

31 January 2007

Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir

## **ACTIVITY REPORT FOR THE QUARTER ENDING 31 DECEMBER 2006**

### **Cooper Basin SA - PEL-182**

Century Drilling has agreed to the drilling of two wells with an option for a further two wells in PEL182 located in the Cooper Basin. Century Rig 3 will be available to commence drilling on 25 February 2007, subject to completion of prior drilling commitments and weather conditions.

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

The Cooper/Eromanga Basin complex is the largest oil and gas province in onshore Australia. 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 Cuttapiirrie/Tirrawarra to Moomba gas pipeline bisects the south east corner of the permit and enhances the commerciality of any gas prone leads and prospects in the immediate areas

adjacent to the pipeline corridor. Cooper and Eromanga oil and gas liquids are transported by pipeline to Port Bonyton for processing, storage and export.

The Joint Venture proposes initially to drill “**Sarah-Lyn No.1**” a Jurassic oil play and “**Vanessa No. 1**” a Permian gas play. The drilling option shall apply to the stratigraphic oil plays to be tested by **Jasmine No.1** and **Michelle No.1** and/or to development drilling in the case of a discovery at Sarah-Lyn or Vanessa.

**Sarahlyn No.1** – is a simple four way dip closure 4km south west of the Tarragon 1 oil well which flowed a cumulative 2,000 barrels of oil per day on initial test and 1km north west of the off structure 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 P50 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.

**Vanessa No.1** – lies 4km south east of the producing Pennie Gas Field. The lead lies on a pronounced south east – north west trending structural nose. It is ideally located with respect to hydrocarbon charge and is located only 4km from the existing gas pipeline infrastructure. The Pennie 1 well tested 18.9 MMCFD of gas from the Epsilon Formation and intersected 22 ft net gas pay in the Epsilon Formation, 34ft of net gas pay in the Toolachee Formation and 5ft of net gas in the Patchawarra Formation. Mapping of the lead has defined a pronounced C-P closed isochron and isopach thin over the lead. It is uncertain due to seismic misties whether the prospect exhibits present day structural closure based on the present mapping. The lead is geologically low risk although it is not optimally defined due to miss-ties and therefore structurally medium risk. The P50 gas reserves are 10 BCF and the risk of finding gas is 1 in 2.

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

**Michelle No.1** lies 3km west and up dip from the Arosa well. Arosa 1 intersected well developed clean sands of the Merrimella Formation-Tirrawarra Sandstone section that had fair to good oil shows of up to 10% visual oil fluorescence. The sands are very well developed, clean, fine-very coarse, poorly sorted, hard friable to loose in part. The well was not tested. The play type for Michelle 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

Michelle covers an area of 13sq km and has a vertical height of 35 metres with 10 metres of net pay. The P50 oil reserves are 4 MMbbls and the risk on finding oil is 1 in 7.

### **Termination of Farm-in and Drilling Deed White Sands Petroleum Ltd Appoints Administrator**

The “Farm-in and Drilling Deed” between AuDAX, Eagle Bay Resources NL, Australian Oil Company Ltd and White Sands Petroleum Ltd was terminated as of 21 December 2006.

White Sands was requested to reimburse the US\$1m (plus interest) advanced by AuDAX and used for the acquisition of the EDM drill rig pursuant to the Deed dated 1 December 2005.

On 22 December White Sands Petroleum advised the market that its Directors appointed Jefferson Collins Joiner as administrators effective 20 December.

AuDAX has been appointed to the Creditors committee and will continue to liaise with the Administrator overseeing the disposal of the White Sands assets necessary to recoup its investment.

AuDAX will return to a **49.9%** interest in the Permit which will enable the Company to seek fresh joint venture partners to participate in the up coming wells.

### ***Disclaimer***

*The Oil and Gas information on PEL-182 in this report is based on information compiled by Mr Ian R Barr who is a geophysicist and a Competent Person as described in Appendix 5A to the ASX Listing Rules. The report accurately reflects the information compiled by Mr Ian R Barr and a consultant Mr Eric Tucker.*

*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 unrisks 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. Statements attributed to 3<sup>rd</sup> parties do not necessarily reflect the opinions of ADX but are statements by qualified people on the public record and are included for completeness of the company’s obligations under continuous disclosure.*

*The contents of this report are not and should not be used as a substitute for independent professional advice in making an investment decision. This is particularly true for online and day traders who do not access the professional advice available from licensed stockbrokers and consequently should not trade in the company’s securities. The company does not give ‘plain english’ translation of technical reports. ADX shall not be liable and the reader shall indemnify the company and its Directors for any loss or damage caused by or owing directly or indirectly as a result of the reader’s use of the information contained within the documents that comprise this report without first accessing professional advice.*

*Chapter 19 “definitions” of the ASX listing rules indicate a “pre hydrocarbon reserve stage” however no hydrocarbons are claimed to be present.*

### **MARYMIA PROJECT (Nickel and Cooper)**

The Marymia project is a joint venture with AuDAX Resources Ltd where Falcon had the right to acquire a 70% interest in nickel and associated metals.

Falcon reported in the previous quarter that lag sampling defined eleven Ni/Cu/PGE anomalies. Subsequent field inspection during the December quarter provided an opportunity to sample a range of material from selected historic gold drill holes that exist in key areas over most of the anomalies. These samples were dispatched to ACME Laboratories in Canada for whole rock, rare earth, base metal and trace element analysis.

The philosophy of collecting these samples was to provide key information on the potential nickel fertility of the Marymia mafic complex at an early stage.

Falcon concluded that the results of this work were not conducive for nickel/sulphide mineralisation and has therefore withdrawn from the joint venture.

However it is the opinion of AuDAX that the resampling of the gold exploration holes was of a limited coverage and that the potential larger area has not been fully considered.

## **WEST YANDAL**

During the quarter View Resources exercised its option to purchase the Venus deposit by paying AuDAX \$250,000 cash.

Upon View recommissioning the Bronzewing Project, View is to issue to AuDAX 1,000,000 fully paid VRE shares. These shares will be issued within 30 days of the Bronzewing plant restarting full gold production.

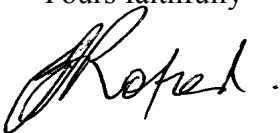
Upon commencement of mining at Venus, View will pay AuDAX \$375,000 cash within 30 days.

A royalty of 5% of the amount of the gold price per ounce over A\$700/oz at time of mint receipt is payable.

View to also pay the Newmont Yandal Operations Pty Ltd royalty as pertains to the Venus deposit and tenement.

A future royalty is payable to AuDAX of 1% NSR of any future reserves discovered and mined on the Tenement.

Yours faithfully



GARY J ROPER  
Managing Director

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**AuDAX Resources Ltd**

ABN

**50 009 058 646**

Quarter ended ("current quarter")

**31 December 2006**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a)exploration &evaluation (b)development (c)production (d)administration	(505)	(558)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	16	33
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material) GST nett Other – option exercised	250	250
<b>Net Operating Cash Flows</b>	<b>(346)</b>	<b>(555)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(43) (3)	(43) (7)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	389	389
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>343</b>	<b>339</b>
1.13 Total operating and investing cash flows (carried forward)	(3)	(216)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3)	(216)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	-	-
<b>Net increase (decrease) in cash held</b>			
1.20	Cash at beginning of quarter/year to date	(3) 1,068	(216) 1,281
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,065	1,065

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	See Note 6
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

N/A

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities – Bank overdraft facility	Nil	
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	750,000
4.2 Development	
<b>Total</b>	<b>750,000</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	618	58
5.2 Deposits at call	447	1,010
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,065</b>	<b>1,068</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note 7)	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	104,937,919	104,937,919		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<i>Employee</i> 600,000 600,000 400,000 27,130,047	27,130,047	<i>Exercise price</i> 15 cents 12 cents 12 cents 20 cents	<i>Expiry date</i> 31/12/2007 31/12/2008 31/12/2008 31/12/2008
7.8 Issued during quarter	400,000		12 cents	31/12/2008
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.



PROFORMA QUARTERLY REPORT - MINING EXPLORATION COMPANIES

**AuDAX RESOURCES LTD**

(A.C.N. 009 058 646)

---

**Note 6**

CASH FLOWS RELATED TO OPERATING ACTIVITIES

*Aggregate Payments to Specified Parties*

During the quarter ended 30 September 2006, the following payments were made to specified parties:

	<b>31/12/2006</b>	<b>YTD</b>
Payments to Directors for Directors fees	\$ 9,750	\$ 19,500
Payments to Directors for consulting and management services*	\$ 22,500	\$ 45,000
Payments to Director for services in capacity of Managing Director	\$ 32,500	\$ 65,000
Payments to Director for services in capacity of Exploration Director	\$ -	\$ 23,385

\* Payments to Directors for consulting and management services includes payments to Multi Metal Consulting Pty Ltd, a company which Mr I Chalmers is a Director and shareholder. This company provides geological consulting services in the normal course of business at commercial rates (\$0 YTD \$0)