth
Dated 29 September 2006

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Midas Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

T R Hart
Partner

Perth
Date: 29 September 2006

MIDAS RESOURCES LIMITED
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INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
Gain on sale of tenements		62,500	-	62,500	-
Marketing expenses		(117,534)	(65,607)	(109,062)	(65,607)
Exploration expenditure written off		(452,110)	(81,670)	(452,110)	(81,670)
Administrative expenses		(493,155)	(493,957)	(431,406)	(493,283)
Project generation		(786,895)	(510,003)	(157,876)	(387,387)
Impairment of intercompany loans		-	-	(2,361,963)	(113,183)
Occupancy expenses		(43,734)	(37,959)	(37,296)	(37,959)
Depreciation		(10,365)	(15,365)	(10,365)	(15,365)
Rehabilitation expenses		(50,000)	-	(50,000)	-
Other		(43,290)	(7,879)	(43,290)	(7,879)
Result from operating activities	2	(1,934,583)	(1,212,440)	(3,590,868)	(1,202,333)
Financial income		25,805	52,225	16,172	42,228
Financial expenses		(54,205)	-	(54,205)	-
Net financing costs	3	(28,400)	52,225	(38,033)	42,228
Loss before tax		(1,962,983)	(1,160,215)	(3,628,901)	(1,160,105)
Income tax benefit	6	-	-	-	-
Loss for the year		(1,962,983)	(1,160,215)	(3,628,901)	(1,160,105)
Attributable to:					
Equity holders of the parent		(1,979,977)	(1,143,221)	(3,628,901)	(1,160,105)
Minority interest	16	16,994	(16,994)	-	-
Loss for the Year		(1,962,983)	(1,160,215)	(3,628,901)	(1,160,205)
Earning per share attributable to ordinary equity holders of the Company:					
Basic loss per share	5(b)	(2.39) cents	(1.72) cents		

Potential ordinary shares are considered anti-dilutive, therefore, diluted EPS is the same as basic EPS.

The income statements are to be read in conjunction with the accompanying notes.

MIDAS RESOURCES LIMITED
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BALANCE SHEETS

AS AT 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
Current Assets					
Cash and cash equivalents	7	1,183,547	701,242	221,820	624,919
Trade and other receivables	8	38,135	17,233	33,450	17,233
Other financial assets	9	419,082	284,090	240,800	284,090
Total current assets		1,640,764	1,002,565	496,070	926,242
Non current assets					
Other financial assets	9	2	2	23,009	76,433
Plant & equipment	10	24,431	12,208	24,192	12,208
Exploration and evaluation expenditure	11	8,426,779	7,916,537	7,875,997	7,916,537
Total non current assets		8,451,212	7,928,747	7,923,198	8,005,178
Total assets		10,091,976	8,931,312	8,419,268	8,931,420
Current liabilities					
Trade and other payables	12	179,991	101,961	173,092	101,961
Interest bearing loans and borrowings	13	754,203	-	754,203	-
Provisions	14	50,000	-	50,000	-
Other	15	-	10,000	-	10,000
Total current liabilities		984,194	111,961	977,295	111,961
Total liabilities		984,194	111,961	977,295	111,961
Net assets		9,107,782	8,819,351	7,441,973	8,819,459
Equity					
Issued capital	17	13,368,754	11,172,036	13,368,754	11,172,035
Reserves	18	279,453	224,757	279,453	224,757
Retained losses		(4,540,425)	(2,560,448)	(6,206,234)	(2,577,333)
Total equity attributable to equity holders of the parent		9,107,782	8,836,345	7,441,973	8,819,459
Minority interests	16	-	(16,994)	-	-
Total equity		9,107,782	8,819,351	7,441,973	8,819,459

The balance sheets are to be read in conjunction with the accompanying notes.

MIDAS RESOURCES LIMITED
And its Controlled Entities

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
Cash flows from operating activities					
Interest received		25,805	52,225	16,172	42,228
Cash payments in the course of operations		(542,602)	(493,355)	(468,159)	(492,680)
Net cash used in operating activities	23(a)	(516,797)	(441,130)	(451,987)	(450,452)
Cash flows from investing activities					
Proceeds from sale of mineral exploration projects		52,500	105,000	52,500	105,000
Exploration expenditure		(962,352)	(678,470)	(411,570)	(678,470)
Payments for controlled entities		-	-	-	(108)
Payment of loans to controlled entities (net)		-	-	(2,308,536)	(189,509)
Payments for evaluation of new projects		(786,895)	(510,003)	(157,876)	(387,387)
Payment of deposit for registration of controlled entity		(178,282)	-	-	-
Payments for purchase of fixed assets		(22,588)	(7,725)	(22,349)	(7,725)
Net cash used in investing activities		(1,897,617)	(1,091,198)	(2,847,831)	(1,158,199)
Cash flows from financing activities					
Proceeds from borrowings		1,400,000	-	1,400,000	-
Repayment of borrowings		(700,000)	-	(700,000)	-
Proceeds from issue of shares		2,229,039	1,190,104	2,229,039	1,190,104
Costs of capital raising		(32,320)	(71,405)	(32,320)	(71,405)
Net cash from by financing activities		2,896,719	1,118,699	2,896,719	1,118,699
Net (decrease) in cash and cash equivalents		482,305	(413,629)	(403,099)	(489,952)
Cash and cash equivalents at 1 July		701,242	1,114,871	624,919	1,114,871
Cash and cash equivalents at 30 June	7	1,183,547	701,242	221,820	624,919

The statements of cash flows are to be read in conjunction with the accompanying notes.

MIDAS RESOURCES LIMITED
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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

Consolidated	Share capital	Share based payment reserve	Option reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 July 2004	10,053,337	-	200,000	(1,417,227)	8,836,110	-	8,836,110
Loss for the year	-	-	-	(1,143,221)	(1,143,221)	(16,994)	(1,160,215)
Share based payments	-	24,757	-	-	24,757	-	24,757
Shares issued	1,190,104	-	-	-	1,190,104	-	1,190,104
Costs of share issue	(71,406)	-	-	-	(71,406)	-	(71,406)
Balance at 1 July 2005	11,172,035	24,757	200,000	(2,560,448)	8,836,344	(16,994)	8,819,351
Loss for the year	-	-	-	(1,979,977)	(1,979,977)	16,994	(1,962,983)
Equity settled transactions	700,000	-	-	-	700,000	-	700,000
Shares issued	1,529,039	-	-	-	1,529,039	-	1,529,039
Costs of share issue	(32,320)	-	-	-	(32,320)	-	(32,320)
Share based payments	-	54,696	-	-	54,696	-	54,696
Balance at 30 June 2006	13,368,754	79,453	200,000	(4,540,425)	9,107,782	-	9,107,782

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

Company	Share capital	Share based payment reserve	Option reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 July 2004	10,053,337	-	200,000	(1,417,227)	8,836,110	-	8,836,110
Loss for the year	-	-	-	(1,160,106)	(1,160,106)	-	(1,160,106)
Share based payments	-	24,757	-	-	24,757	-	24,757
Shares issued	1,190,104	-	-	-	1,190,104	-	1,190,104
Costs of share issue	(71,406)	-	-	-	(71,406)	-	(71,406)
Balance at 1 July 2005	11,172,035	24,757	200,000	(2,577,333)	8,819,459	-	8,819,459
Loss for the year	-	-	-	(3,628,901)	(3,628,901)	-	(3,628,901)
Equity settled transactions	700,000	-	-	-	700,000	-	700,000
Shares issued	1,529,039	-	-	-	1,529,039	-	1,529,039
Costs of share issue	(32,320)	-	-	-	(32,320)	-	(32,320)
Share based payments	-	54,696	-	-	54,696	-	54,696
Balance at 30 June 2006	13,368,754	79,453	200,000	(6,206,234)	7,441,973	-	7,441,973

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Midas Resources Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated financial report was authorised for issue by the directors on 29 September 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the bases of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS"), to distinguish from previous Australian GAAP. The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 26.

The consolidated financial statements and notes of Midas Resources Limited also comply with IFRSs and interpretations adopted by the International Accounting Standards Board. The parent financial statements and notes do not comply with IFRSs as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

(b) Basis of preparation

The financial report is presented in Australian dollars.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report are discussed in note(p).

The following standards and amendments were available for early adoption, but have not been applied by the consolidated entity in these financial statements:

• AASB 119 Employee Benefits (December 2004) (ii)

• AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements and AASB 124 Related Party Disclosures (ii)

• AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement (ii)

• AASB 2005-3 Amendments to Australian Accounting Standards (June 2005) amending AASB 119 Employee Benefits (either July or December 2004) (ii)

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (cont.)

• AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts (ii)

• AASB 2005-5 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), and AASB 139 Financial Instruments: Recognition and Measurement (ii)

• AASB 2005-6 Amendments to Australian Accounting Standards (June 2005) amending AASB 3 Business Combinations (ii)

• AASB 2006-1 Amendments to Australian Accounting Standards (January 2006) amending AASB 121 The Effects of Changes in Foreign Exchange Rates (July 2004) (ii)

• UIG 4 Determining whether an Arrangement contains a Lease (ii)

• UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (ii)

• UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies (ii)

• UIG 8 Scope of AASB 2 (iii)

• UIG 9 Reassessment of Embedded Derivativescope of AASB 2 (ii)

• AASB 7 Financial instruments: Disclosure (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.

• AASB 2005-9 Amendments to Australian Accounting Standards (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006 (ii)

• AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosures and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

(i) Adoption of these standards is not expected to have an impact on the financial results of the Company and the consolidated entity as they are concerned only with disclosures.

(ii) These standards/amendments are not relevant to the Company or the consolidated entity.

(iii) Adoption of these amendments and interpretation is not expected to have any impact.

The consolidated entity plans to adopt the above standards, amendments and interpretations when they become effective.

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (cont.)

The financial report is prepared on the historical cost basis except that available for sale financial assets are stated at their fair value.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all entities in the consolidated entity.

Going Concern

The consolidated entity incurred losses of $1,962,983 during the year ended 30 June 2006 (2005: $1,160,215) and at that date had working capital of $478,288 (2005: $890,604). The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. The Company's directors are confident this basis is appropriate. The consolidated entity tenement expenditure commitments can be varied by relinquishing tenements or obtaining exemptions. A loan of $200,000 (plus an additional $100,000 subsequent to year end) from a director can be repaid be conversion to equity with shareholder approval. Approval for the conversion is planned to take place at the Annual General Meeting to take place in November 2006. The Company is confident that this approval will be granted.

Subsequent to year-end, the Company is undertaking a renounceable rights issue to raise approximately $3.02 million before the costs of the issue. The rights issue offers one new share with one free attaching option for every two shares held at an application price of 6 cents per share. The free attaching options have an exercise price of 10 cents each and expire 30 September 2009. The rights issue is fully underwritten by Patersons Securities Limited. The underwriting agreement may be terminated with the usual and appropriate events if the underwriter considers there will be a material adverse affect on the issue including a 10% or more fall in the All Ordinaries index or the outbreak or material escalation of hostilities in designated regions. If the underwriter withdraws the full amount of the raising may not be achieved and the Company and consolidated entity's expenditure plans and commitments will be reduced accordingly.

The Company also has shareholder approval to place up to 30 million shares by 20 October 2006 at a price determined by ASX listing rules.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Joint ventures

Joint ventures are those entities over whose activities the Company and consolidated entity has joint control, established by contractual agreement. The interest of the Company and consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(d) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(e) Plant & equipment

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h)).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

(i) plant and equipment 3 to 4 years

The residual value, if not insignificant, is reassessed annually.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments in equity securities

Current accounting policy

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. The consolidated entity has not designated any other financial assets or liabilities as measured at fair value through profit or loss.

The fair value of financial instruments classified as held for trading is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments.

Comparative period policy

Investments in other listed entities and other unlisted entities are measured at the lower of cost and recoverable amount.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(h) Impairment

The carrying amounts of the consolidated entity's assets, other than deferred tax assets (see accounting policy (m)) and exploration expenditure (see policy (r)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as set out below.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The recoverable amount of other assets is the greater of their 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Share capital

Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(j) Interest bearing borrowings

Current accounting policy
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(k) Employee benefits

Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Share based payment transactions
The share option programme allows Company and consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black and Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Expenses

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and foreign exchange gains and losses. Interest income is recognised in the income statement as it accrues, using the effective interest method.

(m) Income tax

Income tax on the income statement for the periods presented 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, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(o) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(p) Accounting estimates and disclosures

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Good and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) Exploration and evaluation

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (h)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

In the event that an area of interest is abandoned or if the directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
2. EXPENSES				
Result from operating activities before income tax expense has been arrived at after charging the following items:				
Net loss on disposal of mineral tenements	-	25,848	-	25,848
Impairment of intercompany loans	-	-	2,361,963	113,183
Depreciation of plant & equipment	10,365	15,365	10,365	15,365
Provision for rehabilitation costs	50,000	-	50,000	-
Fair value adjust on investment held for trading	43,290	-	43,290	-
Employee costs not capitalised	198,756	126,241	187,566	126,241
3. NET FINANCING COSTS				
Interest income	(25,805)	(52,225)	(16,172)	(42,228)
Interest on loans	54,205	-	54,205	-
Net financing costs (income)	28,400	(52,225)	38,033	(42,228)

4. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
Auditors' remuneration:				
Audit and review services:				
- Auditors of the Company	29,072	16,627	29,072	16,627
Taxation services:				
- Auditors of the Company	3,450	1,000	3,450	1,000

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
5. EARNINGS PER SHARE				
(a) Weighted average number of shares used in calculation of basic earnings per share	82,708,298	66,395,326		
(b) Earnings per share calculated using the weighted average number of fully paid ordinary shares on issue at the reporting date.	(2.39) cents	(1.72) cents		
Options disclosed in Note 14(b) are potential ordinary shares that are not considered dilutive.				
6. INCOME TAX				
(a) Income tax benefit				
Prima facie income tax benefit Calculated at 30% on the operating loss	(588,868)	(340,637)	(1,088,670)	(340,605)
Adjusted for:				
Permanent differences	138,937	2,847	847526	36,802
Deferred tax asset not brought to account	449931	337,790	241,144	303,803
Income tax benefit attributable to loss from ordinary activities	-	-	-	-
(b) Deferred tax asset not recognised				
The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from.				
Temporary differences and income tax losses	3,465,776	3,135,448	3,411,668	3,101,461

NOTES TO THE FINANCIAL STATEMENTS

		Consolidated		The Company	
		2006	2005	2006	2005
		$	$	$	$
7.	**CASH AND CASH EQUIVALENTS**				
	Cash at bank and on hand (1)	1,168,392	686,087	206,665	609,764
	Bank short term deposits (2)	15,155	15,155	15,155	15,155
		1,183,547	701,242	221,820	624,919
		%	%	%	%
	(1) Weighted average interest rate.	1.51	4.56	3.62	5.01
	(2) The bank short term deposit matures within 90 days and pays interest at a weighted average interest rate of:	4.70	4.35	4.70	4.35
		$	$	$	$
8.	**TRADE AND OTHER RECEIVABLES**				
	Current				
	GST receivable	14,504	3,919	9,823	3,919
	Security deposit	23,628	13,293	23,628	13,293
	Other debtors	3	21	-	21
		38,135	17,233	33,450	17,233

Trade and other receivables are non-interest bearing.

9.	**OTHER FINANCIAL ASSETS**				
	Current				
	Investments in other entities				
	Listed shares held for trading	240,800	284,090	240,800	284,090
	Pre-incorporation deposit required for registration of Chinese incorporated joint venture	178,282	-	-	-
		419,082	284,090	240,800	284,090
	Non-current				
	Investments in controlled entities				
	Unlisted shares at cost (9a)	-	-	108	108
	Loans to controlled entities	-	-	2,498,045	189,506
	Impairment of loans to controlled entities	-	-	(2,475,146)	(113,183)
	Other	2	2	2	2
		2	2	23,009	76,433

All current and non-current other financial assets are non-interest bearing.

(8a) Shares in controlled entities

Name	**Country of Incorporation**	**Percentage held 2006**	**Percentage held 2005**
Parent entity			
Midas Resources Limited			
Subsidiaries			
Midas Metals Asia Pty Ltd (incorporated 9 November 2004)	Australia	85%	85%
Midas Mining (China) Limited (incorporated 20 May 2005) (held 100% by Midas Metals Asia Pty Ltd)	Peoples Republic of China	85%	85%
Genesee Gold Mines LLC (incorporated 3 June 2005)	USA	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
10. PLANT & EQUIPMENT				
Office equipment at cost	61,564	38,976	61,325	38,976
Accumulated depreciation	(37,133)	(26,768)	(37,133)	(26,768)
Net book value	24,431	12,208	24,192	12,208
Reconciliation of office equipment is as follows:				
Opening carrying value	12,208	19,848	12,208	19,848
Additions	22,588	7,725	22,349	7,725
Depreciation	(10,365)	(15,365)	(10,365)	(15,365)
Closing carrying value	24,431	12,208	24,192	12,208
11. EXPLORATION and EVALUATION EXPENDITURE				
Balance at 1 July	7,916,537	7,706,707	7,916,537	7,706,707
Exploration and evaluation expenditure – *at cost*	962,352	291,500	411,570	291,500
Exploration and evaluation expenditure written off	(452,110)	(81,670)	(452,110)	(81,670)
	8,426,779	7,916,537	7,875,997	7,916,537

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

12. TRADE and OTHER PAYABLES				
Trade creditors and accruals	179,991	101,961	173,092	101,961

All trade and other payables are non-interest bearing.

13. INTEREST BEARING LOANS and BORROWINGS				
Loans from directors and related entities	700,000	-	700,000	-
Unpaid interest accrued on loans	54,203	-	54,203	-
	754,203	-	754,203	-

The Company was advanced $1.2 million pursuant to unsecured loans during August 2005 for the purposes of funding the establishment of a Chinese subsidiary. $1 million was advanced from an entity related to a director, Terry Streeter. The terms of the loan facilities were:

- interest accruing at 8% per annum;
- repayment of up to $700,000 by the issue of shares at 8 cents per share subject to shareholder approval;
- balance of loans repaid in cash at a time as agreed between the parties.

Repayment of $700,000 by the issue of 8,750,000 fully paid ordinary shares at $0.08 per share was made on 1 December 2005. The loan balance of $500,000 remains outstanding to the entity associated with Terry Streeter. Subsequent to year end the entity associated with Terry Streeter has advanced a further $50,000 on the same terms.

During February and March 2006, the Company was advanced a further $200,000 pursuant to an unsecured loan from a director, Don Boyer. The terms of the loan facility are:

- interest accruing at 8% per annum;
- repayment by the issue of shares at the same price as the last placement prior to conversion subject to shareholder approval. If shareholder approval is not granted the loan must be repaid within 12 months of the meeting.

Subsequent to year end Don Boyer has advanced the Company a further $100,000 on the same terms.

NOTES TO THE FINANCIAL STATEMENTS

		Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
14.	**PROVISIONS**				
	Balance at 1 July 2005	-	-	-	-
	Provision for rehabilitation of mineral tenements	50,000	-	50,000	-
	Balance at 30 June 2006	50,000	-	50,000	-
	Provision has been made for the present value of the estimated environmental clean up obligations outstanding at the balance sheet date.				
15.	**OTHER CURRENT LIABILITIES**				
	Refundable deposit on sale of tenements	-	10,000	-	10,000
	All other current liabilities are non-interest bearing.				
16.	**OUTSIDE EQUITY INTERESTS**				
	Outside equity interests in controlled entities comprise:				
	Interest in retained losses at the beginning of the financial year	16,994	-		
	Write back of minority interest in loss to equity holders of parent	(16,994)			
	Interest in net loss after tax	-	16,994		
	Interest in retained losses at the end of the financial year	-	16,994		
	Total outside equity interests	-	(16,994)		
17.	**ISSUED CAPITAL**				
	Share capital				
	Ordinary shares				
	97,655,113 (2005: 70,185,633) shares fully paid	13,368,754	11,172,035	13,368,754	11,172,035
(a)	*Movements during the year*				
	Balance at beginning of year				
	70,185,633 (2005: 61,030,986) shares	11,172,035	10,053,337	11,172,035	10,053,337
	Shares issued				
	- 9,145,647 placement for cash at $0.13 each	-	1,190,104	-	1,190,104
	- Transaction costs arising from placement		(71,406)		(71,406)
	- 7,452,380 placement for cash at $0.084 each	626,000	-	626,000	-
	- Transaction costs arising from placement	(12,520)	-	(12,520)	-
	- 8,750,000 shares issued on settlement of debt	700,000	-	700,000	-
	- 11,100,000 placements for cash at $0.08 each	888,000	-	888,000	-
	- Transaction costs arising from placements	(19,800)	-	(19,800)	-
	- 167,100 placement for cash at $0.09 each	15,039	-	15,039	-
	Balance at end of year	13,368,754	11,172,035	13,368,754	11,172,035

Terms and conditions

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 and are fully entitled to any proceeds of liquidation.

No shares were issued on exercise of options.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

NOTES TO THE FINANCIAL STATEMENTS

		Consolidated 2006	Consolidated 2005	The Company 2006	The Company 2005
17.	**ISSUED CAPITAL**				
(b)	**Options outstanding over ordinary shares**				
	Exercisable at $0.20 each expiring on 1 March 2006	-	10,205,145	-	10,205,145
	Exercisable at $0.20 each expiring 31 December 2005	-	1,150,000	-	1,150,000
	Managing Director's Incentive and Performance options				
	Exercisable at $0.20 expiring 1 Dec 2006	250,000	250,000	250,000	250,000
	Exercisable at $0.25 expiring 1 Dec 2006	250,000	250,000	250,000	250,000
	Exercisable at $0.30 expiring 1 Dec 2006	250,000	250,000	250,000	250,000
	Exercisable at $0.35 expiring 1 Dec 2006	250,000	250,000	250,000	250,000
	Exercisable at $0.25 expiring 1 Dec 2006 (Listed)	21,186,482	21,186,482	21,186,482	21,186,482
	Exercisable at $0.20 expiring 24 Nov2008 (Employee) (1)	450,000	1,110,000	450,000	1,110,000
		22,636,482	34,651,627	22,636,482	34,651,627

(1) Options granted pursuant to Employee Option Plan
All options granted for no consideration.
No options were exercised during the period.
Options carry no voting rights until converted to fully paid ordinary shares.

1,150,000 options exercisable at 20 cents each expired unexercised on 31 December 2005.
10,205,145 options exercisable at 20 cents each expired unexercised on 1 March 2006.
660,000 Employee options lapsed on resignation of employee.

		Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
18.	**RESERVES**				
	Share option reserve (1)				
	Issue of 2,000,000 options as part consideration for acquisition of Lake Carey project, at fair value of 10 cents each. Options are exercisable at $0.20 each and expire 1 December 2006.	200,000	200,000	200,000	200,000
	Share based payment reserve (2)				
	Balance at beginning of period	24,757	-	24,757	-
	Director incentive and performance options	-	12,122	-	12,122
	Employee share options	54,696	12,635	54,696	12,635
		279,453	224,757	279,453	224,757

(1) The option premium reserve is used to record the fair value of options issued but not exercised.

(2) The share based payment reserve is used to record the fair value of options issued to directors and employees under various share based payment schemes.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
19. COMMITMENTS				
a) Operating Lease Commitments				
Not later than 1 year	88,020	40,000	88,020	40,000
Later than 1 year but not later than 5 years	158,470	13,200	158,470	13,200

The term of the operating lease over the Company's head office is for an initial period of three years. As at balance date there was a balance of 35 months remaining. The Company has an option to renew the operating lease for a further period of three years.
The Company has an operating lease over a storage facility for a period of 2 years. As at balance date there was a balance of 10 months remaining.

b) **Exploration Expenditure 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 various State Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
Minimum exploration expenditure year 1	400,000	466,200	400,000	466,200
Minimum exploration expenditure year 2	400,000	516,300	400,000	516,300

The Company can apply for exemption from compliance with the minimum exploration expenditure requirements. Due to the nature and scale of the Company's exploration activities the Company is unable to estimate its likely tenement holdings and therefore minimum expenditure requirements more than 2 years ahead.

c) **Other Commitments**

The Company has entered into a management agreement with Boyer Exploration & Resources Management Pty Ltd (BERM), a company associated with Mr. D Boyer, for a fee of $5,000 (2005: $4,100) per month for management and associated secretarial services and provision of office furniture and computer systems. The initial term of the agreement was for 3 years commencing on the date the Company listed on ASX, which was 25 February 2003. This agreement was renewed in January 2006.

	Consolidated 2006 No.	Consolidated 2005 No.	The Company 2006 No.	The Company 2005 No.
20. EMPLOYEE BENEFITS				
Number of employees at year end	4	3	4	3

Defined contribution superannuation funds
Midas Resources Limited does not have a superannuation fund but makes contributions to defined contribution funds as specified by its employees. The amount paid to these funds for the financial year ended 30 June 2006 was $32,432 (2005: $28,697).

20. EMPLOYEE BENEFITS

Employee option scheme

The Company has an Employee option scheme approved by shareholders during the financial year. The key features of this option plan are:

a) The plan will be available to officers and employees of the Company and its subsidiaries other than directors at the discretion of the Board.
b) Options are granted for no consideration.
c) The options are issued at an exercise price determined by the Board, however they must be no less than the greater of 20 cents and the average of the last sale price of the Company's shares on the ASX at the close of business on each of the 15 business days immediately preceding the date the directors resolve to grant the options.
d) The number of shares the subject of options issued under this plan and other similar plans will not exceed 5% of the Company's issued capital from time to time.
e) If a holder ceases to be an employee or officer during the exercise period the holder may exercise the options within 14 days of ceasing to be an employee or officer and thereafter the options will lapse.
f) The options issued under this plan shall not be quoted on ASX.
g) The options are issued for a term of 4 years and will vest as follows:
   - 1/3 immediately;
   - 1/3 12 months after granting; and
   - 1/3 24 months after granting.
h) At 30 June 2006 there were four employees and one officer eligible for this plan.

Summary of options over unissued ordinary shares granted under the employee option scheme

Grant date	Exercise date on or after	Expiry date	Exercise Price	Number of options at beginning of year	Options granted	Options lapsed	Options exercised	Number of options at end of year	
								On issue	Vested
Consolidated and Company – 2006									
25 Nov 04	25 Nov 04	24 Nov 08	$0.20	370,000	-	220,000	-	150,000	150,000
25 Nov 04	25 Nov 05	24 Nov 08	$0.20	370,000	-	220,000	-	150,000	150,000
25 Nov 04	25 Nov 06	24 Nov 08	$0.20	370,000	-	220,000	-	150,000	-
Consolidated and Company – 2005									
25 Nov 04	25 Nov 04	24 Nov 08	$0.20	-	370,000	-	-	370,000	370,000
25 Nov 04	25 Nov 05	24 Nov 08	$0.20	-	370,000	-	-	370,000	-
25 Nov 04	25 Nov 06	24 Nov 08	$0.20	-	370,000	-	-	370,000	-

The value attributable to the employee option is calculated using the Black Scholes Model. No cash has been paid to the individuals. This value is based upon the following inputs and assumptions:

a) share issue price of 14 cents at grant date;
b) an estimated volatility factor of 84.1%;
c) option exercise price of 20 cents;
d) a risk free rate of 5.13%; and
e) a term to expiry of 48 months (25 November 2008)

The fair value per option is $0.061.

20. EMPLOYEE BENEFITS

Director incentive and performance options

The Company issued 250,000 incentive and 750,000 performance options to Mr G Balfe as Managing Director during the previous financial year. No other director incentive or performance options were granted and no options were exercised or lapsed during this financial year.

The terms of the options are:

	Expiry date	Exercise price	Number of options	Fair value
Incentive options	1 Dec 06	$0.20	250,000	$0.019
Performance options	1 Dec 06	$0.25	250,000	$0.013
	1 Dec 06	$0.30	250,000	$0.009
	1 Dec 06	$0.35	250,000	$0.007

All options vested on the grant date of 20 January 2005.

The options were granted for no consideration and will not be quoted on ASX.

The Managing Director's Performance options have the following additional terms and conditions;

- The options exercisable at $0.25 can only be exercised if the share price is at or above $0.30 for five consecutive days;
- The options exercisable at $0.30 can only be exercised if the share price is at or above $0.35 for five consecutive days;
- The options exercisable at $0.35 can only be exercised if the share price is at or above $0.40 for five consecutive days;
- The options will lapse if not exercised within 30 days of the expiry or termination of the contract of employment between the Company and Mr Balfe; and
- The options are not quoted on the Australian Stock Exchange.

The value attributable to the Equity Option is calculated using the Black Scholes Model. No cash has been paid to the individuals. This value is based upon the following inputs and assumptions:

a) share issue price of 12 cents at grant date;
b) an estimated volatility factor of 82.9%;
c) option exercise prices;
d) a risk free rate of 5.13%; and
e) a term to expiry of 22.4 months (1 December 2006)

The value of Options will only be realised if and when the market price of the Company shares, as quoted on the Australian Stock Exchange, meets the performance criteria and rises above the Exercise Price of the options.

21. RELATED PARTIES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors
Mr D Boyer (Chairman)
Mr T Streeter
Executive directors
Mr G Balfe (Managing Director)
Executives
Mr P MacLeod (Company Secretary)

The key management personnel compensation is as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Short-term employee benefits	361,062	301,125	361,062	301,125
Post-employment benefits	21,420	17,028	21,420	17,028
Equity compensation benefits	-	12,122	-	12,122
	382,482	330,275	382,482	330,275

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and executives. Remuneration packages include a mix of fixed remuneration and equity – based fixed and performance remuneration.

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the remuneration report section 5.1, 5.2, 5.3 and 5.4 of the Directors' report.

Loans from directors
During the financial year ended 30 June 2006 directors or their related entities advanced the Company $1,200,000 (2005: nil) by way of unsecured loans. With shareholder approval, the Company repaid $500,000 by the issue of 6,250,000 fully paid ordinary shares at a price of 8 cents per share. Interest accruing on outstanding loans to 30 June 2006 is $54,203 (2005: nil). Refer note 13.

NOTES TO THE FINANCIAL STATEMENTS

21. RELATED PARTIES

Equity instruments

All options refer to options over ordinary shares of Midas Resources Limited, which are exercisable on a one for one basis.

The Company granted 250,000 incentive options and 750,000 performance options over unissued ordinary shares to Mr G Balfe during the previous financial year, following approval by shareholders pursuant to a meeting held 20 January 2005. Mr Balfe was appointed as a director of the Company on 10 August 2004 and Managing Director on 1 September 2004. No options have been granted during or since the end of the financial year.

Option holdings

The movement during the reporting period in the number of options over ordinary shares in Midas Resources Limited held, directly, indirectly or beneficially, by each key management person, including their personally-related entities, is as follows:

	Held at 1 July 2005	Granted or purchased	Exercised	Lapsed or Expired	Held at 30 June 2006	Vested and exercisable at 30 June 2006
Directors						
Mr D Boyer	2,905,000	-	-	2,787,500	117,500	117,500
Mr T Streeter	3,976,853	-	-	3,027,779	949,074	949,074
Mr G Balfe	1,000,000	-	-	-	1,000,000	250,000
Executives						
Mr P MacLeod	-	-	-	-	-	-

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares in Midas Resources Limited held, directly, indirectly or beneficially, by each key management person, including their personally-related entities, is as follows:

	Held at 1 July 2005	Purchases	Received on exercise of options	Sales	Held at 30 June 2006
Directors					
Mr D Boyer	2,717,979	59,815	-	-	2,777,794
Mr T Streeter	10,459,343	6,250,000	-	-	16,709,343
Mr G Balfe	100,000	100,000	-	-	200,000
Executives					
Mr P MacLeod	-	-	-	-	-

22 OTHER RELATED PARTY DISCLOSURE

The consolidated entity has a related party relationship with its subsidiaries (see note 9(a))

Transactions between Midas Resources Limited and its controlled entities consisted of:

(i) Loans advanced by Midas Resources Limited. The Loans are interest free, unsecured and repayable at call, During the financial year ended 30 June 2006, loans to subsidiaries totalled $2,498.045(2005:189,506). These loans have been impaired by $2,475,146 at 30 June 2006 (2005:$113,183)

(ii)..Expenses incurred by Midas Resources Limited are on charged to controlled entities at cost,

(iii) Administrative services are provided at no cost to the controlled entities.

	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
23. NOTES TO STATEMENT OF CASH FLOWS				
(a) Reconciliation of loss from ordinary activities after income tax to net cash provided by operating activities:				
Loss from ordinary activities after income tax	(1,962,983)	(1,160,215)	(3,628,901)	(1,160,105)
Adjustments for)				
Depreciation	10,365	15,365	10,365	15,365
Non cash revenue (net)	-	(284,090)	-	(284,090)
Impairment of intercompany loan	-	-	2,361,963	113,183
Fair value adjustment to investment	43,290	-	43,290	-
Share based payments	54,696	24,757	54,696	24,757
Interest capitalised into loan	54,203	-	54,203	-
Exploration expenditure written off	452,110	468,640	452,110	468,640
Project generation expense	786,895	510,003	157,876	387,387
Proceeds on sale of project/tenement	(62,500)	(105,000)	(62,500)	(105,000)
Add/(less):				
Increase in provision for restorations	50,000	-	50,000	-
(Increase) in receivables	(20,902)	(10,007)	(16,217)	(10,005)
(Increase in creditors	78,032	99,417	71,134	99,417
Net cash used in by operating activities	516,797	(441,130)	451,987	(450,452)

24. SEGMENT INFORMATION

The Company and consolidated entity operates predominantly in one business segment, being mining and exploration. The Company and consolidated entity is now operating in three geographical segments being Australia, China and the USA.

Geographical Segments

	Australia	**China**	**USA**	**Total**
30 June 2006	**$**	**$**	**$**	**$**
Segment income	78,673	9,597	35	88,305
Segment result/loss after eliminations	(1,266,936)	(686,455)	(9,592)	(1,962,983)
Segment assets after eliminations	8,396,261	1,140,285	555,430	10,091,976
Segment liabilities after eliminations	977,295	6,899	-	984,194
Non cash expenses:				
Depreciation	10,365	-	-	10,365
Impairment of intercompany loans	2,361,963	-	-	2,361,963
Fair value adjustment on investment	43,290	-	-	43,290
Exploration expenditure written off	452,110	-	-	452,110
Interest capitalised into loan	54,203	-	-	54,203
Capital expenditure	22,588	-	-	22,588

During the year ended 30 June 2005 the Company and consolidated entity operated solely in the geographical segment in Australia.

25. CONTINGENT LIABILITIES

The Company's mining tenements are subject to native title applications.

The Company has a management services agreement in place with BERM, a company associated with Mr Don Boyer. If the agreement is terminated by Midas Resources Limited, the Company shall be liable to pay to BERM $200,000 or if that amount exceeds the amount permissible under Section 237 (6) of the Corporations Act, such lesser amount as is permitted under that section.

26. FINANCIAL INSTRUMENTS DISCLOSURES

(a) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate is set out below the note for each of the classes of financial assets and financial liabilities.

(b) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position is the carrying amount. The consolidated entity is not materially exposed to any individual overseas country or individual debtor.

(c) Net fair values of financial assets and liabilities

The carrying value of financial assets and financial liabilities recorded in the Company and consolidated entity financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

The market value of listed investments at 30 June 2006 was $240,800 (2005:$284,090 (refer note 9).

Cash assets are readily traded on organised markets in a standardised form.

Receivables and payables with a remaining life of less than one year are deemed to reflect the fair value.

(d) Derivatives

The consolidated entity does not have any derivatives.

(e) Financial risk management

The consolidated entity activities expose it to a variety of financial risks. These include market risk, liquidity risk and cash flow and fair value interest rate risk. Risk management is carried out by the Board of Directors.

(i) Market Risk
The exploration industry is subject to commodity price variances. The Directors monitor commodity prices to ensure that exploration is targeted on commercially viable areas.

(ii) Liquidity Risk
The consolidated entity monitors its cash reserves to ensure that it has sufficient cash reserves for its ongoing activities, including exploration.

(iii) Cash Flow and Fair Value Interest Rate Risk
The consolidated entity has significant interest bearing assets. However its income and operating expenditure are not materially exposed to changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

26. CHANGE IN ACCOUNTING POLICY

Reconciliation of financial instruments as if AASB 139 was applied at 1 July 2005
In the current financial year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement.* This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the consolidated entity recognising investments at fair value through profit and loss. Previously, equity investments were recorded at the lower of cost and recoverable amount. There was no impact on the financial report at 1 July 2005.

27. EXPLANATION OF TRANSITION TO AIFRSs

As stated in note 1(a), these are the Company's and consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

The only significant effect of the transition from previous GAAP to AIFRSs on the consolidated entity's financial position, financial performance and cash flows is an increase in retained losses for the year ended 30 June 2005 by $24,757 from $2,535,691 to $2,560,448 and an increase in reserves of $24,757 from $200,000 to $224,757. Change in the loss for the year ended 30 June 2005 amounted to $24, 757 from $1,1,35,458 to $1,160,215. These changes arise from the recognition of the value of employee options issued during that period.

The impact of the above change on the company's financial position, financial performance and cash flows is an increase in retained losses for the year ended 30 June 2005 by $24,757 from $2,552,576 to $2,577,333 and an increase in reserves of $24,757 from $200,000 to $224,757. Change in the loss for the year ended 30 June 2005 amounted to $24,757 from $1,135,349 to $1,160,105. These changes arise from the recognition of the value of employee options issued during that period.

28. EVENTS SUBSEQUENT TO BALANCE DATE

On 7 September 2006, the Company announced a Renounceable rights issue to raise approximately $3.02 million before the costs of the issue. The rights issue offers one new share with one free attaching option for every two shares held at an application price of 6 cents per share. The free attaching options have an exercise price of 10 cents each and expire 30 September 2009. The rights issue is fully underwritten by Patersons Securities Limited.

The Company issued 3,000,000 fully paid ordinary shares at 7 cents each in a placement during August 2006 to raise $210,000.

Subsequent to year end two directors have provided addition funds of $150,000 by way of unsecured loans to the Company. The terms of the loans are the same as existing loans with those directors as disclosed in note 13.

MIDAS RESOURCES LIMITED
And its Controlled Entities

DIRECTORS' DECLARATION

1. In the opinion of the directors of Midas Resources Limited ("the Company"):

a) the financial statements and notes, set out on pages 11 to 37 and the remuneration disclosures that are contained in sections 5.1, 5.2, 5.3 and 5.4 of the remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the period ended on that date; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the remuneration disclosures that are contained in sections 51., 5.2, 5.3 and 5.4 of remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related party Disclosures.

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2006 pursuant to Section 295A of the Corporation Act 2001.

Signed in accordance with a resolution of the directors:

G Balfe
Director

Perth

Dated 29 September 2006

Independent audit report to members of Midas Resources Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Midas Resources Limited (the "Company") and Midas Resources Limited and its Controlled Entities (the "Consolidated Entity") for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in Sections 5.1, 5.2, 5.3 and 5.4 of the directors' report and not in the financial report.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration 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 the Australian Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.* The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion 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 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 financial 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 comply with Australian Accounting Standard AASB 124.

We formed our audit 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.

While 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.

KPMG

Audit opinion

In our opinion:

(1) the financial report of Midas Resources Limited is in accordance with:

a) the *Corporations Act 2001*, including:

i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and;

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia; and

(2) the remuneration disclosures that are contained in Sections 5.1, 5.2, 5.3 and 5.4 of the Remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

T R Hart
Partner

Perth
Date: 29 September 2006