

Monarch Gold Mining Company Limited
(Receivers and Managers Appointed)
(Subject to Deed of Company Arrangement)

ABN 69 100 038 266

(to be renamed Swan Gold Mining Limited)

**EXPLANATORY MEMORANDUM TO APPROVE THE
RECAPITALISATION OF THE MONARCH GROUP ON THE TERMS SET
OUT IN THE EXPLANATORY MEMORANDUM**

The Deed Administrator RECOMMENDS that you vote IN FAVOUR of the Resolutions.

**The Independent Expert has concluded that the Recapitalisation is
FAIR AND REASONABLE to non-associated Shareholders.**

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to its contents, please contact your professional adviser.

If you have any queries in relation to the Resolutions, this Explanatory Memorandum, or the Notice of Meeting please contact the Deed Administrator Bryan Hughes of Pitcher Partners, on +61 8 9322 2022 between 9.00am and 5.00pm (Perth time) Monday to Friday.

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IMPORTANT INFORMATION

Purpose of this Explanatory Memorandum

A General Meeting of Monarch Gold Mining Company Limited (Receivers and Managers Appointed) (Subject to deed of company arrangement) ("**Company**" or "**Monarch**") will be held on the date and location and time specified below:

DATE: Thursday, 8 September 2009

LOCATION: Celtic Club, 48 Ord Street, West Perth, Western Australia

TIME: 10.30AM

This Explanatory Memorandum has been prepared for the Shareholders of the Company in connection with the General Meeting.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that the Deed Administrator believes to be material to Shareholders in deciding whether or not to approve the Resolutions detailed in the Notice of Meeting.

Approvals required

The Resolutions set out in the Notice of Meeting seek Shareholder approval for the transactions contemplated by the Recapitalisation Deed between the Group Companies, Stirling Resources Limited, Stirling Gold Pty Limited, MGMC Pty Limited (as trustee of various creditors' trusts), Crawley Investments Pty Ltd and Bryan Hughes as Deed Administrator of the Group Companies. Further information on the effect of the transactions is set out in the Explanatory Memorandum.

The reasons why Shareholder approval is being sought are set out in the Explanatory Memorandum. In summary, the approvals are being sought for the purposes of:

- item 7 of section 611 of the Corporations Act, which permits a person to acquire a relevant interest in the shares of a listed company where that person's or someone else's voting power in the company increases above 20% as a result of the acquisition, if shareholders approve the acquisition;
- Listing Rule 10.1 of the ASX Listing Rules – which permits a company to acquire or dispose of a substantial asset to a related party, if shareholders approve the acquisition or disposal; and
- Listing Rule 10.11 of the ASX Listing Rules – which permits a company to issue shares to a related party, if shareholders approve the issue.

Instructions to Shareholders

The Explanatory Memorandum, Independent Expert's Report, Notice of Meeting and Proxy Form are all important documents. They should be read carefully in their entirety before you make a decision on how to vote at the Meeting. The Explanatory Memorandum and its annexures including the Independent Expert's Report are intended to be read in conjunction with the Notice of Meeting.

If you have any questions regarding the matters set out in the documents, please contact the Company or your stockbroker or other professional adviser.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions.

KEY DATES

Date of this Explanatory Memorandum	7 August 2009
Proxy Form to be received by no later than	8 September 2009
Shareholders' Meeting	10 September 2009
Expected date of completion of Recapitalisation	11 September 2009

You are encouraged to attend the Meeting, but if you cannot, you are requested to complete and return the enclosed Proxy Form without delay to the Deed Administrator at Level 1, 914 Hay Street, Perth 6000, by post to PO Box 7191 Cloisters Square, WA 6850 or by facsimile on + 61 8 9322 1262.

Forward looking statements

Certain statements made in the Explanatory Memorandum may relate to the future. These statements reflect views only as of the date of the Explanatory Memorandum. While the Company believes that the expectations reflected in the forward looking statements are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statement in the Explanatory Memorandum will actually occur.

Notice to persons outside Australia

The Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Recapitalisation which is not contained in the Explanatory Memorandum. Any information or representation not contained in the Explanatory Memorandum may not be relied on as having been authorised by the Deed Administrator in connection with the Recapitalisation.

Privacy

To assist the Company to conduct the General Meeting, the Company may collect personal information including names, contact details and shareholding of Shareholders and the names of persons appointed by Shareholders to act as proxy at the General Meeting. Personal information of this nature may be disclosed by the Company to its share registry, print and mail service providers, and the Company's agents for the purposes of implementing the Recapitalisation. Shareholders have certain rights to access their personal information that has been collected and should contact Chris Pattinson of Pitcher Partners on +61 8 9322 2022 if they wish to access their personal information.

Responsibility for information

The information contained in this Explanatory Memorandum (except for the Independent Expert's Report and statements attributed to the Deed Administrator) has been prepared by, and is, the responsibility of Stirling. To the fullest extent permissible by law, the Deed Administrator makes no representations or warranties as to the accuracy, validity or reasonableness of that information, and does not accept any responsibility or liability for any disclosure in or failure to include any disclosure in this Explanatory Memorandum.

Statements attributed to the Deed Administrator in this Explanatory Memorandum are the responsibility of the Deed Administrator. None of Stirling, its associates or its advisers assumes any responsibility for the accuracy or completeness of that information.

Stantons International Securities has prepared the Independent Expert's Report and has consented to the inclusion of the report in the Explanatory Memorandum. Stantons International Securities takes responsibility for that report but is not responsible for any other information contained within the Explanatory Memorandum.

Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

ASX involvement

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged with ASX pursuant to the Listing Rules. Neither ASX nor any of its officers take any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

Definitions

Capitalised terms used in the Notice of Meeting and Explanatory Memorandum are defined in section 13.

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1. Overview of the Recapitalisation

1.1. The Recapitalisation

As announced on 23 June 2009, the Company has entered into a recapitalisation deed (**Recapitalisation Deed**) with Stirling Resources Limited (**Stirling**), Stirling Gold Pty Limited (**SRE Gold**), MGMC Pty Limited (**MGMC** or the **Trustee**), Crawley Investments Pty Limited (**Crawley**) Crawley Investments Pty Limited (Crawley) and Bryan Hughes as deed administrator of the Group Companies (**Deed Administrator**) pursuant to which funds will be injected into the Company by SRE Gold. The funds will be used for the recommencement of operations at the Company's Davyhurst and Mt Ida gold projects located in the Western Australian Goldfields and to make payments to Creditors under three creditors' trusts.

Under the transaction contemplated by the Recapitalisation Deed (Recapitalisation), which is subject to Shareholder approval:

- **(issue to SRE Gold)** the Company will issue 300,000,000 Shares to SRE Gold at an issue price of \$0.05 per Share and 100,000,000 free 3 year \$0.05 Options (on terms set out in Annexure B) (**SRE Options**) and will receive a payment from SRE Gold of \$15,000,000;
- **(issue to Crawley)** the Company will issue 35,000,000 Shares to Crawley in satisfaction of the \$1,750,000 debt owed by the Company to Crawley (**Crawley Debt**);
- **(creditors' trusts and release of claims)** the Group Companies will be released from Creditors' claims as at the commencement of administration and in return those Creditors will have reciprocal claims against the following separate creditors' trusts (**Creditors Trusts**) established under the Deeds of Company Arrangement of the Group Companies so that Creditors receive 100c in the dollar¹ :
 - creditors of the Group Companies (other than Mt Ida Gold Pty Limited and Mt Ida Gold Operations Pty Limited), Territory, Crawley (**Group Trust**);
 - creditors of Mt Ida Gold Pty Limited (subject to Deed of Company Arrangement) and Mt Ida Gold Operations Pty Limited (subject to Deed of Company Arrangement) (**Mt Ida Trust**) other than Territory; and
 - Territory Resources Limited (**Territory Trust**);
- **(payments to Creditors Trusts)** the Company will make the following payments to the Creditors' Trusts:
 - Group Trust: \$6,630,392 at Completion and 3 equal payments of \$3,209,300 within 4, 8 and 12 months from Completion;
 - Mt Ida Trust: \$1,201,838 at Completion and 2 equal payments of \$506,700 within 4 and 8 months from Completion; and
 - Territory Trust:
 - \$2,961,000 at Completion and the difference between \$25,533,281 and the sum of:
 - (a) \$2,961,000;
 - (b) all amounts due from Minjar Gold Pty Ltd from the sale of Monarch's share in Minjar Gold Pty Ltd to Golden Stallion Resources Pty Ltd; and
 - (c) any proceeds from the sale of the Davyhurst Project (if sold) (Shortfall Payment) within 24 months from Completion.
 - **(issue to the Trustee)** the Company will issue the following Shares to the Creditors' Trusts at a deemed issue price of \$0.05 per Share, with the Shares to be sold by the Trustee of the relevant Creditors' Trust over 12 months and net proceeds distributed amongst Creditors of the relevant Creditors' Trust:
 - 178,206,960 Shares to the Group Trust; and
 - 30,625,384 Shares to Mt Ida Trust.
- **(assignment of Minjar claim)** the Company's claim arising from its sale of Minjar Gold Pty Ltd (**Minjar Claim**) will be assigned to the Territory Trust for the benefit of Territory;
- **(sale of Davyhurst and Siberia)** the Company may seek to sell its interest in Davyhurst Gold Pty Limited (subject to Deed of Company Arrangement) (**Davyhurst**) and Siberia Mining Corporation Pty Limited (subject to Deed of Company Arrangement) (**Siberia**) through an independent sales process overseen by the Company with proceeds payable to the Territory Trust;
- **(distributions to creditors)** the Trustee will act as trustee for each Creditors' Trust and will distribute funds according to the principles applicable to liquidations, with employees and the Deed Administrator to be paid their full entitlements following Completion;

¹ Based upon Creditor figures provided by the Deed Administrator to SRE Gold immediately prior to execution of the Recapitalisation Deed and assuming that Shares issued to the Creditors' Trusts are sold for their deemed issue price.

- **(charges)** the following charges will be granted to the Creditors' Trusts as security for the Company's payment obligations under the Recapitalisation Deed (**Charges**):
 - the Company will grant a first-ranking charge over all of its interest in Mt Ida in favour of the Mt Ida Trust to secure the Company's payment obligations to the Mt Ida Trust;
 - the Company will grant a first-ranking charge over all of its interest in Davyhurst and Siberia in favour of the Territory Trust to secure the Company's payment obligations to the Territory Trust; and
 - the Company will grant a second-ranking charge over all of its interest in Mt Ida in favour of the Group Trust to secure the Company's payment obligations to the Group Trust;
 - Mt Ida Gold Pty Limited (subject to DOCA) (**Mt Ida**) will grant a first-ranking charge over all of its assets and undertakings in favour of the Mt Ida Trust to secure the Company's payment obligations to the Mt Ida Trust;
 - Mt Ida will grant a second-ranking charge over all of its assets and undertakings in favour of the Group Trust to secure the Company's payment obligations to the Group Trust;
 - Davyhurst will grant a first-ranking charge over all of its assets and undertakings in favour of the Territory Trust to secure the Company's payment obligations to the Territory Trust;
 - Siberia will grant a first-ranking charge over all of its assets and undertakings other than its Bellevue Assets which are to be sold by the Deed Administrator prior to Completion in favour of the Territory Trust to secure the Company's payment obligations to the Territory Trust; and
- **(directors)** the Directors will regain control of Monarch from Completion and, upon satisfaction of the Company's obligations under the Recapitalisation, be released from any pre-administration claims.

Summaries of the Recapitalisation Deed, SRE Options, Charges, and Shares to be issued under the Recapitalisation are set out in Annexures A, B, C and D respectively.

After Completion of the Recapitalisation:

- (a) SRE Gold will have a relevant interest in 300,000,000 Shares by virtue of it being the registered holder of those Shares and having the power to exercise or control the exercise of a right to vote attached to those Shares. Stirling will also have a relevant interest in the 300,000,000 Shares by virtue of its ability to control SRE Gold; and
- (b) the Trustee (as trustee of the Creditors' Trusts) will have a relevant interest in 208,832,344 Shares by virtue of it being the registered holder of those Shares and having the power to exercise or control the exercise of a right to vote attached to those Shares. Mr Bryan Hughes will have a relevant interest in the 208,832,344 Shares by virtue of his ability to control the Trustee; and
- (c) the relevant interest of the following existing substantial shareholders of Monarch will change as follows:
 - Crawley's interest will go from 7.5% to 6.72%; and
 - Territory's relevant interest will go from 19.96% to 5.36%.

Information about Stirling and SRE Gold is set out in section 3. Information about the Trustee and Bryan Hughes is set out in section 4.

As part of the Recapitalisation, it is also proposed that the Company's name will be changed to "Swan Gold Mining Limited" and its ASX code changed to "SWA".

The Recapitalisation was approved by Creditors on 30 June 2009 and remains subject to Shareholder approval as set out in this Explanatory Memorandum.

The key dates in relation to the Recapitalisation are set out below:

Date of this Explanatory Memorandum	7 August 2009
Proxy form to be received no later than	10.30 am on 8 September 2009
The Shareholder meeting to be held at Celtic Club, 48 Ord Street, West Perth, Western Australia	10.30 am on 10 September 2009
Expected date of Completion of the Recapitalisation	11 September 2009

Resolution 1 seeks approval for the Company to issue Shares and SRE Options to SRE Gold and for the issue of Shares upon the exercise of those SRE Options.

Resolution 2 seeks approval for the Company to issue Shares to Crawley.

Resolution 3 seeks approval for the Company to issue Shares to the Trustee (as trustee of the Group Trust and the Mt Ida Trust).

Resolution 4 seeks approval for the Company to make payments to the Creditors' Trusts and for the Company, Mt Ida, Davyhurst and Siberia to grant fixed and floating charges over certain assets in favour of the Trustee (as trustee of the relevant Creditors' Trusts) and for the exercise by the Trustee of its rights under those charges.

Resolution 5 seeks approval for the change of the Company's name upon completion of the Recapitalisation to "Swan Gold Mining Limited".

Further details on the Recapitalisation are set out elsewhere in this Explanatory Memorandum.

1.2. Implications if the Recapitalisation is approved

If Resolutions 1 to 5 are passed and the Recapitalisation proceeds:

- the Group will no longer be subject to deed of company arrangement and its control will be returned to its Directors;
- The Company will receive a payment of \$15,000,000 from SRE Gold which will be used to make payments to the Creditors' Trusts and fund recommencement of operations at the Company's Davyhurst and Mt Ida gold projects;
- The Company's capital structure will be changed as follows:

	Current		Post completion of Recapitalisation Deed		Post exercise of SRE Options	
	Number of Shares ('000)	% interest	Number of Shares ('000)	% interest	Number of Shares ('000)	% interest
Territory	39,849,657	19.96	39,849,657	5.36	39,849,657	4.72
Kiernan	14,977,849	7.50	49,977,849	6.72	49,977,849	5.93
Others	144,827,811	72.54	144,827,811	19.48	144,827,811	17.17
SRE			300,000,000	40.35	400,000,000	47.42 ²
Trustee			208,832,344	28.09	208,832,344 ³	24.76
	199,655,317	100	743,487,661	100	843,487,661	24.76

² Assumes no further shares issued

³ To be sold within 12 months of completion

- Steps will be taken to have Monarch Shares requoted on ASX and Shareholders may be able to sell their Shares; and
- The Group will be released from all pre-administration claims, the Creditors' Trusts will be established and Creditors will have reciprocal claims against the relevant Creditors' Trust, payments will be made and Shares issued by the Company to the Creditors' Trusts, and security provided by the Group Companies in accordance with the summary below:

	Group Trust	Mt Ida Trust	Territory Trust
Creditors/ Beneficiaries	All Creditors of the Group Companies (other than Mt Ida and Mt Ida Gold Operations Pty Limited (subject to DOCA)), except for Territory, Crawley, or inter-company loans	All Creditors of Mt Ida and Mt Ida Gold Operations Pty Limited (subject to DOCA), except for Territory or inter-company loans	Territory
Payment ^{4 5}	<p>Deed Administrator and Employees receive \$3,421,092 at Completion (100c/\$).</p> <p>Other Creditors receive the following:</p> <ul style="list-style-type: none"> - \$3,209,300 at Completion (15c/\$). - 178,206,960 Shares at \$0.05 issued at Completion, to be sold by the Trustee within 12 months and proceeds distributed amongst Creditors (~40c/\$). - Further \$3,209,300 within 4 months of Completion (15c/\$). - Further \$3,209,300 within 8 months of Completion (15c/\$). - Further \$3,209,300 within 12 months of Completion (15c/\$). 	<p>Employees receive \$53,387 at Completion (100c/\$).</p> <p>Other Creditors the following:</p> <ul style="list-style-type: none"> - \$1,201,838 at Completion (30c/\$). - 30,625,384 Shares at \$0.05 issued at Completion, to be sold by the Trustee within 12 months and proceeds distributed amongst Creditors (~40c/\$). - Further \$506,700 within 4 months of Completion (15c/\$). - Further \$506,700 within 8 months of Completion (15c/\$). 	<p>\$2,961,000 at Completion.</p> <p>\$22,572,281 paid through assignment of Minjar Claim, any sale of Davyhurst and Siberia, and the Shortfall Payment within 24 months of Completion.</p>
Security	<p>Second ranking charge granted by Mt Ida over all of its assets and undertakings.</p> <p>Second ranking charge granted by the Company over its interest in Mt Ida.</p>	<p>First ranking charge granted by Mt Ida over all of its assets and undertakings.</p> <p>First ranking charge granted by the Company over its interest in Mt Ida.</p>	<p>First ranking charge granted by Davyhurst over all of its assets and undertakings.</p> <p>First ranking charge granted by Siberia over all over all of its assets and undertakings other than Bellevue Assets (which will be sold prior to Completion).</p> <p>First ranking charge granted by the Company over its interest in Davyhurst and Siberia.</p>
Trustee	MGMC	MGMC	MGMC

⁴ Stirling has guaranteed the Company's obligations to make these payments.

⁵ Returns are based upon figures provided by the Deed Administrator to SRE immediately prior to execution of the Recapitalisation Deed

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1.3. Implications if the Recapitalisation is not approved

If Resolutions 1 to 5 are not passed or the Recapitalisation does not otherwise Complete:

- (a) the Recapitalisation Deed will terminate;
- (b) Monarch's Shares will remain suspended from quotation on ASX; and
- (c) the Deed Administrator will call a meeting of the Group's Creditors to decide whether (amongst other things) the Group be wound up. If this occurs, Monarch's Shares are likely to be worthless.

1.4. Independent Expert's Report

To assist Shareholders to assess the Recapitalisation, and in accordance with the Listing Rules and ASIC Regulatory Guide 111 and 112, Stantons International Securities ("the Independent Expert") has been appointed to prepare an Independent Expert's Report.

The Independent Expert's Report provides four separate opinions in relation to:

- (a) the issue of Shares to SRE Gold;
- (b) the issue of shares to Crawley;
- (c) the issue of Shares to the Trustee (as trustee of the Creditors' Trusts); and
- (d) the Payments and grant of the Charges to the Trusts.

In relation to the issue of Shares, the Independent Expert's Report provides an opinion as to whether each issue is fair and reasonable to Shareholders who are not associated with the Recapitalisation. The issues of Shares will be deemed by the Independent Expert to be 'fair' to non-associated Shareholders if the value of the consideration for the Shares is equal to or greater than the value of the Shares. The issues of Shares will be deemed by the Independent Expert to be 'reasonable' if they are assessed by the Independent Expert to be fair or, if the Independent Expert has assessed the issues of Shares as 'not fair', there are other significant factors, which justify the acceptance and approval by Shareholders.

In relation to the Payments and grant of the Charges, the Independent Expert's Report provides an opinion as to whether the Payments and grant of the Charges is fair and reasonable to Shareholders who are not associated with the Recapitalisation. The Payments and grant of the Charges will be deemed by the Independent Expert to be 'fair and reasonable' if the advantages of the Payments and grant of the Charges outweigh the disadvantages to non-associated Shareholders.

The Independent Expert's view is that the proposal outlined in each Resolution is FAIR AND REASONABLE to non-associated shareholders.

A copy of the Independent Expert's Report is set out in Annexure E.

1.5. Deed Administrator's recommendation

The Deed Administrator recommends that Shareholders vote in favour of each Resolution for the following reasons:

- (a) **(Creditors repaid in full)** The Recapitalisation is estimated to provide Creditors with a return of 100 cents in the dollar (on the basis of Creditors' claims lodged with the Deed Administrator immediately prior to signing the Recapitalisation Deed that the Deed Administrator and Trustee's costs are no greater than estimated immediately prior to signing the Recapitalisation Deed, and assuming Shares issued to the Creditors' Trusts are sold for at least their deemed issue price) and release the Group from all pre-appointment Creditors' Claims. This will allow the Group to re-commence operations to the benefit of Shareholders and those Creditors who will continue to trade with Monarch;
- (b) **(Monarch's Shares may requote on ASX)** Subject to ASX approval the Recapitalisation will allow Monarch's Shares to be requoted on ASX allowing Shareholders to sell their Shares if they wish;
- (c) **(Employees)** The existing employees may retain their employment. All employees will receive all entitlements owing to them either as a priority dividend (in the case of past employees) or in the ordinary course of ongoing business (in the case of those employees who remain employed by Monarch);
- (d) **(Territory)** The Recapitalisation will resolve the dispute as to Territory's claim that it holds a first and second ranking security over Monarch (the Deed Administrator disputes the technical validity of these charges);
- (e) **(Liquidation may result in no return for Shareholders)** The likely alternative to the Recapitalisation is to liquidate Monarch, an outcome that may result in Monarch's Shares being worthless;
- (f) **(Timing and costs)** The Recapitalisation will minimise delay and costs in finalising the future of the Group, an outcome that is beneficial for both Creditors and Shareholders; and
- (g) **(Independent Expert)** The Independent Expert considers the Recapitalisation fair and reasonable to non-associated Shareholders.

2. Rationale for the Recapitalisation

The Directors appointed the Deed Administrator as administrator of the Monarch Group in July 2008 following the purported appointment by Territory of a receiver and manager over part of the Monarch group and the failure by Monarch and Territory to agree a forbearance of the debt owed by Monarch to Territory.

Stirling Gold has proposed a recapitalisation of the Monarch Group to the Deed Administrator. This Recapitalisation was agreed and approved by Creditors in June 2009 and is subject to approval by Monarch's Shareholders.

Stirling's strategy is to pursue the recommencement of activities at the Davyhurst and Mt Ida mines in light of changing economic conditions and after intensive and independent reviews of the Mt Ida project commissioned by Stirling and undertaken by Stirling and Mining One.

Stirling considers there are a number of pits that have been partially mined and can be immediately re-started for immediate production. A significant number of Resources have been adequately drilled to enable block modelling and re-optimisation. Previous optimisations had been carried out at A\$800-A\$1,000 per ounce and prevailing gold prices will make a significant difference to previously uneconomic optimisations.

The Mt Ida project has had the Resource re-estimated by SRK and a mining plan has been established by Mining One consultants. Stirling is in the process of obtaining samples for further testwork to determine final production methods and estimated recoveries. Production is estimated at 100,000 tpa for 60-70,000 ounces p.a. from the single underground operation.

There is significant potential for additional operating areas to be accessed from the current shaft and other surrounding opportunities.

The Davyhurst processing plant is a conventional 1.2mtpa CIP gold processing plant which has been significantly upgraded in previous years to handle fresh ore. The plant has been under care and maintenance for the last year and will require only a first fill of consumables to be brought back on line. The project has Western Power connection and has an established bore field, licensed tails storage facility and a 100 person camp.

The processing plant will require minimal expense to re-commence operations.

3. Overview of Stirling and SRE Gold

Stirling is an Australian resources developer focusing on investment and development of copper, zircon, coking coal, gold and iron ore projects. Stirling consists of highly experienced resource development and mining executives with track records of creating shareholder value.

SRE Gold is wholly owned by Stirling.

3.1. Strategy

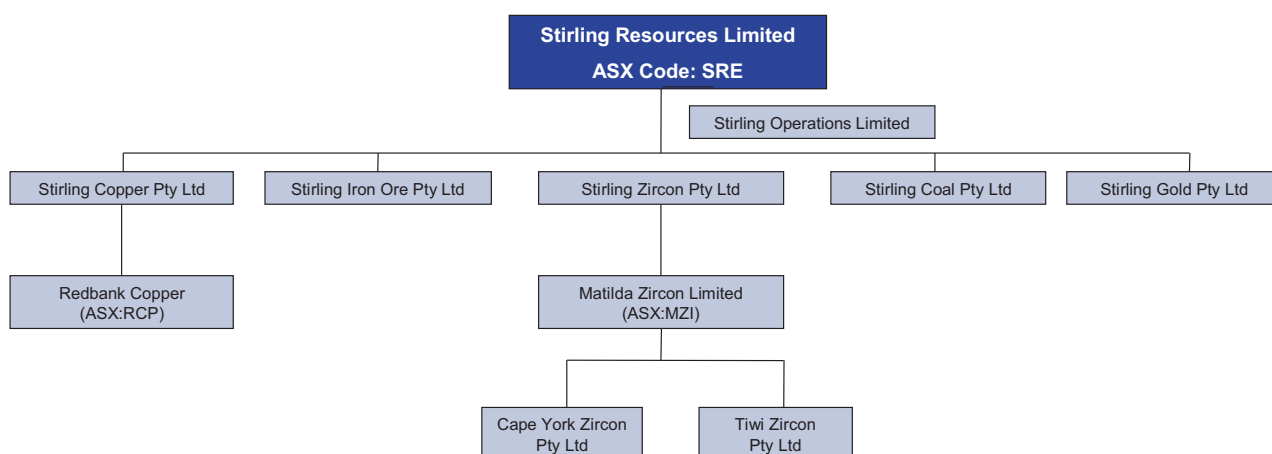
Stirling's approach is to identify projects that comprise either commodities that are considered to have a strong future and demand or geological characteristics that have potential and yet for various reasons have not achieved their possibilities. The focus is on brown fields projects close to development or production.

Stirling's philosophy is to have a small tightly controlled public company which will operate through various subsidiaries and develop projects together with financially strong partners who will provide capital and commercial arms length off take agreements.

The approach is one where Stirling is responsible to "dig and deliver" while its partners "market and distribute".

Driven by the underlying fundamentals of the Chinese economy and the continued massive urbanisation process commodities such as copper, zircon, gold and iron ore will continue to be in strong future demand. The Chinese growth is augmented by the Indian economic growth particularly in the steel industry leading to increasing demands of coking coal.

Stirling's corporate structure is set out in the diagram below:⁶



3.2. Financial information

Recent details of Stirling's financial position are contained in an Appendix 5B – Quarterly report, lodged with ASX on 31 July 2009.

3.3. Main business operations

Redbank Copper Project

Stirling holds (through its wholly owned subsidiary, Stirling Copper Pty Ltd) 28.05% of Redbank Copper Limited (**Redbank**). Redbank is an Australian based mining company focused on the development of the Redbank Copper Project in the north-eastern part of the Northern Territory. Redbank has been listed on ASX since 1993 (ASX:RCP). Redbank holds a substantial ground position of just under 3,700 km² of tenements granted or under application. The project focus is the historical Redbank Mining Centre, contained within the 19km² Exploration Retention Licence (REL) 94 and associated Mining Leases. The tenement package hosts significant copper mineralisation and is considered highly prospective for additional copper discoveries, as well as cobalt, phosphate, manganese and uranium.

The Redbank Copper Project comprises a number of mineralised breccia pipes with known copper mineralization defined at least to the current depth of drilling of around 300 metres from surface. Pipes range in diameter from 40 to 100 metres and contain copper oxide mineralisation in the top 35 metres and copper sulphide mineralisation below that.

⁶ Stirling is actively seeking to acquire iron ore and coal projects, however is yet to do so.

Redbank acquired the project in December 2005 and conducted drilling across the known deposits in 2006 and 2007. Redbank completed a preliminary feasibility study on the project in November 2007. The study demonstrated the technical and financial viability of the project based on a staged development plan comprising mining and treatment of oxides from the Bluff, Azurite and Redbank deposits followed by mining of sulfides from the Sandy Flat and Bluff deposits. The existing mine infrastructure, camp facilities, airstrip and roads resulted in a relatively low capital cost to bring the project into commercial production, which was proposed to ramp up to deliver annual copper metal production of 6,000 tpa over 2 years. The initial mine life based solely on mining of the top 100 metres of the known deposits was estimated at 5 years. Further drilling in 2008 enhanced confidence in the resource and the potential for a viable project.

The Bluff, Sandy Flat, Azurite, Redbank and Punchbowl deposits contain delineated JORC resources classified as 1,718,000 tonnes of 1.7% copper Indicated, and 3,490,000 tonnes at 1.3% copper Inferred, for a total resource of 5.2 million tonnes at a grade of 1.4% for 75,000 tonnes of contained Cu metal. Further breccia pipes have been identified and an ongoing exploration effort is planned to test these pipes for further economic grade mineralization. Redbank has committed to spend \$1.9M on its 2009 exploration programme, which will focus on discovery and delineation of high grade sulfide resources in order to grow the mine life of a proposed new copper production facility.

The mine site copper leaching operation is presently on a care and maintenance programme.

Redbank has an exploration joint venture with Glencore International (**Glencore**) covering approximately 805km² of its overall ground position, to the north east of the Redbank Mining Centre. Glencore has the opportunity to earn a 50% interest in the joint venture (EL 24654), known as Copperado.

Redbank has also signed an off-take agreement with Glencore for the life of mine, based on market based spot price of copper, confirming the high quality of the product and ensuring that the mine has a ready market for its output.

Matilda Mineral Sands Project

Stirling holds (through its wholly owned subsidiary, Stirling Zircon Pty Limited) 76% of Matilda Zircon Limited (formerly Olympia Resources Limited) (**Matilda Zircon**) (held by Stirling Zircon Pty Limited) and has approval by Matilda Zircon shareholders to increase to 81% upon the transfer of tenements awaiting processing in the Northern Territory and Queensland. Matilda Zircon is a Western Australian resource company which listed on the ASX in August 2004.

Matilda Zircon has focused on mineral sands and garnet sands in Australia and Kalimantan and has advanced projects in three areas i.e. Kalimantan (in Indonesia), the Northern Territory and Western Australia.

Matilda Zircon's first operating plant commenced operation in February 2008. This is a zircon processing plant treating concentrate produced by artisan miners to produce zircon, rutile and gold for sale into China and Southeast Asia. Matilda Zircon carried out an exploration program in Kalimantan between 2006 and 2008 looking for zircon, titanium minerals, chromite and gold. This program was successful in identifying several prospective areas for drilling. Exploration was reduced in 2008 to conserve cash but it is currently anticipated that exploration activities will increase in 2010.

The Harts Range garnet deposit is situated 130km north east of Alice Springs on the Plenty Highway. Harts Range is a world class garnet and hornblende deposit. All substantive approvals have been gained for the Harts Range project including an Indigenous Land Use Agreement (ILUA), Mining Licence and Environmental Approval. Matilda Zircon is currently in the process of working through the remaining outstanding government and third party approvals and agreements. The continued involvement of Matilda Zircon in this project is currently being reviewed and the potential for the disposal of this project is being considered.

The Keysbrook mineral sands project is situated 70 kilometres south of Perth. Matilda Zircon has pre-sold all products from Keysbrook. The titanium minerals have all been contracted to DuPont, the largest titanium pigment producer and the zircon has been sold to two established European zircon consumers. The Keysbrook project has received a recommendation for it to proceed from the Western Australian Environmental Protection Authority ("EPA"). The project is currently moving through the appeals process on the EPA recommendation following which Matilda Zircon will seek shire approvals. Matilda Zircon anticipates that all approvals will be obtained and mining will commence in 2011 and continue for 8 years.

In addition, in May 2009, Stirling announced the sale to Matilda Zircon of the assets in Northern Australia acquired by Stirling Zircon Pty Limited from the administrators of Matilda Minerals Limited, including the tenements and plant comprising the Andranangoo mineral sands project located on the Tiwi Islands, 60km north of Darwin in the Northern Territory, and the rights to tenements prospective for zircon located on the Cape York Peninsula in Queensland (together the **Matilda Assets**). The Matilda Assets comprise zircon and rutile rich mineral sands projects on tenements on the Tiwi Islands 60km north of Darwin in the Northern Territory with a wet concentrator plant located at the Andranangoo project, and the highly prospective mineral sands tenements at the Cape York Peninsula in Queensland.

The Tiwi Islands Zircon Project was previously producing and shipping zircon concentrate to China and the purchase includes a complete 150 tph wet plant (currently on care and maintenance) and all supporting equipment and infrastructure. The project has historically produced 46,000 tonnes of zircon concentrate grading 50% zircon. Current scoping studies indicate that a simple mining operation at Lethbridge has the potential to produce a near term net cash flow of approximately \$5-6 million.

The Cape York Zircon Project, north of Weipa in Queensland which has some 300 kilometres of prospective coastline and presents excellent discovery potential. Previous preliminary exploration has identified high grade zircon occurrences and significant strandlines, with potentially low strip ratios and more importantly low slime levels.

3.4. Directors and associates

Mr Jeremy Shervington *BJuris LLB*

Jeremy Shervington is a solicitor and is a partner in the legal firm Fearis Salter Power Shervington where he practices in the law regulating companies and the securities industry. He is Chairman of Australian Zircon Limited, BioProspect Limited, Plantcorp Limited, Investment Company of the West Limited, and Rubirosa Limited.

Mr Michael Kiernan *B Bus, FAICD*

Michael Kiernan is the managing director of Stirling. He has more than 35 years experience in transport, mining, contracting and resources industries, including the development and operation of mining projects in iron ore, manganese, chromite, nickel, copper, coal, gold and mineral sands. He has a track record in management and leadership of resources based projects having held executive positions with Australia's major mining and transport contractors. He was founding Managing Director of the diversified minerals producer Consolidated Minerals Limited. He is currently non-executive Director of Redbank Copper Limited, Matilda Zircon Limited and Australian Zircon Limited.

Mr Kiernan is a director of Monarch and will remain a director following completion of the recapitalisation.

Mr James Kiernan *B.Econ, GAICD*

James Kiernan is a non-executive director of Stirling. He has been involved in the logistics management of several production mines in Western Australia from Kalgoorlie – Bardoc – Leonora to the Pilbara – Newman – Port Hedland – Woodie Woodie. He previously has been an investment advisor at stock broking firm William Noall Ltd and a corporate advisor specialising in initial public offers and secondary listings both in London and Dubai, capital raisings and mergers and acquisitions.

Dr Rohtraut Skatsche-Depisch *Dr Phil.*

Dr Skatsche-Depisch is a non-executive director of Stirling and has extensive international commodity market experience. She is Managing Director of DCM Decometal having led the growth of the Company for 25 years to become a leader in trading of ores, alloys and metals serving 50 countries worldwide with an annual turnover in excess of US\$1.0billion. DCM is also a provider of trade finance, logistics and warehousing services with representative offices in Austria, Canada, China, Russia, Ukraine, UAE and USA.

Mr Giga Bedineishvili *B. Phys, MBA*

Giga Bedineishvili is a non-executive director of Stirling. He has a strong background in global investment banking and private equity fund management, having spent time with the US Bank Salomon Brothers and Salford Capital Partners. He was previously a Chief Economic Advisor to the President of Georgia. He is currently a Director of Business Development at DCM DECOMetal.

Mr Paul Page *B Bus.*

Paul Page is a non-executive director of Stirling. He has experience in the equity capital markets operating in both large and small firm environments. His experience includes investment banking, financial network, capital raising and stock broking. He has held roles as Director and Head of Equity Capital Markets for a number of broking firms. He has successfully raised funding and listed a range of companies on the ASX. He was previously Director of ComputerCorp Limited and Australian Power and Gas Limited.

SRE Gold directors

The directors of SRE Gold are Michael Kiernan, James Kiernan and Keith Vuleta (who is also Stirling's Chief Financial Officer). Details in relation to Michael and James Kiernan are set out in above.

Keith Vuleta trained with Ernst & Young and has been a Chartered Accountant for over 20 years. He has held positions as Finance Director, Chief Financial Officer and Company Secretary for public companies in the mining, engineering and financial services industries. He has extensive experience in senior financial management in the mining, construction, and engineering industries. He is principally experienced in areas of finance, system policies and controls, financial reporting, risk management and compliance.

3.5. Shareholders

The top 20 shareholders in Stirling as at the date of this Notice are set out in the table below:

Rank	Name	Units	% of Issued Capital
1	CRAWLEY INVESTMENTS PTY LTD	11,500,050	19.48
2	DCM DECOMETAL GMBH	11,000,000	18.64
3	ARTHUR PHILLIP NOMINEES PTY LTD	2,528,417	4.28
4	BROVEST PTY LTD	1,912,500	3.24
5	THE COBRA GROUP PTY LIMITED	1,725,000	2.92
6	EAGLE RESOURCES PTY LTD	1,413,890	2.40
7	MS AMANDA POOLE	1,332,500	2.26
8	MR JOHN WARREN BOOTH	1,149,000	1.95
9	KPA ADMINISTRATION PTY LTD	1,000,000	1.69
10	VFT INVESTMENTS PTY LTD	871,500	1.48
11	LUTMAR HOLDINGS PTY LIMITED	800,000	1.36
12	BROVEST PTY LTD	735,001	1.25
13	VERMAR PTY LTD	700,000	1.19
14	MR VINCE TRUDA	600,000	1.02
15	MR SIMON EDWARD WRIGHT	529,881	0.90
16	BANSKIN PTY LTD	500,000	0.85
17	CELTIC CAPITAL PTY LTD	500,000	0.85
18	LIGHTSHARE INVESTMENTS PTY LTD	500,000	0.85
19	ANTOINE NOHRA	450,000	0.76
20	VERMAR PTY LTD	450,000	0.76
	Total	40,197,739	68.10

4. Overview of the Trustee

The Trustee was incorporated in June 2009 to act as trustee of the Creditors' Trusts. Bryan Hughes, the Company's Deed Administrator, is the sole director and shareholder of the Trustee.

The role of the Trustee is to receive the Payments from Monarch under the Recapitalisation Deed, over a 12 month period to sell the Shares issued to the Group Trust and Mt Ida Trust, to administer Creditors' claims and to distribute the Trust Funds to Creditors, pursuant to the terms of the Trust Deed. In selling the Shares the Trustee will have regard to market conditions of pricing, liquidity, supply and demand and general economic conditions that may influence the timing, amount and pricing of sales of the Shares.

Shareholder approval for the issue of Shares to the Creditors' Trust, the Payments and the grant of the Charges is required as under ASX Listing Rules, as the Trustee is considered a related party by virtue of the Deed Administrator's control over the Trustee and Monarch.

5. Overview of the Company

5.1. Business overview

Monarch is a gold focused development company listed on the ASX. The Company was placed into voluntary administration on 10 July 2008 following an unsuccessful debt restructuring program. It currently is subject to a deed of company arrangement and its Shares suspended from quotation on ASX.

The Company is the largest Australian controlled tenement holder in the Kalgoorlie region of Western Australia and has a state-of-the-art gold treatment plant, and dominant ground positions in the prolific of the gold mining region to the north-west of Kalgoorlie with a total of 4.3km² tenements.

Monarch's assets include the high grade Mt Ida Project and the Davyhurst Project located in the Kalgoorlie region of Western Australia.

Monarch's strategy had been to capture opportunities for the consolidation of gold development assets which have not in the past realised their full potential, either due to a lack of capital or to limited exploration

5.2. Main business operations

Davyhurst Gold Project

The Davyhurst Gold Project is located approximately 120km north-west of Kalgoorlie, and is a core component of the Company's consolidated gold resource base in the Goldfields of Western Australia. Historically, the Davyhurst field comprising Riverina, Mulline, Davyhurst, Siberia, Lady Ida and Kunanalling project areas has produced over 1.5 million ounces of gold since 1897.

Monarch acquired the Davyhurst Project in November 2005, comprising at that stage an 808,000 ounce Resource base, 841 km² tenement package, a 1.2 million tonne per year gold processing facility, administration offices, an accommodation village and associated infrastructure.

In early 2006, Monarch further expanded its position at Davyhurst through a merger with Siberia. This merger resulted in the strategic consolidation of the nearby Siberia and Ida Gold Camp deposits into Monarch's existing holding, establishing a consolidated project with a combined resource base of 2 million ounces of gold within a 2,000 sq km tenement package including a centrally located gold treatment facility and production infrastructure. Monarch is now the largest Australian-controlled ground holder in the Kalgoorlie region, (Refer attached diagram).

Exploration

The combined Davyhurst Project which is located within the prolific Davyhurst-Mt Ida greenstone belt, has significant exploration potential. This belt hosts two major geological structures, the Zuleika Shear and the Mt Ida Fault, which have a close association with gold mineralisation in the region and reportedly control a 10 million ounce gold endowment. The majority (80%) of past drilling in the area was completed to depths of less than 50 metres and was generally only focused on known deposits within a limited geological assessment.

The Company now owns a comprehensive, verified and audited database of magnetic intensity, geochemical and drilling data for gold and nickel which combines over 50 years of data.

Following the recapitalisation, the Company will commence intensive exploration drilling programs at Davyhurst designed to further increase the existing Resource inventory. This programme will include extensive RAB drilling and RC drilling on specific targets. Specialist geological consultants, SRK Consulting, completed a structural review and interpretation of the combined exploration database for the Davyhurst Project, establishing a comprehensive exploration framework and outlining key exploration targets. Following the SRK report, Aster imagery was used to complete a regolith map developed to aid interpretation of the geochemical anomalies.

Aerial magnetics were re-flown over extensive areas of the tenements in order to improve the coverage and clarity of magnetic imaging, as well as processing the existing data. In addition, aerial photography over the leases was completed and integrated into the exploration database. An extensive programme of verification and integration of the data from the Davyhurst and Siberia geological databases into a single GIS database was conducted and will continue into next year. Integration of the databases has allowed an appraisal of all previous drilling and other geophysical data producing further targets for future exploration.

Riverina Gold Project

The Riverina Gold Project covers some 135 sq kms of granted tenements and is located immediately to the north of the Davyhurst processing plant.

The project covers 24kms of the continuation north from the Davyhurst processing plant of the Mt Ida greenstone belt and is widely mineralised. Mineralisation is located in sub-parallel veins which are amenable to open cut and underground mining.

The Riverina project contains Resources in near surface deposits amenable to open pit mining and hauling to the Davyhurst processing plant, only 40kms to the south. Prior optimisation studies support open pit mining to 75 metres depth and with a potential pit to 145 metres, subject to further drilling to confirm continuity of mineralisation at depth. There is also potential to further develop high grade underground resources.

Resource definition by RC drilling will focus on the area between the North and South shafts and also to test a further 800 metres strike extent of mineralisation to the north of the optimised pit, where previous drilling was not of a density adequate for resource definition. The drilling tested numerous historically mined mineralised lodes, some of which do not have a surface expression.

The main pit will be re-designed and scheduled following re-optimisation at current costs and gold price.

Mulline

The Mulline project covers is located immediately to the south and west of the Riverina project area, and north of the Davyhurst project area.

A number of relatively deep historic workings are present to the north and south of the Lady Jane pit at Mulline. Although the area has been tested by RAB drilling, depth of cover is relatively shallow and therefore depth of holes has generally been less than 20m. Minor RC drilling has been completed however drilling has not adequately tested for mineralisation associated with the workings. There are also a number of laterite pits in the Mulline area where the source of the surficial mineralisation has not been determined in most cases.

Other deposits include Lady Gladys. Earlier mining was initially by underground methods, with the most recent phase open cut.

RC resource definition drilling will focus on the area north and south of the Lady Jane deposit and the eastern side of the Lady Gladys pit where the older underground workings cut out and the mineralisation "rolls over". A combination of RC and RAB will test the source of the surficial mineralisation below the laterite deposits.

Davyhurst

Recent exploration RC drilling on the Round Dam trend, a gold-mineralised corridor extending over 15kms from the Lady Eileen prospect in the north to the Salmon Gums prospect in the south, has recorded excellent results. The Round Dam trend is located only 4kms from the Davyhurst mill at its northern extent. These results show extensions to gold resources at Federal Flag and Walhalla, which may result in enhancing pit designs and gold production. The potential for new resource discoveries remains at the Walhalla North prospect and Macedon to Mt Banjo prospects.

Historically exploration over the 15kms of the Round Dam trend has been confined to shallow, wide spaced RAB drilling which leaves the potential for significant further discoveries.

Siberia

The Siberia Project lies approximately 30km to the south east of the Davyhurst processing plant. It includes the Siberia Gold Camp which contains the Missouri, Sand King, Palmerston, Camperdown, Black Rabbit and Berwick-Moreing deposits.

The Black Rabbit deposit is located at the southern extent of the Siberia Mining camp, 40km from the Davyhurst processing plant.

Lady Ida

The Lady Ida area covers an area from Lizard to Callion and is 20-100 kilometres south of the Davyhurst processing plant. Exploration advanced the project through extensive programmes of soil sampling, auger drilling and RAB drilling. This work has defined large linear anomalous gold zones including the Lizard, Iguana and Blue Tongue deposits.

These Resources will be evaluated with new designs and schedules following re-optimisation at current costs and gold prices

Mt Ida

The Mt Ida project which is a small high grade underground deposit located 60 kms north east of the Davyhurst processing plant.

Monarch acquired 100% of the total tenement package covering approximately 500 sq km.

The project occupies the northern extension of the Mt Ida Structural Zone which is the regional host structure to several significant gold discoveries including the Kundana (7Moz), Davyhurst and Riverina projects to the south. The Mt Ida project shear zone represents an attractive exploration target over the entire 25 km of identified strike extent. The zone within the project area is marked by numerous historical workings and mines.

Gold was first discovered in this area in the mid 1980s and the Mt Ida region has produced in excess of 265,000 ounces of gold at an average grade of 16.3 g/t Au.

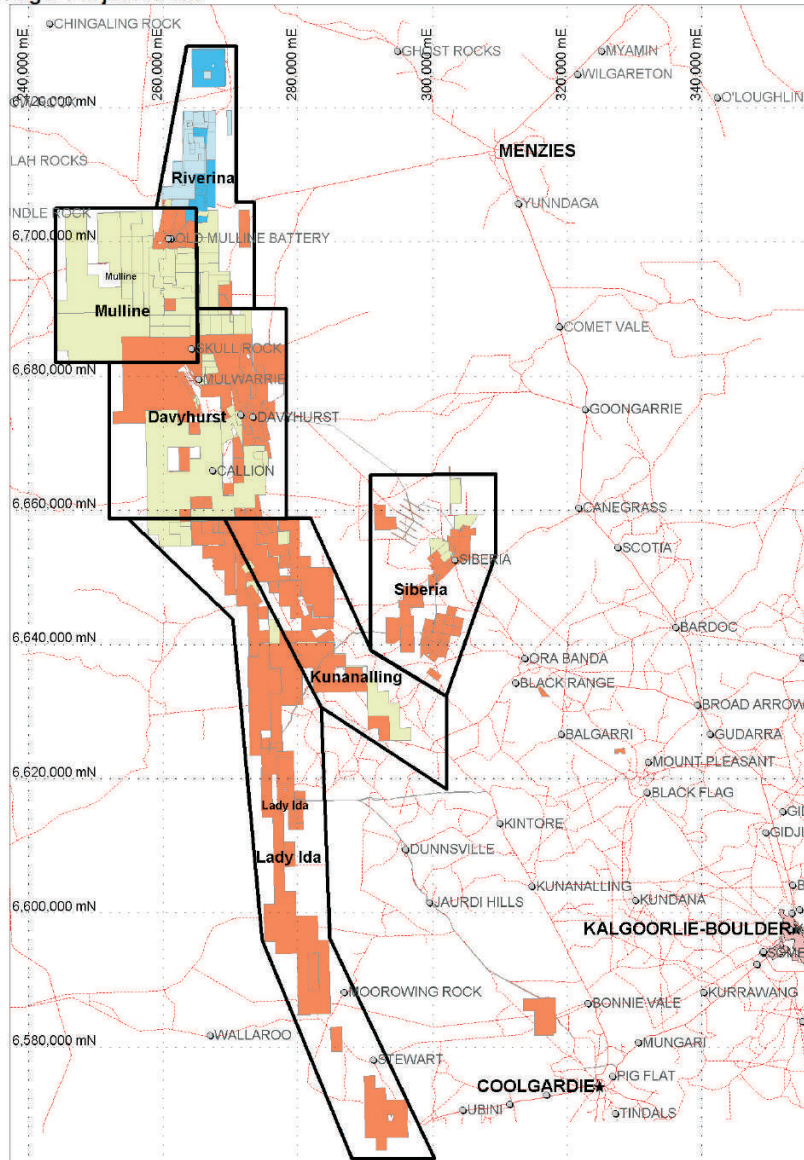
The major focus of exploration conducted within the Mt Ida project area surrounds the immediate vicinity of the Timoni mine. The exploration and development focus is currently on the Baldock, Meteor and Whinnen shoots.

Meteor is undergoing final reserve definition drilling to establish the final layout for mine planning. The Meteor shoot will be developed in 2009 to provide ongoing ore supply from the mine. Development will be from the Baldock access levels and an independent access shaft will be established as part of the project. Mine planning for the recovery of the extensive mine stocks and pillars in the old Timoni workings are underway.

Mining at Mt Ida is by underground mining methods consisting of small scale rail mounted hand held development and bar and arm style longhole stoping. Access to the working is via the refurbished Timoni shaft.

Mining ceased July 2008 following the appointment of administrators and the workings have been kept on care and maintenance since.

Carnegie Project Areas



5.3. Directors

In addition to Messrs Kiernan and Vuleta, the details for whom are set out in section 3.4 (who are currently Directors), it is proposed that the following persons will be appointed Directors, following Completion:

Mr Bruce Maluish *B AppSc (Surv), Dip Met. Mining*

Bruce Maluish has 20 years experience in the management and development of mining operations. He has previously been the Operations Manager and General Manager with various public companies in Australia including formative years of the very successful companies, Hill 50 Ltd and Abelle Ltd.

He is currently a non-executive Director of Matilda Zircon Limited.

Mr Ian Price *BE(Mining), FAusIMM*

Ian Price provides expertise for mine planning, geological studies in both open pit and underground operations. Experienced in ore body modelling, mine planning, equipment consultation, environmental risk assessment, and geophysical and geotechnical reviews.

Mr Bernie Siddall *BSC (Hons), FAusIMM*

Bernie Siddall has 20 years experience in mine metallurgical practices from operations management to consulting to 18mtpa-100ktpa mining operations in gold, copper, nickel, other base metals, ferrous and industrial minerals from initial testing, through feasibility and process design to commissioning. He is currently a non-executive Director of Redbank Copper Limited.

5.4. Company's current capital structure

Details on the Company's current capital structure are set out in section 7.1.

5.5. Substantial Shareholders

As at the date of this Explanatory Memorandum and based on substantial shareholder notices filed with the Company, the following persons have identified themselves as substantial shareholders of the Company (within the meaning of the Corporations Act):

Shareholder	Number of Shares
Territory Gold Pty Limited and Territory Resources Limited	39,849,657
Laurence James Kiernan	18,524,584
Crawley Investments Pty Ltd	14,977,849
JP Morgan Chase & Co and its affiliates	36,949,245

5.6. Top 20 Shareholders

The top 20 largest Shareholders in the Company as at the date of this Explanatory Memorandum are listed in the table below:

	Name	Shares	Shares%
1	Territory Gold Pty Ltd	39,849,657	20.96
2	J P Morgan Nominees Australia Limited	15,272,031	7.6
3	Crawley Investments Pty Ltd	9,441,690	4.7
4	ANZ Nominees Limited	7,981,844	4.0
5	HSBC Custody Nominees	7,883,521	3.9
6	Amp Life Limited	6,625,571	3.3
7	Imperial Resources Limited	5,832,917	2.9
8	Mineral Resources Limited	5,000,000	2.5
9	Abbotsleigh Pty Ltd	3,424,862	1.7
10	Dr Leon Eugene Pretorius	3,000,000	1.5
11	Mr Laurence James Kiernan	3,000,000	1.5
12	Emichrome Pty Ltd	2,376,667	1.2
13	Methuen Holdings Pty Ltd	1,950,583	1.0
14	DCM Decometal GmbH	1,666,667	0.8
15	Barra Resources Ltd	1,500,000	0.8
16	Forrest Family Investments Pty Ltd	1,170,000	0.6
17	Ms Debbie Maree Ellison	797,795	0.4
18	Mr Roger Anthony Pierce	693,880	0.3
19	National Nominees Limited	649,470	0.3
20	Mr Gordon Anthony	631,042	0.3
	Total	118,748,197	59.5%

6. Impact on Company's financial position

6.1. Introduction

The financial information in this section is presented in an abbreviated form. Shareholders should refer to the Deed Administrator's report to creditors (a copy of which is available upon request from Pitcher Partners) for more detailed disclosures in relation to the Company's financial position.

Shareholders should also refer to the financial information in the Independent Expert's Report, which is set out in Annexure E to this Explanatory Memorandum.

6.2. Financial summary

During the period of administration the Company has not reported any results for the financial years ended 30 June 2008 nor 30 June 2009. For the purposes of preparation of a pro-forma balance sheet as at 30 June 2009 the Deed Administrator reported an unaudited consolidated net loss of \$62.6M.

An abbreviated financial summary of the Company's income statement and balance sheet for years ended 30 June 2009 (unaudited) and 30 June 2007 (audited) is set out below.

	Year ending 30-Jun-09 (unaudited) \$'000	Year ending 30-Jun-07 (audited) \$'000
Current Assets		
Cash	1,189	21,750
Receivables	5,307	494
Inventories	-	33
Prepayments	-	158
Other	40	62
Total Current Assets	6,536	22,497

	Year ending 30-Jun-09 (unaudited) \$'000	Year ending 30-Jun-07 (audited) \$'000
Non-current Assets		
Property, plant & equipment	8,750	12,745
Deferred exploration	18,000	39,968
Other	18,415	2,604
Total Non-current Assets	45,165	55,317
Current Liabilities		
Payables	29,310	13,567
Financial liabilities	30,804	489
Provisions	540	355
Total Current Liabilities	60,654	14,411
Non-current Liabilities		
Financial liabilities	1,367	1,302
Provisions	2,948	3,348
Total Non-current Liabilities	4,315	4,650
Net Assets	(13,268)	58,753
Equity		
Issued Capital	137,979	103,800
Reserves	4,236	3,330
Accumulated losses	(155,525)	(48,419)
Minority Interests	42	42
Total Equity (Deficiency)	(13,268)	58,753

Other than as set out in this Explanatory Memorandum, no matters or circumstances have arisen since 30 June 2009 which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of the Company in future financial periods.

6.3. Impact of Recapitalisation on financial position

Set out below is a pro forma consolidated balance sheet of the Company (reviewed) taking into account the Recapitalisation. The pro-forma balance sheet illustrates the effect of the Recapitalisation as if it had occurred on 30 June 2009.

	Unaudited 30 June 2009 \$'000's	Unaudited Pro-forma 30 June 2009 \$'000's
Current assets		
Cash at bank	1,189	5,087
Receivables	5,306	4,920
Investments	40	40
	<u>6,535</u>	<u>10,047</u>
Non current assets		
Plant and equipment (partly secured to financiers)	8,750	8,750
Receivables and loans	12,996	-
Deferred exploration and evaluation costs	18,000	18,000
Security deposits	5,419	5,419
	<u>45,165</u>	<u>32,169</u>
Total assets	<u>51,700</u>	<u>42,216</u>

	Unaudited 30 June 2009 \$000's	Unaudited Pro-forma 30 June 2009 \$000's
Current liabilities		
Trade and other payables (including Administrator's fees and cost)	29,310	-
Future obligations under the Recapitalisation Deed to the Creditors' Trusts	-	10,641
Provisions	540	400
Borrowings	30,803	1,093
	60,653	12,134
Non current liabilities		
Borrowings- Hire purchase (secured)	1,367	1,367
Future obligations under the Territory Trust	-	10,287
Provisions- Rehabilitation	2,948	2,948
	4,315	14,602
Total liabilities	64,968	26,736
Net Assets (Deficiency)	(13,268)	15,480
Equity		
Issued capital	142,257	169,449
Accumulated losses	(155,525)	(153,969)
Net Equity (Deficiency)	(13,268)	15,480

Risks relating to the Company and the Recapitalisation are disclosed in sections 9 and 10.

6.4. Key risks relating to the Company's financial prospects

Shareholders should be aware of the key risks that may affect the future operating and financial performance of the Company and the value of Shares. These risks include general risks associated with any form of business and specific risks associated with the Company's business. Details on these risks, including the risks associated with the proposed Recapitalisation not proceeding are set out in section 9 and 10.

Shareholders should also be aware that if Resolutions 1 to 4 are not passed or the Recapitalisation does not complete the Recapitalisation Deed will terminate and the Deed Administrator will call a meeting of the Creditors of each Group Company to decide whether (amongst other things) the respective Group Companies be wound up.

6.5 Costs of Recapitalisation

The costs of preparing this Notice of Meeting, obtaining the Independent Expert's Report and convening the Meeting are being met by Stirling.

The Administrator's costs will be paid from the Creditors' Trusts. Impact on Company's capital structure and level of control

7. Impact on Company's capital structure and level of control

7.1. Current capital structure

As at the date of this Explanatory Memorandum the Company's Shares on issue total 199,655,317. Territory and Territory Gold Pty Limited together hold 39,849,657 Shares representing voting power of 19.96%.

As at the date of this Explanatory Memorandum there are also a number of unlisted Options on issue. Further details in relation to these Options (and the associated implications of the Recapitalisation) are set out in section 7.3.

7.2 Capital structure post completion

As at the date of this Explanatory Memorandum, Stirling, SRE Gold, the Trustee, Bryan Hughes and their associates do not hold Shares and accordingly have no voting power in the Company. Crawley has a relevant interest in 14,977,849 Shares in the Company and voting power of 7.5%.

If Resolutions 1 to 4 are approved by Shareholders and the Recapitalisation proceeds, the Company will issue 300,000,000 Shares and 100,000,000 SRE Options to SRE Gold, 35,000,000 Shares to Crawley and 208,832,344 Shares to the Trustee which will increase the total number of shares on issue from 199,655,317 to 743,487,661 and dilute Existing Shareholders' (excluding Crawley's) voting power from 100% to 24.84%.

The capital structure and voting power of Shareholders after completion of the Recapitalisation is set out in section 1.2.

7.3. Impact on Options

The table below sets out the expiry date and exercise price of the Options on issue as at the date of this Explanatory Memorandum:

ASX Code	Number	Exercise Price (\$)	Expiry
MONAI - options	1,000,000	\$1.20	30 September 2010
MONAJ - options	1,700,000	\$0.60	30 September 2010
MONAM – employee options	6,333,334	\$1.20	31 December 2010
MONAP – options	1,666,667	\$1.20	6 August 2010
MONAQ – employee options	6,800,000	\$0.90	30 June 2012
MONAW – directors options	833,334	\$1.20	23 February 2012
MONAY – employee options	1,583,334	\$1.20	23 February 2011
MONAZ – employee options	333,334	\$1.20	30 June 2011

All of the Options listed above are currently exercisable and accordingly, approval of the Recapitalisation will not affect the exercise of the Options.

7.4 Intentions of Stirling and SRE Gold

This section sets out the intentions of Stirling and SRE Gold in relation to the Company, based on information known to Stirling and SRE Gold as at the date of this document.

Final decisions regarding these matters will only be made by Stirling and SRE Gold at a time after consideration of all of the relevant material and information at the time of making the decision. Accordingly, the statements set out in this section are statements of current intention only, which may change as new information becomes available or as circumstances change.

(a) Continued operations and strategic direction

Based on information available to Stirling, Stirling currently intends that the Company's operations will recommence operations at its Davyhurst and Mt Ida projects, as detailed in sections 2 and 5.

On the basis of information currently known to it, Stirling's current intentions are:

- to be a strategic shareholder in the Company and to use its expertise to assist the future development of the Company's business;
- not to change the business of the Company otherwise than as set out in this Explanatory Memorandum;
- to maintain the present employees of the Company;
- to inject further capital into the Company on a pro rata basis with other Shareholders and, in any other circumstance, to give consideration to injecting capital into the Company on terms and conditions to be agreed with the Company;
- not to redeploy fixed assets of the Company or change significantly the Company's existing policies in relation to financial matters or dividends; and
- not to transfer to or acquire from the Company any property other than shares.

(b) Management

Control of the Group will pass from the Deed Administrator to the Company's Directors.

7.5. Trustee's intentions

The Trustee is required to sell the Shares issued to it between the period from:

- i) when Shares can be on-sold without disclosure; and
- ii) 12 months from issue of the Shares and distribute the proceeds to Creditors.

The Trustee will sell the Shares having regard to the market conditions of pricing, liquidity, supply and demand and general economic conditions that may influence the timing, amount and pricing of sales of the Shares.

8. Corporate Governance

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Monarch on behalf of the Shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least three directors and it intends to establish a majority of non-executive directors;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next annual general meeting of shareholders.

The assessment of whether a director is considered independent (both from the perspective of the Company and the director) is based on the following materiality thresholds:

- payments made by the Company to the director or any of his associated entities for the provision of goods and/or services does not exceed 10% of the annual gross expenditure of the Company; or
- payments received by the director for the provision of goods and/or services to the Company does not exceed 25% of the annual income or business turnover of the director or his associated entities.

The Board assesses the independence of each director in light of interests disclosed by them. An independent director is a non-executive director (i.e. is not a member of management) and who:

- is not a substantial shareholder of the Company;
- within the last 3 years has not been employed in an executive capacity by the Company;
- within the last 3 years has not been a material professional adviser or consultant to the Company;
- is not a material supplier or customer of the Company; and
- has no material contractual relationship with the Company other than as a director of the Company.

Clause 11.20 of the Company's constitution requires that a Director who has a material personal interest in a matter comply with sections 191, 192 and 195 of the Corporations Act. Section 195 provides that such director not be present while that matter is being considered or vote on the matter except with approval from ASIC or the other directors.

Clause 11.20 also requires a director who has a material personal interest in a matter relating to the affairs of the Company to give the other Directors notice of the nature of the interest, and the relation of the interest to the affairs of the Company, as soon as practicable after the Director becomes aware of the interest.

The Company must advise ASX without delay of any material contracts involving directors' interests when required by the Listing Rules.

After completion of the Recapitalisation, the Directors will be required to comply with the Company's Constitution and Board guidelines and all applicable laws (including the Listing Rules) in relation to any dealings between the Company and any Director or Shareholder, including:

- seeking Shareholder approval for transactions between the Company and Stirling, SRE Gold or any Director where required by any applicable law or the Listing Rules;
- complying with applicable laws relating to conflicts of interest for Directors and Directors' exclusion from voting in relation to matters considered by the Board; and
- complying with their legal obligations to act in good faith, in the best interests of the Company and for proper purposes, and to have regard to the interests of the Shareholders and the Company as a whole.

Any transactions in which Stirling, SRE Gold or a Director (or any associate) has an interest will be on arm's length commercial terms or will be approved by Shareholders, where required by legislation or the ASX Listing Rules.

Such transactions will also be approved by the independent Directors of the Company not associated with Stirling, SRE Gold or the relevant Director, in accordance with any applicable laws relating to conflicts of interest and exclusion of directors from voting.

9. Key Risks

Shareholders should be aware of the key risks that may affect the future operating and financial performance of the Company and the value of Shares. These risks include general risks associated with any form of business and specific risks associated with the Company's business. Some of these risk factors can be mitigated by the use of safeguards and appropriate systems and actions, but many are outside the control of the Company and cannot be mitigated.

The following summary, which is not exhaustive, represents some of the major risk factors which investors need to be aware of.

9.1. Company specific risks

(a) Operation and development risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including (but not limited to):

- adverse geological conditions;
- limitations on activities due to seasonal weather patterns and cyclone activity;
- unanticipated operational and technical difficulties encountered in seismic survey, drilling and production activities;
- mechanical failure of operating plant and equipment;
- industrial and environmental accidents, industrial disputes and other force majeure events;
- unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- inability to obtain consents or approvals.

Prosperity depends on the successful exploration and/or acquisitions of reserves, design and construction of efficient processing facilities, competent operation and management, and efficient financial management. Exploration is a speculative endeavour, and mining operations can be hampered by force majeure circumstances, environmental considerations and cost overruns for unforeseen events.

(i) Ability to exploit successful discoveries

It may not always be possible for the Company to exploit successful discoveries which may be made in areas in which the Company has an interest. Such exploitation would involve obtaining the necessary approvals from relevant authorities that may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further, the decision to proceed to further exploitation may require participation of other companies whose interests and objectives may not be the same as the Company's.

(ii) Exploration and evaluation risks

The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration and mining tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration and mining tenements.

(iii) Resources estimations

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Until mineral resources are actually mined and processed the quantity of mineral resources must be considered as estimates only. As such, resource estimates are inherently imprecise and rely to some extent on interpretations which may prove to be inaccurate. Estimates, which were valid when made, may change significantly when new information becomes available. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way which could have either a positive or negative affect on the Company's operations and financial condition.

(iv) Occupational, Health and Safety Risk

The Company is committed to providing a healthy and safe environment for its personnel, contractors and visitors. Mining activities have inherent risks and hazards. The Company provides appropriate instructions, equipment, preventative measures, first aid information and training to all stakeholders through its occupational, health and safety management systems.

(v) Minjar sale

In February 2009, an agreement to sell the shares held by the Company in Minjar Gold Pty Ltd (which holds the Minjar Gold Project) was executed with Golden Stallion Resources Pty Ltd. This was finalised in March 2009 and while all payments immediately due under the agreement have been received, there remains deferred consideration amounts due at future dates. Under the Recapitalisation Deed these amounts will be paid to the Territory Trust.

Under the Recapitalisation Deed, Monarch has agreed to pay the Territory Trust the Shortfall Payment.

There is a risk that Golden Stallion Resources Pty Ltd may default on making further payments, which will increase the Shortfall Payment that the Company must pay.

(vi) ASX quotation

There remains a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on ASX. Should this arise, the Shares cannot be traded on ASX until such time as those requirements can be met, if at all.

(b) Credit and Market Risk

(i) Market conditions

The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company, the Deed Administrator nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(ii) Security Investments

Shares listed on the stock market, and in particular shares of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the Shares regardless of the Company's performance.

Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management.

Exploration in itself is a speculative endeavor, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

(iii) Product, Commodity Price and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(iv) Future Capital Requirements

The future capital requirements of the Company will depend on many factors. Each of the Company's projects will require additional funding adequate to fund continued exploration and resource development. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities. Operations are planned to recommence mining operations and there can be no guarantee future performance will meet the designed schedule.

In particular, if the Recapitalisation is not implemented, and in the absence of alternatives, the Company will be placed in liquidation. If Shareholders approve Resolutions 1 to 4, the Deed Administrator is not aware of any reason why Completion will not occur.

(v) Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

(vi) Regulatory and Environmental Risk

The Company's projects are subject to Commonwealth and State laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by the conditions attaching to the Tenements.

(vii) Native Title and Title Risks

Both the *Native Title Act 1993* (Cth), related State Native Title legislation and Aboriginal Land Rights and Aboriginal Heritage legislation may affect the Company's ability to gain access to prospective exploration areas or obtain production titles.

Compensatory obligations may be necessary in settling Native Title claims if lodged over any tenements acquired by the Company. The existence of outstanding registered Native Title claims means that the grant of a tenement in respect of a particular tenement application may be significantly delayed or thwarted pending resolution of future act procedures in the Native Title Act. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company. This may preclude or delay granting of permits to explore or mine on some tenements. The presence of Aboriginal sacred sites on tenements held by the Company may limit or preclude exploration or mining activity within the sphere of influence of those sites and delays and expenses may be incurred in obtaining clearances. At this stage it is not possible to quantify the impact (if any) which these developments may have on the operations of the Company.

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(viii) General risks

Factors such as inflation, interest rates, levels of tax, taxation law and accounting practices, government legislation or intervention, natural disasters, social upheaval and war may have an impact on prices, operating costs and market conditions generally. Accordingly, the Company's future possible revenue and operations can be affected by these factors which are beyond the control of the Company.

General movements in local and international stock markets, and economic conditions could all affect the market price of the Company's shares.

(ix) Joint Venture risk

The future viability and success of any joint ventures entered into by the Company or its subsidiaries or any future joint ventures entered into by the Company or its subsidiaries could be affected by the financial failure or default of any of the joint venture participants.

(x) Economic risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities and may have an impact on the price of the Company's shares.

Further, share market conditions may affect the market price of the Company's shares regardless of operating performance.

Share market conditions are affected by many factors such as:

- general economic outlook,
- movements in or outlook on interest rates and inflation rates,
- currency fluctuations,
- commodity prices,
- changes in investor sentiment towards particular market sectors; and
- the demand and supply for capital.

(xi) Other Risks

The future viability and profitability of the Company is also dependent on a number of other factors that affect the performance of businesses in all industries and not just the resource industries, including, but not limited to, the following:

- strength of the equity and share markets in Australia and throughout the world;
- competition for future business opportunities from other companies, including existing producers; and
- acts of terrorism or an outbreak of international hostilities may impact the operations of the Company or more generally the operation of global markets, including the share market.

10. Risks associated with the Recapitalisation

There are a number of risks associated with the Recapitalisation which Shareholders should be aware of.

Risks and implications associated with the approval of Resolutions include amongst other things the impact on corporate governance and control, the Company's ability to make the Payments and the grant of the Charges. Details of these risks and implications are set out in section 10.1.

If on the other hand the Recapitalisation is not approved or does not complete, then there are additional risks over and above those set in sections 10.1. Details on these risks and implications are set out in section 10.2.

10.1. Key implications and risks if the Resolutions are approved

- (a) The Recapitalisation will complete, the Group will no longer be bound by the deeds of company arrangement and will be released from all Creditors' claims, and control of the Group will return to its Directors.
- (b) The Company's activities will immediately re-commence as detailed elsewhere in this Explanatory Memorandum, and the risks detailed in Section 9 will apply.
- (c) Monarch must pay \$10,641,300 to the Trustee within 8-12 months, and the Shortfall Payment (estimated to be \$10,287,280) to the Trustee with respect to the Territory Trust within 24 months. Those obligations are secured by charges over the Group's assets, and those assets may be sold if the Company fails to satisfy its obligations.
- (d) The Company's shares may be reinstated for quotation on ASX.

10.2. Key implications and risks if the Resolutions are not approved

- (a) A condition precedent to Completion will not be satisfied and the parties will be released from further obligations under the Recapitalisation Deed, including that SRE Gold pay the Company \$15,000,000 or that Monarch make any payments to the Creditors' Trusts.
- (b) The Deed Administrator will call a meeting of Creditors of each Group Company to determine whether each Group Company ought to be wound up.
- (c) Monarch's Shares are likely to be worthless.

11. Independent Expert's Report

To assist Shareholders to assess the Recapitalisation, and in accordance with the Listing Rules and ASIC Regulatory Guide 111, Stantons International Securities ("**the Independent Expert**") has been appointed to prepare an Independent Expert's Report.

The Independent Expert's Report provides four separate opinions in relation to:

- (a) the issue of Shares to SRE Gold;
- (b) the issue of Shares to the Trustee (as trustee of the Creditors' Trusts);
- (c) the issue of Shares to Crawley; and
- (d) the Payments and grant of the Charges.

Whilst the issue of shares to Crawley does not require an independent expert's opinion, the Deed Administrator obtained an opinion as a matter of good corporate governance.

In relation to the issues of Shares, the Independent Expert's Report provides an opinion as to whether each issue is fair and reasonable to Shareholders who are not associated with the Recapitalisation. The issues of Shares will be deemed by the Independent Expert to be 'fair' to non-associated Shareholders if the value of the consideration for the Shares is equal to or greater than the value of the Shares. The issues of Shares will be deemed by the Independent Expert to be 'reasonable' if they are assessed by the Independent Expert to be fair or, if the Independent Expert has assessed the issues of Shares as 'not fair', there are other significant factors, which justify the acceptance and approval by Shareholders.

In relation to the Payments and grant of the Charges, the Independent Expert's Report provides an opinion as to whether the Payments and grant of the Charges is fair and reasonable to Shareholders who are not associated with the Recapitalisation. The Payments and grant of the Charges will be deemed by the Independent Expert to be 'fair and reasonable' if the advantages of the Payments and grant of the Charges outweigh the disadvantages to non-associated Shareholders.

The Independent Expert's view is that each of Resolutions 1 to 4 are fair and reasonable.

A copy of the Independent Expert's Report is set out in Annexure E.

12. Additional Information relating to the Resolutions

12.1. Resolutions 1 and 2: Issue to SRE Gold and the Trustee

(a) Regulatory Requirements - Section 606 and 611 Corporations Act

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares of a listed company if the person acquiring the interest does so through a transaction in relation to the securities entered into by or on behalf of the person and, because of the transaction, that person's or someone else's voting power in the listed company increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

Under section 608(1) of the Corporations Act, a person has a relevant interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities.

If Resolutions 1 and 2 are passed (subject to the remaining Resolution being passed), the Company will issue 300,000,000 Shares to SRE Gold and 208,832,344 Shares to the Trustee (as trustee of the Group Trust and Mt Ida Trust). The Shares to be issued under Resolutions 1 and 2 will rank equally with the existing Shares on issue, on the terms set out in Annexure D.

Immediately after Completion, SRE Gold's and the Trustee's voting power in the Company will increase from nil to approximately 40.2% (and 47.4% if the SRE Options are exercised and no further Shares are issued) and 28.09% respectively (assuming no Options are exercised) and the acquisitions would therefore fall within the prohibition in section 606(1).

After Completion of the Recapitalisation, SRE Gold will have a relevant interest in 300,000,000 Shares by virtue of it being the registered holder of those Shares and having the power to exercise or control the exercise of a right to vote attached to those Shares. Stirling will also have a relevant interest in the 300,000,000 Shares by virtue of its ability to control SRE Gold.

The Trustee (as trustee of the Group Trust and Mt Ida Trust) will have a relevant interest in 208,832,344 Shares by virtue of it being the registered holder of those Shares and having the power to exercise or control the exercise of a right to vote attached to those Shares. Mr Bryan Hughes will have a relevant interest in the 208,832,344 Shares by virtue of his ability to control the Trustee.

Section 606(1A) of the Corporations Act provides that a person may acquire a relevant interest in shares of a listed company under one of the exceptions set out in section 611 of the Corporations Act without contravening section 606(1). Under item 7 of section 611, an acquisition that was approved previously by a resolution of shareholders passed at a general meeting of the company in which the acquisition is made is exempt from section 606(1).

Accordingly, for the purposes of item 7 of section 611 of the Corporations Act, Resolutions 1 and 2 seeks approval for:

- the issue to SRE Gold, and each of Stirling and SRE Gold acquiring a relevant interest in, 300,000,000 Shares; and
- the issue to SRE Gold upon the exercise of its SRE Options, and each of Stirling and SRE Gold acquiring a relevant interest, in a further 100,000,000 Shares.

Resolution 2 seeks approval for the issue to the Trustee (as trustee of the Group Trust and Mt Ida Trust), and each of the Trustee and Bryan Hughes acquiring a relevant interest in 208,832,344 Shares.

Item 7 of section 611 requires the following information to be provided to Shareholders to assist in determining whether to approve Resolutions 1 and 2:

(i) The identity of the person proposing to make the acquisition and their associates.

The Company will issue 300,000,000 Shares to SRE Gold and 208,832,344 Shares to the Trustee (as trustee of the Group Trust and Mt Ida Trust).

The associates of Stirling and SRE Gold are Stirling Copper Pty Limited, Stirling Zircon Pty Limited, Stirling Iron Ore Pty Limited, Stirling Coal Pty Limited, Stirling Operations Limited, Matilda Zircon Limited and Redbank Copper Limited.

Bryan Hughes is an associate of MGMC Pty Ltd.

(ii) The maximum extent of the increase in that person's voting power in the company that would result from the acquisition.

SRE Gold and the Trustee currently hold no Shares and have no voting power in the Company. Immediately after completion of the Recapitalisation, SRE Gold's and MCMG's voting power in the Company will increase from nil to approximately 40.35% and 28.09% respectively.

SRE Gold's voting power will increase to 47.42% if all of the SRE Options are exercised (assuming no further Shares are issued).

(iii) The voting power that person would have as a result of the acquisition.

Immediately after completion of the Recapitalisation, SRE Gold's and MCMG's voting power in the Company will increase from nil to approximately 40.35% and 28.09% respectively.

SRE Gold's voting power will increase to 47.42% if all of the SRE Options are exercised (assuming no further Shares are issued).

(iv) The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition.

SRE Gold's associates do not and will not have after Completion a relevant interest in Shares other than from securities to be acquired by SRE Gold under the Recapitalisation or from the exercise of the SRE Options.

The Trustee's associates do not and will not have after Completion a relevant interest in Shares other than from securities to be acquired by the Trustee under the Recapitalisation.

(v) The voting power that each of that person's associates would have as a result of the acquisition.

SRE Gold's associates do not and will not have after Completion a relevant interest in Shares other than from securities to be acquired by SRE Gold under the Recapitalisation or from the exercise of the SRE Options.

The Trustee's associates do not and will not have after completion of the Recapitalisation a relevant interest in Shares other than from securities to be acquired by the Trustee under the Recapitalisation.

(b) Additional Information for Shareholders

ASIC Regulatory Guide 74: Acquisitions agreed to by shareholders requires that the following information be provided to Shareholders to enable Shareholders to make an informed decision on the Resolutions:

(i) The identity of the allottee or purchaser and any person who will have a relevant interest in the shares to be allotted or purchased.

The Company will issue 300,000,000 Shares to SRE Gold and 208,832,344 Shares to the Trustee (as trustee of the Group Trust and Mt Ida Trust).

The Company will issue 100,000,000 Shares to SRE Gold upon exercise of the SRE Options.

(ii) Full particulars (including the number and the percentage) of the shares in the company to which the allottee or purchaser is or will be entitled immediately before and after the proposed acquisition.

SRE Gold and the Trustee currently hold no Shares and have no voting power in the Company.

Immediately after Completion, SRE Gold's and the Trustee's voting power in the Company will increase from nil to approximately 40.35% and 28.09% respectively.

SRE Gold's voting power will increase up to 47.42% upon issue of Shares following the exercise of the SRE Options (assuming no further Shares are issued).

(iii) The identity, associations (with the allottee, purchaser or vendor and with any of their associates) and qualifications of any person who it is intended will become a director if the shareholders agree to the allotment or purchase.

Details of the persons to be appointed Directors following Completion are set out in section 5.3.

(iv) A statement of the allottee's or purchaser's intentions regarding the future of the company if shareholders agree to the allotment or purchase, and in particular, any intention to change the business of the company; any intention to inject further capital into the company and if so, how, the future employment of the present employees of the company; any proposal whereby any property will be transferred between the company and the allottee, vendor or purchaser or any person associated with any of them; and any intention to otherwise redeploy the fixed assets of the company.

The intentions of Stirling, SRE Gold, the Trustee and Bryan Hughes are set out in section 7 of this Explanatory Memorandum.

- (v) **Particulars of the terms of the proposed allotment or purchase and any other contract or proposed contract between the allottee and the company or vendor or any of their associates which is conditional upon, or directly or indirectly dependent on, shareholders' agreement to the allotment or purchase.**

The particulars of the Recapitalisation Deed are set out in section 1 and Annexure A of this Explanatory Memorandum and Annexure A.

- (vi) **When the allotment is to be made or the purchase is to be completed.**

If Shareholders approve Resolutions 1 to 4, and assuming all other conditions precedent under the Recapitalisation Deed are satisfied or waived, the issues of Shares to SRE Gold and the Trustee are expected to occur on 11 September 2009.

- (vii) **An explanation of the reasons for any proposed allotment.**

An explanation of the rationale for the Recapitalisation is set out in section 2 of this Explanatory Memorandum.

- (viii) **The interests of the directors in the resolutions.**

Monarch is currently subject to a deed of company arrangement and its directors have no powers.

The Deed Administrator is owed fees (approved by the Group Companies' Creditors) and entitlement to reimbursement of costs incurred whilst acting as deed administrator. Those fees and costs will be paid in full under the Recapitalisation.

Mr Kiernan is a director of Stirling, SRE Gold, Crawley and Monarch, and currently has a relevant interest in approximately 19.48% of Stirling and 7.5% of Monarch (reducing to 6.72% following Completion). Monarch also owes the Crawley Debt to Crawley. This debt will be converted to equity with a deemed issue price of \$0.05 per Share under the Recapitalisation.

- (ix) **The identity of the directors who approved or voted against the proposal to put the Resolution to Shareholders and the relevant information memorandum.**

Monarch is currently subject to a deed of company arrangement. Its Directors have no powers.

The Deed Administrator determined to put the Resolutions and the information contained in the Notice of Meeting and this Explanatory Memorandum to Shareholders, although he was not involved in the preparation of the Notice of Meeting and this Explanatory Memorandum (save to the extent the statements that are attributed to him). The Notice of Meeting and Explanatory memorandum were prepared by Stirling.

- (x) **The recommendation or otherwise of each director as to whether the non-associated shareholders should agree to the acquisition, and the reasons for that recommendation or otherwise.**

Monarch is currently subject to a deed of company arrangement and its Directors have no powers, and it is not appropriate for them to recommend the Recapitalisation.

The Deed Administrator recommends Shareholders vote in favour of Resolutions 1 to 4, for the reasons set out in section 1.5.

- (xi) **Any intention of the acquirer to change significantly the financial or dividend policies of the company.**

The intentions of Stirling, SRE Gold, the Trustee and Bryan Hughes are set out in section 7.

- (xii) **An analysis of whether the proposal is fair and reasonable when considered in the context of the interests of the Shareholders other than those involved in the proposed allotment or purchase or associated with such persons.**

In accordance with ASIC Regulatory Guide 74, the Deed Administrator commissioned Stantons International Securities to prepare an Independent Expert's Report which assesses whether the Recapitalisation is fair and reasonable to Shareholders who are not associated with the Recapitalisation. The report is set out in Annexure E. The Independent Expert's Report has concluded that the Recapitalisation is fair and reasonable to non-associated Shareholders.

Neither Stirling nor the Deed Administrator are aware of any additional information not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on the Resolutions.

(c) Application of Listing Rule 7.1 to the issue of Shares to SRE Gold

Listing Rule 7.1 imposes a limit on the number of equity securities (e.g. shares or options to subscribe for shares) which a company can issue without shareholder approval. In general terms, a company may not, without prior shareholder approval, issue equity securities if the equity securities will in themselves or when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of fully paid ordinary shares on issue at the commencement of that 12 month period.

Listing Rule 7.2, exception 16 states that Listing Rule 7.1 does not apply to an issue of securities approved by shareholders for the purposes of item 7 of section 611 of the Corporations Act. Accordingly, Resolutions 1 and 2 do not seek approval for the issue of the Shares or Options to SRE Gold or the Trustee for the purposes of Listing Rule 7.1.

(d) Listing Rule 10.11

Listing Rule 10.11 provides that an entity must not without shareholder approval, issue shares to:

- a related party (10.11.1);
- a person whose relationship to the related party is such that, in ASX's opinion, the transaction should be approved by security holders (10.11.2).

The Trustee is a related party for the purposes of Listing Rule 10.11 and Shareholder approval is required for the issue of Shares under Resolution 2. For the purposes of Listing Rule 10.13:

- **(allottee)** The Shares will be issued to the Trustee as trustee of the Group Trust and the Mt Ida Trust.
- **(number of shares)** The maximum number of Shares to be issued is 208,832,332.
- **(allotment date)** The Shares will be issued to the Trustee at Completion, which will be within two business days of Shareholders approving the Resolutions 1 to 4.
- **(relationship between the allottee and related party)** The Deed Administrator can be considered to be a related party of Monarch as he currently controls Monarch and its assets. The Deed Administrator is the sole director and shareholder of the Trustee. The Deed Administrator is owed fees and disbursements approved by Creditors and which will be paid in full under the Recapitalisation Deed.
- **(price and terms)** The Shares to be issued to the Trustee will be issued with a deemed issue price of \$0.05 each and will otherwise rank equally in all respects with existing Shares.
- **(voting exclusion statement)** An appropriate voting exclusion statement is included in the Notice of Meeting.
- **(intended use of funds raised)** No funds will be raised from the issue of Shares to the Trustee as the Shares will be issued in partial satisfaction of existing liabilities of the Group.

12.2. Resolution 3 – Issue to Crawley

(a) Listing Rule 10.11

Listing Rule 10.11 provides that an entity must not without shareholder approval, issue shares to:

- a related party (10.11.1);
- a person whose relationship to the related party is such that, in ASX's opinion, the transaction should be approved by security holders (10.11.2).

Crawley is a related party for the purposes of Listing Rule 10.11 and Shareholder approval is required for the issue of Shares under Resolution 3. For the purposes of Listing Rule 10.13:

- **(allottee)** The Shares will be issued to Crawley.
- **(number of shares)** The maximum number of Shares to be issued is 35,000,000.
- **(allotment date)** The Shares will be issued to Crawley at Completion, which will be within two business days of Shareholders approving Resolutions 1 to 4.
- **(relationship between the allottee and related party)** Crawley is controlled by Michael Kiernan, a director of Monarch, and can be considered to be a related party of Monarch.
- **(price and terms)** The Shares to be issued to Crawley will be issued with a deemed issue price of \$0.05 each and will otherwise rank equally in all respects with existing Shares.
- **(voting exclusion statement)** An appropriate voting exclusion statement is included in the Notice of Meeting.
- **(intended use of funds raised)** No funds will be raised from the issue of Shares to Crawley as the Shares will be issued in full satisfaction of an existing liability of Monarch to Crawley of \$1,750,000 under the Crawley Debt.

(b) Application of Listing Rule 7.1 to the issue of Shares to Crawley

Listing Rule 7.2, exception 14 states that Listing Rule 7.1 does not apply to an issue of securities approved by shareholders for the purposes of Listing Rule 10.11. Accordingly, Resolution 3 does not seek approval for the issue of the Shares to Crawley for the purposes of Listing Rule 7.1.

12.3. Resolution 4 – Payments and grant of Charges and exercise of rights

Under the Recapitalisation, the Payments will be made to the Creditors Trust and Charges (**Charges**) granted to the Creditors' Trusts as security for the Company's payment obligations under the Recapitalisation Deed.

MGMC will act as trustee of each Creditors' Trust and each of the Charges will be granted in its favour.

(a) Listing Rule 10.1

- Listing Rule 10.1 provides that an entity must ensure that without shareholder approval, neither it nor any of its child entities disposes of a substantial asset to any of the following persons:
- a related party (10.1.1);
- a subsidiary (10.1.2);
- a substantial holder, if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the entity's voting securities (10.1.3);
- an associate of a person referred to in rules 10.1.1 to 10.1.3 (10.1.4); or
- a person whose relationship to the entity or a person referred to in rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the transaction should be approved by security holders (10.1.5).

Listing Rule 10.2 states that an asset is "substantial" if its value (or the value of the consideration for it) is 5% or more of the entity's equity interests as set out in its latest accounts given to ASX. Listing Rule 19.12 defines "dispose" to include an agreement to dispose of an asset and the use of an asset as collateral.

The Payments and grant of the Charges by the Company, Mt Ida, Davyhurst and Siberia constitute the disposal of a substantial asset for the purposes of Listing Rule 10.1. The Deed Administrator is the sole director of the Trustee and is considered to be a related party of Monarch.

Accordingly, Resolution 4 seeks approval for the Company to make the Payments and to grant the Charges on the terms set out above and for the Trustee (as trustee of the relevant Creditors' Trusts) to exercise its rights under the Charges upon default.

For the purposes of Listing Rule 10.1, Stantons International Securities has prepared an Independent Expert's Report which assesses whether the Payments and grant of the Charges are fair and reasonable to Shareholders who are not associated with the Recapitalisation. The report is set out in Annexure E. The Independent Expert's Report has concluded that the Payments and grant of the Charges is fair and reasonable.

12.4. Resolution 5 – Change of Company Name

It is proposed that after completion of the Recapitalisation, the Company will change its name to "Swan Gold Mining Limited" and its ASX code will change to "SWA".

Section 157(1) of the Corporations Act states that if a Company wants to change its name, it must pass a special resolution adopting that name.

Accordingly, Resolution 5 seeks this approval, effective from Completion.

Section 9 of the Corporations Act states that a special resolution is a resolution which is passed by at least 75% of the votes that are cast by Shareholders entitled to vote on the resolution (in person or by proxy).

12.5. Other information

Information in this Explanatory Memorandum that relates to Resources and Reserves of the Redbank is based on information compiled by Mr Craig Hall, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Hall is a senior manager of Redbank and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Hall consents to the inclusion in this Explanatory Memorandum of the information in the form and context in which it appears.

13. GLOSSARY

\$	means Australian dollars.
ASIC	means Australian Securities and Investments Commission.
associate	means an “associate” as defined in section 9 of the Corporations Act.
ASX	means ASX Limited (ABN 98 008 624 691), or as the context requires, the financial market operated by it.
ASX Listing Rules or Listing Rules	means the Listing Rules of ASX.
Bellevue Assets	means mining tenements M36/5, M36/299, L36/32 and E36/535.
Board	means the board of Directors of the Company.
Charges	means the charges set out in Resolution 4 and otherwise on the terms in Annexure C.
Company or Monarch	means Monarch Gold Mining Company Limited (receivers and managers appointed) (subject to deed of company arrangement).
Completion	means completion of the Recapitalisation.
Constitution	means the Company’s constitution.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Crawley Debt	has the meaning in section 1.1.
Creditors	means creditors of the Group and Mount Magnet Gold Pty Ltd (in liquidation) with pre-administration claims.
Creditors’ Trusts	has the meaning in section 1.1.
Davyhurst Project	means the Davyhurst project owned by Davyhurst.
Deed Administrator	means Bryan Kevin Hughes as deed administrator of each of the Group Companies other than Mt Magnet Gold Pty Limited (in liquidation).
Director	means a director of the Company.
Existing Shareholders	means the Shareholders of the Company immediately prior to the Recapitalisation.
Explanatory Memorandum	means this explanatory memorandum.
General Meeting or Meeting	means the General Meeting of Shareholders of the Company to be held at the Celtic Club, 48 Ord Street, West Perth, on 10 September 2009 at 10.30AM (Perth time), or any adjournment thereof.
Group	means Monarch and its subsidiaries excluding Minjar Gold Pty Ltd and Mount Magnet Gold Pty Ltd (in liquidation).
Group Company	means members of the Group.
Independent Expert	means Stantons International Securities Ltd
Independent Expert’s Report	means the report prepared by the Independent Expert set out in Annexure E.
Listing Rules	means the listing rules of the ASX and any other rules of the ASX which are applicable to the Company while it is admitted to the official list of the ASX.
Notice of Meeting or Notice	means the notice of meeting accompanying this Explanatory Memorandum.
Option	means an option to acquire a Share.
Option Holder	means the holder of an Option.
Payments	means each of the payments to be made by the Company as set out in Resolution 4.
Proxy Form	means the proxy form lodged by a Shareholder with respect to the Meeting.
Recapitalisation	means the proposed transaction to be undertaken pursuant to the Recapitalisation Deed, as described in section 1 of this Explanatory Memorandum.
Recapitalisation Deed	has the same meaning as section 1.1.
Redbank	means Redbank Copper Limited (ABN 66 059 326 519).
Related Body Corporate	has the meaning given in the Corporations Act.
Resolutions	means the resolutions set out in the Notice of General Meeting.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a Share.
Shortfall Payment	has the meaning as defined in section 1.1.
SRE Gold	means Stirling Gold Pty Limited (ABN 47 134 037 513).
SRE Options	means an Option on the terms in Annexure B.
Stirling	means Stirling Resources Limited (ABN 94 009 659 054).
Territory	means Territory Resources Limited (ABN 53 100 552 118).
Trust or Creditor’s Trust	has the meaning as defined in section 1.1.
Trust Funds	means the funds of the Creditors’ Trust.

Annexure A – Summary of the material terms of the Recapitalisation Deed

1. Monarch will make the following share issues:
 - a. 300,000,000 Shares to SRE Gold at an issue price of \$0.05 per Share and 100m free attaching 3 year \$0.05 Options for a total consideration of \$15,000,000.
 - b. 35,000,000 Shares to Crawley in satisfaction of a \$1,750,000 debt owed by Monarch to Crawley.
 - c. 208,832,344 Shares to the Creditors' Trusts at a deemed issue price of \$0.05 per Share. The Trustee will sell the shares over a 12 month period and pay the net proceeds to Creditors (other than Territory).
2. Monarch will make the following payments to Creditor's trusts for the following creditors:
 - a. Creditors of the Group (other than Mt Ida Gold Pty Ltd and Mt Ida Gold Operations Pty Ltd (together **Mt Ida**)) will be paid \$6,630,392 at Completion, and 3 equal payments of \$3,209,300 within 4, 8 and 12 months from Completion (these payments being secured by a charge over the Monarch Group other than Davyhurst and Siberia). Creditors will also receive the proceeds from the sale of Shares issued under paragraph 1(c) above.
 - b. Creditors of Mt Ida will be paid \$1,201,838 at Completion and 2 equal payments of \$506,700 within 4 and 8 months from Completion. Creditors will also receive the proceeds from the sale of Shares issued under paragraph 1(c) above.
 - c. Territory will be paid \$2,961,000 at Completion. Monarch will also assign its claims arising from the sale of Minjar Gold Pty Ltd to the Territory Trust, and within 24 months from Completion pay the Shortfall Payment (these payments being secured by a charge over Davyhurst and Siberia).

The funds will be distributed to Creditors according to the principles applicable to liquidations with employees to be paid their full entitlements following Completion.
3. The Recapitalisation is conditional upon the following occurring by 10 September 2009:
 - a. (**Creditor approval**) The deed of company arrangement of each member of the Monarch Group (other than Mount Magnet Gold Pty Ltd (in liquidation)) is varied in accordance with the terms of the Recapitalisation Deed (note, Creditors have already approved the Recapitalisation Deed).
 - b. (**Shareholder approval**) Monarch's Shareholders approve the issue of securities, payments and charges under the Recapitalisation.
 - c. (**Territory**) Territory becomes bound by the varied deeds of company arrangement (this has occurred).
4. The deed contains the usual pre-completion and completion obligations.
5. Stirling Resources Ltd guarantees the obligations of Stirling Gold and (post completion), Monarch.
6. The deed of company arrangement of each member of the Group (other than Mount Magnet Gold Pty Ltd (in liquidation)) is varied so that upon completion of the Recapitalisation, the Group Companies are released from all Creditors' claims arising prior to administration (excluding inter-company loans); those claims being exchanged for claims against the respective Creditors' Trusts. Upon satisfaction of all of Monarch's obligations under the Recapitalisation, Monarch's Directors will also be released from all claims.

Annexure B – Terms of SRE Options

The terms and conditions attaching to the SRE Options are set out below:

1. Each option (“**Option**”) entitles the holder to subscribe for one fully paid ordinary share in the capital of Monarch (“**Share**”) at an exercise price of 5 cents (the “**Exercise Price**”).
2. The Options are exercisable at any time on or before 5.00 pm Western Standard Time 3 years from the date of issue (“**Expiry Date**”). Options may only be exercised in multiples of 1,000. Any Options not exercised by the Expiry Date shall lapse.
3. Options may not be exercised if the effect of such exercise and subsequent allotment of the Shares would be to create a holding of less than a marketable parcel of Shares unless the allottee is already a shareholder of Monarch at the time of exercise.
4. Exercise of the Option is effected by completing a notice of exercise of options and delivering it to the registered office of Monarch together with payment of 5 cents per Option exercised.
5. Shares allotted and issued pursuant to the exercise of an Option will be allotted and issued not more than 3 business days after the receipt of a notice of exercise and payment under paragraph 4.
6. The Options are transferable.
7. All Shares issued upon exercise of the Options and payment of the Exercise Price will rank equally in all respects with Monarch’s then existing Shares. Monarch will apply for Official Quotation by ASX of all Shares issued upon exercise of the Options within three days of the issue of the Shares.
8. A certificate will not be issued for the Options and an uncertificated holding statement will be provided.
9. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new entitlement issues of capital offered to shareholders during the currency of the Options. However, Monarch will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the Issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
10. In the event of any reconstruction, including a consolidation, subdivision, reduction or return of the issued capital of Monarch prior to the Expiry Date, the number of Options which each holder is entitled to or the Exercise Price of the Options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules and will not result in any benefits being conferred on Option holders which are not conferred on shareholders, subject to such provision with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the Options will remain unchanged. The rights of an Option holder may be changed to comply with the Listing Rules applying to a reorganisation of capital at the time of the reconstruction.
11. Shares issued pursuant to the exercise of Options (“**Option Shares**”) may not be offered for sale by the holder unless:
 - a. the offer is made in circumstances that do not require disclosure to investors under Part 6D.2 of the Corporations Act 2001 (Cth) (“**Corporations Act**”); or
 - b. one of the following occurs:
 - i. Monarch gives ASX a notice that complies with section 708A(6) of the Corporations Act;
 - ii. Monarch lodges a prospectus with ASIC that qualifies the Option Shares for resale under section 708A(11) of the Corporation Act; or
 - iii. the expiry of 12 months after issue of the Option Shares.

Annexure C – Charge

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the key terms of the Charge pursuant to which each relevant Group Company grants a fixed and floating charge over certain assets to secure its payment obligations under the Recapitalisation Deed. The charges are each materially in the same terms, save for the secured property.

A copy of the Charge is available for inspection free of charge at the Deed Administrator's office.

Grant of Charge

The relevant company charges the relevant property (as set out in Resolution 4) (**Charged Property**) to the Trustee as security for payment under the Recapitalisation Deed (**Secured Money**).

The Charge ranks in priority ahead of all other security interests over the Charged Property, other than a security interest which the Trustee has consented to and a lien or charge arising by operation of law (**Permitted Charge**).

The Charge is a continuing security until the Trustee releases all Charged Property from the Charge, despite any intermediate payment, discharge, settlement, release or other matter. The relevant Company's obligations under the Charge continue despite any full or partial release of Charged Property.

Release of Charge

The relevant company may require the Trustee to release the Charged Property if the Trustee is satisfied that the relevant Group Company has satisfied its obligations under the Recapitalisation Deed in full and all commitments which might give rise to Secured Money have terminated, and that no amount will subsequently become Secured Money due to a payment or other transaction being void, voidable, unenforceable or defective for any reason or a related claim is upheld, conceded or settled (each an **Avoidance**).

Representations and warranties

The relevant company represents and warrants to the Trustee, except as to matters disclosed by it, that it is the sole legal owner of the Charged Property, and it will be the sole legal owner and sole beneficial owner of any property or asset it acquires as Charged Property and that the Charged Property is free from any security interest other than a Permitted Charge.

Undertakings and obligations

General

The relevant company must pay the Secured Money at the times and in the way specified in the Recapitalisation Deed, not directly or indirectly claim, exercise or attempt to exercise a right of set-off or counterclaim against the Trustee, fully and punctually perform and satisfy all of its obligations under the Recapitalisation Deed and ensure that no default occurs.

Dealing with Charged Property

Except where the Trustee has first consented in writing, the relevant company must not, and must not agree or attempt to, sell, assign, transfer, dispose or part with possession of, lease, licence or otherwise deal with, any of the Charged Property over which the Charge is fixed or floating other than in the ordinary course of business.

Unless the Trustee otherwise agrees, the relevant company must comply with the terms of each security interest in respect of the Charged Property; not create or permit to exist or increase the amount secured under any existing security interest over any Charged Property; comply with and take all action to enforce each lease in respect of the Charged Property; comply with all laws and requirements of government agencies in respect of the Charged Property; deposit with the Trustee all title documents relating to interests in the Charged Property over which the Charge is fixed; protect and enforce its title to, and the Trustee's title as chargee of, the Charged Property; ensure that rent and other income from the Charged Property is paid to the Trustee if it directs; pay all rates, taxes and other amounts for which it is liable as owner of the Charged Property on time; ensure that the Charged Property and records relating to the Charged Property are available for inspection by the Trustee; keep all Charged Property in good working order and condition and protected from loss, theft and damage; and not do, allow or omit anything which is likely to lower the value of the Charged Property.

Collection Account

If the Trustee requests at any time, the relevant company must open and maintain an account designated as the 'Collection Account' with an authorised deposit-taking institution, at a branch approved by the Trustee. The relevant company must, if the Trustee directs, ensure the prompt collection and immediate deposit directly into the Collection Account, of all proceeds, money and other amounts in respect of any book debt or other debt due to the relevant company; any insurance (other than workers compensation or public liability insurance proceeds payable to another person entitled to compensation) where the Trustee is not the loss payee; and the disposal of any Charged Property.

Further assurances

The relevant company must do whatever the Trustee reasonably and in good faith requires to better secure the Charged Property, for performance of its other obligations under the Recapitalisation Deed, and to enable the better exercise of any power.

Insurance

Unless the Trustee otherwise agrees, the relevant company must obtain insurance over all insurable Charged Property for its full value on a reinstatement and replacement basis and other insurance appropriate to its business, assets and operations. Each insurance policy must be with insurers approved by the Trustee, on terms and for an amount specified by the Trustee or that a prudent owner of the Charged Property would otherwise obtain and where applicable name the Trustee as a loss payee (in the case of insurance over Charged Property) and otherwise as an insured.

The relevant company must promptly deliver a copy of each insurance policy and any variations to the Trustee and notify the Trustee as soon as possible of anything which might give rise to a claim in excess of \$500,000 (or such other amount as the parties agree) or any cancellation of a policy or reduction of the amount payable. The relevant company must not do or allow anything to be done or omit to do anything which might cause an insurance policy, or a claim under it, to be prejudiced; and not materially change the cover under an insurance policy without the Trustee's consent.

The Trustee or a Receiver has the ability to take over the relevant company's rights in respect of a claim under an insurance policy in the event of a Default, and if the Trustee or a Receiver exercises this power, the relevant company must not do anything inconsistent with their exercise of those rights.

The Trustee's powers upon Default

If the relevant company fails to comply with its obligations under the Recapitalisation Deed, a default occurs (**Default**). After a Default occurs, the Trustee may by notice to the relevant company declare that all or any part of the Secured Money is immediately due and payable. On receipt of that notice, the relevant company immediately must pay that Secured Money to the Trustee.

After a Default occurs, the Trustee may do all things that a mortgagee or an absolute owner of the Charged Property can do, and exercise all rights, powers and remedies of a mortgagee or an absolute owner of the Charged Property and given to a Receiver under the Corporations Act. In addition, the Trustee has broad powers under the Charge to deal with the Charged Property.

Appointment of Receiver

After a Default occurs, the Trustee may also appoint one or more persons to be a receiver or receiver and manager of all or any of the Charged Property (**Receiver**), fix and vary the Receiver's remuneration, terminate a receivership or remove or replace a Receiver and appoint an additional Receiver. The Trustee may do any of these things even if a resolution or order for the relevant company's liquidation has been passed or made.

To the extent permitted by law, a Receiver is the agent of the relevant company and the relevant company alone is responsible for the Receiver's costs, expenses, remuneration, acts, omissions and defaults. To the extent that a Receiver is not, or ceases to be, the agent of the relevant company as a result of a resolution or order for the relevant company's liquidation or by operation of law, the Receiver immediately becomes the agent of the Trustee.

Unless the terms of a Receiver's appointment say otherwise, the Receiver has the following rights and powers over the Charged Property which the Receiver is appointed to deal with and may exercise those rights and powers in the name of the relevant company or otherwise:

- (a) all the rights, powers, discretions or remedies given by law to mortgagees in possession, receivers or receivers and managers;
- (b) all of the Trustee's powers under the Charge and at law (other than the power to appoint receivers or receivers and managers);
- (c) power to obtain financial accommodation from and give guarantees on terms that the Receiver considers expedient in connection with the Charged Property.

Cooperation on power of sale

If the Trustee or a Receiver wishes to exercise a right to sell any Charged Property, the relevant company must do or cause to be done all things reasonably necessary to enable an expeditious sale and transfer to the purchaser for the value as estimated by the Trustee, in the manner and on terms the Trustee thinks fit.

Appointment of Attorney

The relevant company appoints the Trustee, its authorised representatives and each Receiver separately as its attorney (**Attorney**) to do anything which the relevant company must do under the Recapitalisation Deed or under law in connection with the Recapitalisation Deed, anything which the Attorney considers necessary to give effect to a power or exercise of a power, or to perfect the Recapitalisation Deed and anything which an attorney is expressly empowered to do under the Recapitalisation Deed on the relevant company's behalf.

The relevant company agrees to ratify anything done by its Attorney under this power of attorney. An Attorney may delegate its powers (including the power to delegate) to any person for any period and may revoke the delegation.

Investigating Accountants

The Trustee may, at any time after a Default or potential Default occurs, appoint accountants to investigate the affairs and financial position of the relevant company.

Costs and expenses

The relevant company must pay or reimburse on demand by the Trustee, all costs and expenses of the Trustee (and of its officers, employees and agents), a Receiver or an Attorney in connection with:

- (a) the negotiation, preparation, execution, delivery, registration and completion of, and payment of taxes on, the Recapitalisation Deed;
- (b) a variation, release or discharge of the Recapitalisation Deed and the production of any Title Document;
- (c) giving a consent or approval or waiving a requirement in connection with the Recapitalisation Deed;
- (d) exercising, enforcing or protecting a power, or attempting to do so;
- (e) obtaining or receiving payment of, and distributing, any Secured Money;
- (f) obtaining or procuring performance or satisfaction of the relevant company's obligations under the Recapitalisation Deed;
- (g) a Default;
- (h) any government agency enquiry concerning the relevant company or its involvement in the Recapitalisation Deed;
- (i) maintaining, preserving or protecting the Charged Property;
- (j) surveying, valuing, inspecting or reporting on the Charged Property; and
- (k) obtaining professional advice from a person or consultant about any matter of concern to the Trustee, a Receiver or an Attorney in connection with the Recapitalisation Deed.

These costs and expenses include any legal costs and expenses (on a full indemnity basis), any professional consultant's fees and the costs (calculated on a time employed basis) of in-house legal counsel.

The relevant company must pay all taxes, fees and charges in connection with the Recapitalisation Deed. The relevant company must pay or reimburse the Trustee on demand for all such amounts which are payable or which the Trustee determines in good faith to be payable.

General indemnity

The relevant company indemnifies the Trustee, any Receiver and any Attorney (and their respective officers, employees and agents) against, and must pay to the Trustee on demand amounts equal to, any loss arising as a result of or in connection with:

- (a) an indemnity given by the Trustee to a Receiver or administrator of the relevant company;
- (b) the Charge or the Charged Property;
- (c) a Default;
- (d) any payment required under the Charge not being made on its due date;
- (e) the exercise or attempted exercise of any power;
- (f) any environmental liability;
- (g) the Trustee acting in good faith on any Notice or other communication from, or genuinely believed to be from, the relevant company; and
- (h) the Trustee relying on information supplied by or on behalf of the relevant company which proves to be a misrepresentation or to be misleading or deceptive (including by omission of other information),

including any legal costs and expenses (on a full indemnity basis) and any professional consultant's fees in connection with the above.

Receipt of money and application

The Trustee may apply or appropriate all money received under the Charge in the order, and to satisfy any part of the Secured Money, as the Trustee sees fit.

The Trustee may apply or appropriate the proceeds of each Insurance Policy, unless the relevant company otherwise consents, in the case of a policy covering destruction, damage or loss of Charged Property, in replacing, rebuilding or repairing that Charged Property; and in any other case, in discharging the liability or making good the loss covered by the policy, with any surplus being applied to reduce the Secured Money whether or not due. However, if a Default or potential Default subsists, the proceeds must be applied to reduce the Secured Money whether or not due.

An application or appropriation by the Trustee will override any appropriation made by the relevant company.

Suspense account

The Trustee may credit money received in or towards satisfaction of the Secured Money (including dividends received in any Liquidation) to a suspense account. The Trustee may keep the money in that account for as long as, and at whatever interest rate, it thinks fit and may apply the money (including interest) to reduce the Secured Money whenever it thinks fit.

If the Secured Money has been fully and finally paid or discharged and the Trustee is satisfied that such payment or discharge is not liable to be set aside, avoided or reversed, then the balance standing to the credit of the suspense account and any accrued interest must be paid to or for the account of the relevant company and the Trustee will not have any further liability in relation to it.

Surplus proceeds

If the Trustee, a Receiver or Attorney (as the case may be) holds any surplus money after payment of the Secured Money in full and the application of proceeds as set out above and the making of all payments that it has the right or obligation to make under the Recapitalisation Deed or at law, then no trust arises, or interest accrues, over that surplus money and it may pay that money to an account in the name of the relevant company with any bank, in which case it will have no further liability in relation to that money.

Payments after notice of subsequent Charge Interests

If the Trustee receives actual or constructive notice of a subsequent security interest in respect of the Charged Property, the Trustee and the relevant company agree that for all purposes there is opened a new account in the name of the relevant company in the Trustee's books and all payments made by the relevant company to the Trustee and all accommodation and advances made by the Trustee to the relevant company, are to be credited or debited (as applicable) to that new account. All payments credited to the new account must be applied first towards reduction of any debit balance in the new account, and then towards reduction of any other Secured Money.

Assignment

The relevant company may assign its rights under the Charge with the Trustee's written consent. The Trustee may assign its rights under the Charge without seeking the relevant company's written consent.

Protection of third parties

A receipt given by the Trustee, a Receiver or an Attorney (or by their Authorised Representative) for any money payable to it, or any asset receivable by it, relieves the person paying that money or delivering the asset from all liability to enquire as to the dealing with, or application of, that money or asset. A person dealing with the Trustee, a Receiver or an Attorney is protected from any impropriety or irregularity of that dealing, and need not enquire whether they have been properly appointed or whether any Secured Money has become due, the Recapitalisation Deed is enforceable or a default (however described) has occurred under the Recapitalisation Deed.

Protection of the Trustee and Receiver

To the extent permitted by law, the Trustee, a Receiver and any Attorney will not be, nor account or be liable as, mortgagee in possession due to exercise of a power and nor will they be liable to anyone for any loss in relation to an exercise or attempted exercise of a power, or a failure or delay in exercising a power.

At any time after a Default, the Trustee may set off and apply indebtedness it owes to the relevant company against any money owing to it by the relevant company under the Recapitalisation Deed.

If a payment or other transaction relating to the Secured Money is void, voidable, unenforceable or defective for any reason or a related claim is upheld, conceded or settled (each an Avoidance), then even though the Trustee knew or should have known of the Avoidance:

- (a) each power and the relevant company's liability under the Recapitalisation Deed will be what it would have been, and will continue, as if the Avoidance had not occurred; and
- (b) the relevant company will immediately execute and do anything necessary or required by the Trustee to restore the Trustee to its position immediately before the Avoidance (including reinstating the Recapitalisation Deed).

Annexure D - Summary of terms of Shares

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to the Shares. Full details of the rights and liabilities attaching to the Shares are contained in the Constitution of the Company and in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules and the common law. The Company's Constitution is available for inspection free of charge at the Company's registered office.

Voting

Subject to any restriction on voting imposed due to a breach of the Listing Rules relating to restricted shares or any escrow agreement entered into by the Company and a member, every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands and on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share.

A poll may be demanded before a vote is taken, or before or immediately after the declaration of the result of the show of hands by the chairperson of the meeting, by at least five Shareholders present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than five percent of the total voting rights of all those Shareholders having the right to vote on the resolution.

Dividends

Dividends are payable out of the Company's profits and are declared by the Directors. Dividends declared will (subject to the rights of any preference shareholders and to the right of the holders of any shares created or raised under any special arrangement as to dividend) be payable on the Shares in accordance with the Corporations Act.

Transfer of Shares

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by Directors.

The Directors may refuse to register any transfer of Shares, other than a market transfer, where permitted by the Listing Rules or the ASTC Settlement Rules. The Company must comply with such obligations as may be imposed on it by the Listing Rules and where appropriate the ASTC Settlement Rules in connection with any market transfer and may not prevent, delay or in any way interfere with registration of a market transfer where to do so would be contrary to the provisions of any of the Listing Rules or the ASTC Settlement Rules.

Meeting and Notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

Winding Up

The Company has only issued one class of Shares, which all rank equally in the event of liquidation. A liquidator may, with the authority of a special resolution of Shareholders divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other shares in respect of which there is any liability.

Shareholder Liability

As the Shares to be issued under Resolutions 1 to 3 are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration to the Constitution

The Company's constitution can only be amended by a special resolution passed by at least three quarters of the Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX Listing Rules

Notwithstanding anything in the constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

31 July 2009

The Deed Administrator
Monarch Gold Mining Company Limited
(Subject to Deed of Company Arrangement)
Level 1, 23 Ventnor Avenue
WEST PERTH WA 6005

Dear Sirs,

RE: MONARCH GOLD MINING COMPANY LIMITED (RECEIVERS AND MANAGERS APPOINTED) (SUBJECT TO DEED OF COMPANY ARRANGEMENT) (ACN 100 038 266) MEETING OF SHAREHOLDERS TO CONSIDER RESOLUTIONS UNDER SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT ("TCA") RELATING TO THE PROPOSALS TO ALLOW THE ISSUE OF 300,000,000 SHARES and 100,000,000 SHARE OPTIONS TO STIRLING GOLD PTY LTD AND ALLOW THE CONVERSION OF THE SHARE OPTIONS. MEETING PURSUANT TO LISTING RULE 10.11 TO CONSIDER THE PROPOSAL TO ISSUE 35,000,000 SHARES TO CRAWLEY INVESTMENTS PTY LTD AS SATISFACTION OF A DEBT OF \$1,750,000 OWING BY MONARCH – MEETING PURSUANT TO SECTION 611 (ITEM 7) OF TCA AND ASX LISTING RULE 10.11 TO ISSUE 208,832,344 SHARES TO MGMC PTY LTD AND A MEETING PURSUANT TO LISTING RULE 10.1 TO ALLOW CHARGES TO BE GRANTED TO MGMC PTY LTD OVER THE INTERESTS IN VARIOUS SUBSIDIARIES OF MONARCH AND MAKE PAYMENTS TO MGMC PTY LTD AS TRUSTEE OF THREE CREDITORS' TRUSTS

1. INTRODUCTION

- 1.1 We have been requested of the Deed Administrator and as part of a recapitalisation of Monarch Gold Mining Corporation Limited (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement) ("Monarch" or "the Company") to prepare an Independent Expert's Report to determine the fairness and reasonableness of the transactions referred to in resolutions 1 to 4 as detailed in the Notice of Meeting to Monarch shareholders ("the Notice") to be issued to shareholders in August 2009 for a meeting of Monarch shareholders planned for mid September 2009.

Resolution 1 relates to the proposal to allow Stirling Gold Pty Ltd ("SRE Gold") a wholly owned subsidiary of Stirling Resources Limited ("Stirling"), a company listed on the ASX to subscribe for 300,000,000 ordinary shares in Monarch at 5 cents per share to inject \$15,000,000 into Monarch. In addition SRE Gold will be issued 100,000,000 free attaching share options exercisable at 5 cents each within 3 years of issue date. Resolution 1 also seeks approval for the 100,000,000 share options to be exercised at 5 cents each within the 3 year period and up to 100,000,000 new shares issued to SRE Gold. For the purposes of this report we have referred to SRE Gold and Stirling as the Stirling Group.

Resolution 2 refers to the seeking of approval to issue 35,000,000 shares to Crawley Investments Pty Ltd ("Crawley") a company associated with Michael Kiernan ("Kiernan"). Kiernan is also a director of Stirling and Monarch.

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Resolution 3 relates to the proposal to allot and issue a total of 208,832,344 ordinary shares in Monarch to MGMC Pty Ltd (“MGMC” or “the Trustee”), as trustee of the Group Trust, and the Mt Ida Trust. MGMC is a company owned by the Administrator of Monarch, Mr Bryan Hughes and Mr Hughes is the sole director of MGMC. MGMC will be issued the shares for the benefit of the pre administration creditors of the Monarch Group as noted below and in the Explanatory Statement to Shareholders attached to the Notice.

Resolution 4 relates to the proposal to allow the payment of monies to MGMC as Trustee for three creditors’ trusts as noted below and grant either a first and second ranking charge to MGMC (as trustee for various creditors’ trusts) over the assets and undertakings of various Monarch Group companies and allow MGMC to exercise its rights under each of the charges. The actual resolution is noted as follows:

“Subject to Resolutions 1, 2 and 3 being passed by Shareholders, for the purposes of Listing Rule 10.1 and for all other purposes, Shareholders approve and authorise:

- (i) the Company paying MGMC Pty Limited as trustee of the Group Trust:
 - a. \$6,630,392 at completion of the Recapitalisation;
 - b. \$3,209,300 within 4 months of completion of the Recapitalisation;
 - c. \$3,209,300 within 8 months of completion of the Recapitalisation; and
 - d. \$3,209,300 within 12 months of completion of the Recapitalisation;
- (ii) the Company paying MGMC Pty Limited as trustee of the Mt Ida Trust:
 - a. \$1,201,838 at completion of the Recapitalisation;
 - b. \$506,700 within 4 months of completion of the Recapitalisation;
 - c. \$506,700 within 8 months of completion of the Recapitalisation; and
- (iii) the Company paying MGMC Pty Limited as trustee of the Territory Trust:
 - a. \$2,961,000 at completion of the Recapitalisation; and
 - b. The Shortfall Payment within 24 months of completion of the Recapitalisation.
- (iv) the Company granting a first-ranking charge over all of its interest in Mt Ida Gold Pty Limited in favour of MGMC Pty Limited as trustee of the Mt Ida Trust to secure the Company’s payment obligations to the Mt Ida Trust under the Recapitalisation Deed;
- (v) the Company granting a second-ranking charge over all of its interest in Mt Ida Gold Pty Limited in favour of MGMC Pty Limited as trustee of the Group Trust to secure the Company’s payment obligations to the Group Trust under the Recapitalisation Deed;
- (vi) the Company granting a first-ranking charge over all of its interest in Davyhurst Gold Pty Limited and Siberia Mining Corporation Pty Limited in favour of MGMC Pty Limited as trustee of the Territory Trust to secure the Company’s payment obligations to the Territory Trust under the Recapitalisation Deed;
- (vii) Mt Ida Gold Pty Limited (a wholly owned subsidiary of the Company) granting a first-ranking charge over all of its assets and undertakings in favour of MGMC Pty Limited as trustee of the Mt Ida Trust to secure the Company’s payment obligations to the Mt Ida Trust under the Recapitalisation Deed;
- (viii) Mt Ida Gold Pty Limited (a wholly owned subsidiary of the Company) granting a second-ranking charge over all of its assets and undertakings in favour of MGMC Pty Limited as trustee of the Group Trust to secure the Company’s payment obligations to the Group Trust under the Recapitalisation Deed;
- (ix) Davyhurst Gold Pty Limited (a wholly owned subsidiary of the Company) granting a first-ranking charge over all of its assets and undertakings in favour of

- MGMC Pty Limited as trustee of the Territory Trust to secure the Company's payment obligations to the Territory Trust under the Recapitalisation Deed;
- (x) Siberia Mining Corporation Pty Limited (a wholly owned subsidiary of the Company) granting a first-ranking charge over all of its assets and undertakings other than its Bellevue Assets in favour of MGMC Pty Limited as trustee of the Territory Trust to secure the Company's payment obligations to the Territory Trust under the Recapitalisation Deed; and
- (xi) the exercise by MGMC Pty Ltd as trustee for the Group Trust, Mt Ida Trust and Territory Trust) of its rights under each of the charges granted in its favour upon default by the Company of its payment obligations to the Group Trust, Mt Ida Trust and Territory Trust, respectively under the Recapitalisation Deed, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Further details are outlined in the Explanatory Statement attached to the Notice.

- 1.2 On 18 June 2008, all listed securities in Monarch were at the request of Monarch suspended from the ASX following a trading halt on 13 June 2008. On 10 July 2008, Monarch and its subsidiaries were placed into Administration by its directors. Territory Resources Limited ("Territory") claimed to be owed approximately \$25.5 million by Monarch and was (and still is) a 19.96% shareholder in Monarch. The Administrator is Bryan Hughes of Pitcher Partners, insolvency specialists. A second meeting of creditors held on 25 August 2009 resolved that Monarch enter into a Deed of Company Arrangement ("DOCA") and this was entered into on 5 September 2008. The Administrators conducted an extensive advertising campaign in respect of the Monarch Group's assets and received over 140 expressions of interest. A third meeting of creditors was held that approved additional time to 30 June 2009 to complete the sale process. A number of parties were short listed to continue negotiations. In the meantime, in February 2009, an agreement was executed to sell the share held by Monarch in Minjar Gold Pty Ltd that held the Minjar Gold Project was sold to Golden Stallion Resources Pty Ltd. This was finalised in March 2009 and whilst all payments due under the agreement have been received, there remains additional amounts due at future dates. We do not express an opinion as to whether all funds will be received. On 23 June 2009, the Administrator announced to the market that Monarch had executed a Recapitalisation Deed with the Stirling Group that has a face value to the transaction of \$59.1 million and that if it proceeded, all pre administration creditors may be paid 100 cents in the dollar over a 12 month period although this cannot be guaranteed. The creditors met on 30 June 2009 and resolved to vary the DOCA's ("Varied DOCA") and in doing so, to implement a recapitalisation proposal and restructure of the Monarch Group and establish three creditors' trusts, being the (Monarch) Group Trust, the Mt Ida Trust and the Territory Trust to receive and distribute the proceeds of the recapitalisation and restructure to the creditors in the Monarch Group in accordance with the Creditors' Trust Deed. According to the Administrator, the offer by the Stirling Group was the most favourable of all the offers received. The material significant terms of the Recapitalisation Deed are as follows:

- 300,000,000 million shares (and 100,000,000 free attaching share options) will be issued to SRE Gold at an issue price of 5 cents per share to raise \$15,000,000 (resolution 1). Approximately \$10,793,230 of the amount will be utilised as noted below. The share options will be exercisable at 5 cents per share on or before 3 years from issue date;
- 35,000,000 shares to be issued to Crawley in satisfaction of a \$1,750,000 debt owed by Monarch to Crawley (deemed issue price 5 cents per share) (resolution 2);
- 208,832,344 shares to MGMC as Trustee for the Monarch Group creditors' trusts (178,206,960 shares into the Group Trust and 30,625,384 shares into the Mt Ida Trust) at

a deemed issue price of 5 cents per share (resolution 3). The Trustee will sell the shares over a 12 month period and pay the net proceeds to the pre-administration creditors of the Monarch Group (other than Territory);

- Monarch will pay the Group Trust approximately \$3,209,300 at Completion and three equal payments of \$3,209,300 within 4, 8 and 12 months from Completion, these payments being secured by a charge over the Monarch Group (resolution 4). The creditors of the Group Trust (pre administration creditors other than creditors of Mt Ida Gold and Mt Ida Gold Operations (together "Mt Ida")) will be paid part of the debts due out of such monies. Creditors will also receive the proceeds from the sale of the 208,832,344 shares noted above. In addition the Group Trust will be paid \$1,503,855 pertaining to the Administrators fees and costs and a further \$1,787,157 to immediately pay employee entitlements;
- Creditors, including priority creditors of \$53,387 (employees) of Mt Ida will be paid \$1,201,838 at Completion and two equal payments of \$506,700 within 4 and 8 months of Completion;
- Territory will be paid \$2,961,000 at Completion. Monarch will also assign its claims (estimated at \$12,285,000 of which approximately \$700,000 will be paid immediately from the Minjar Gold Creditors Trust) from the sale of the Minjar Gold Pty Ltd to the Territory Trust and within 24 months from Completion pay the shortfall so that Territory receives 100 cents in the dollar on its claims (these payments being secured by a charge over Davyhurst Gold Pty Ltd and Siberia Mining Corporation Pty Ltd). Territory is entitled to any proceeds from the sale of the Davyhurst Gold Project;
- The funds will be distributed to creditors according to principles applicable to liquidations with employees relating to the Group Trust to be paid their full entitlements at Completion (estimated at \$1,785,157). The Deed Administrator's fees and estimated future Trustees fees and expenses are estimated at \$3,507,202 and \$1,503,855 will be paid out of the approximate \$10,793,230 allocated as noted above. This assumes that approximately \$1,610,000 (including GST) to be received from the Barrick Group and \$340,000 from the sale of the Bellevue assets. The Deed Administrator has assumed (but not guaranteed) that the proceeds of the sale of the 208,832,344 shares noted above will be not less than 5 cents each, however in the event that the shares are sold on average for less than 5 cents per share there will be a shortfall to creditors;
- The DOCA of each member of the Monarch Group other than Mt Magnet Gold Pty Ltd (in liquidation) ("MMG") is varied in accordance with the terms of the recapitalisation proposal by 31 August 2009;
- Monarch's shareholders approve before 8 September 2009 the issue of securities under the recapitalisation;
- Territory becomes bound by the Varied DOCA before 8 September 2009 (since occurred);
- Stirling before 31 August 2009 guarantees the obligations of SRE Gold and post Completion, Monarch;
- The DOCA of each member of the Monarch Group (other than MMG in liquidation) is varied so that upon completion of the recapitalisation, the Monarch Group are released from all creditors' claims arising prior to Administration (excluding inter-company loans); those claims being exchanged for claims against the creditors' trusts. The DOCA's were varied on or about 30 June 2009; and upon satisfaction of all Monarchs' claims under the recapitalisation, Monarch's directors will also be released from all claims.

Under the recapitalisation proposal, if the Monarch shares being issued to MGMC as trustee are sold for an average of 5 cents each post the effectuation of the Varied DOCA, the unsecured creditors of the Monarch Group may be paid 100 cents in the dollar over a 12 month period of which 60% would be in cash and 40% in proceeds from the sale of

Monarch shares. Territory would be paid in cash over a two year period. The actual percentage payout to the pre administration creditors and lenders will depend on the level of creditors finally admitted and the prices achieved for the 208,832,344 shares to be issued to MGMC as Trustee of the creditors' trusts.

- 1.3 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons' or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. If all of the recapitalisation proposals are accepted and 300,000,000 shares (and 100,000,000 free attached share options) are issued to SRE Gold, the Stirling Group would own approximately 40.35% of the expanded issued capital of Monarch assuming no further share issues (refer paragraph 3.4 of this report). In addition, if SRE Gold exercised the 100,000,000 share options, the Stirling Group would increase its shareholding interest in Monarch to 47.42% assuming no further share issues. MGMC is also deemed to have a relevant interest in 208,832,344 shares being issued to it on behalf of the creditors' trusts and before MGMC starts to sell the shares, it will hold an approximate 28.09% shareholding interest in Monarch (prior to the issue of shares on exercise of the 100,000,000 share options issued to SRE Gold). An independent expert is required to report on the fairness and reasonableness of the transactions noted in resolutions 1 and 3 pursuant to a Section 611 (Item 7) meeting.

- 1.4 ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the total votes attached to the voting securities). An asset is substantial if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules. For the purposes of ASX Listing Rule 10.1, Stirling and Crawley may be deemed related parties to Monarch as Kiernan is a director of Monarch, Stirling and Crawley.

The payment of Monarch funds to MGMC as Trustee of the three creditors' trusts and the granting of charges as noted in Resolution 4 to MGMC are deemed disposals of the Monarch Group's assets to MGMC and the values are considered to be more than 5% of the Monarch Group's equity interests. As such shareholder approval is required under ASX Listing Rule 10.1 to allow the payments as noted in resolution 4 to be made and the charges to be granted to MGMC (resolution 4).

ASX Listing Rule 10.11 states that securities cannot be issued to related parties without shareholder approval. Crawley is deemed a related party and it is to be issued 35,000,000 shares in Monarch to extinguish a debt of \$1,750,000. Thus approval under ASX Listing Rule 10.11 is required. The Deed Administrator has requested that we provide a report on the fairness and reasonableness of the issue of 35,000,000 shares to Crawley. It is noted that Imperial Resources Pty Ltd ("Imperial") owns 5,832,917 shares in Monarch as at 7 July 2009 and Imperial is controlled by Michael Kiernan. We have assumed for the purposes of ASX Listing Rule 10.11 that Crawley and Imperial will be deemed to be related to each other and thus in disclosing the percentage interest of Crawley in this report, we

have included the percentage shareholding of Imperial. Furthermore, the ASX has deemed MGMC a related party and thus under ASX Listing Rule 10.11, the issue of 208,832,344 shares to MGMC as Trustee for the Group Trust and the Mt Ida Trust requires shareholder approval. The Deed Administrator has requested that we provide a report on the fairness and reasonableness of the issue of the 208,832,344 shares.

- 1.5 Under ASIC Regulatory Guideline 111 “Contents of Expert Reports” and/or ASX Listing Rules 10.1 and 10.11 an Independent Expert’s Report is required to report on the fairness and reasonableness of the transactions pursuant to resolutions 1 to 4. The Deed Administrator has requested Stantons International Securities to prepare an Independent Expert’s Report to assist the shareholders in determining how to vote on resolutions 1 to 4 as outlined in the Notice.
- 1.6 Apart from this introduction, the report considers the following:
- Summary of opinion
 - Implications of the proposals
 - Corporate history and nature of business
 - Future direction of Monarch
 - Basis of valuation of Monarch securities
 - Premium for control
 - Fairness and Reasonableness of the proposals
 - Conclusion as to fairness and reasonableness
 - Sources of information
 - Appendix A and Financial Services Guide
- 1.7 There is one other resolution being put to the shareholders of Monarch. Resolution 5 refers to changing the name of the Company to Swan Gold Mining Limited. We are not reporting on the fairness and reasonableness of resolution 5.

2. SUMMARY OF OPINION

- 2.1 In determining the fairness and reasonableness of the transactions and proposals pursuant to resolutions 1 to 4, we have had regard for the definitions set out by the Australian Securities and Investments Commission (“ASIC”) in its Regulatory Statement 111. Regulatory Statement 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of “fairness” is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the “target” and irrespective of whether the consideration is scrip or cash. An offer is “reasonable” if it is fair. An offer may also be reasonable, if despite not being “fair”, where there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Regulatory Statement 111 also states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, a report by an independent expert stating whether or not the proposals pursuant to resolution are fair and reasonable, having regard to the interests of shareholders other than the proposed allottees (in this case, SRE Gold and MGMC as Trustee), and whether a premium for potential control is being paid by the allottees (in this case SRE Gold and MGMC as Trustee), will be required. Regulatory Statement 111 also provides that such an allotment should involve a

comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not.

Accordingly, our report relating to resolutions 1 to 4 is concerned firstly with the fairness and reasonableness of the proposals from the point of view of the existing non associated shareholders of Monarch, and secondly for resolutions 1 and 3 only whether the price payable for the potential to obtain a significant shareholding interest (by the Stirling Group and MGMC) (initially up to 300,000,000 shares are issued to SRE Gold and further shares may be issued if any of the 100,000,000 share options being issued to SRE Gold are exercised and 208,832,344 shares are to be issued to MGMC as Trustee of the creditors' trusts) includes premiums for control.

2.2 In our opinion:

The proposals as outlined in resolution 1 whereby Monarch will issue to SRE Gold 300,000,000 shares at 5 cents each to raise \$15,000,000 and up to 100,000,000 share options exercisable at 5 cents each on or before 3 years from issue and allow the 100,000,000 share options to be exercised are, on balance **in view of the current financial state of the Company may be considered to be fair and reasonable to the non-associated shareholders of Monarch.**

The proposals as outlined in resolution 2 whereby Monarch will issue to Crawley 35,000,000 shares at 5 cents each to eliminate a debt owing to Crawley of \$1,750,000 is on balance **in view of the current financial state of the Company may be considered to be fair and reasonable to the non-associated shareholders of Monarch.**

The proposal as outlined in resolution 3 whereby Monarch will issue to MGMC as Trustee of the creditors' trusts 208,832,344 shares as part of a recapitalisation of Monarch is, on balance **in view of the current financial state of the Company may be considered to be fair and reasonable to the non-associated shareholders of Monarch.**

The proposals to allow Monarch to make the payments to the three creditors' trusts and allow charges to be issued in favour of MGMC as Trustee of the creditors' trusts as outlined in resolution 4 are, on balance **in view of the current financial state of the Company may be considered to be fair and reasonable to the non-associated shareholders of Monarch.**

The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

3. IMPLICATIONS OF THE PROPOSALS

- 3.1 As at 30 July 2009, there were 199,655,317 fully paid ordinary shares on issue in Monarch. The significant fully paid shareholders as at 7 July 2009 are disclosed as:

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>% Interest</u>
Territory Resources Limited	39,849,657	19.96
JP Morgan Nominees Australia Limited	15,272,031	7.65
Crawley Investments Pty Ltd	9,441,690	4.73
ANZ Nominees Limited- Cash Income Account	7,981,844	3.99
HSBC Custody Nominees (Australia) Limited	7,883,521	3.95
	<u>80,428,743</u>	<u>40.28</u>

- 3.2 The top twenty fully paid shareholders as at 7 July 2009 owned approximately 59.48% (118,748,197 shares) of the current issued capital.
- 3.3 The unlisted share options currently on issue total 19,991,669 of which 6,800,000 are exercisable at 30 cents each and expire 30 June 2012, 1,700,000 are exercisable at 60 cents each and expire 30 September 2010, 1,000,000 are exercisable at \$1.20 and expire 30 September 2010, 6,333,334 are exercisable at \$1.20 and expire 31 December 2010, 1,583,334 are exercisable at \$1.20 and expire 23 February 2011, 1,666,667 are exercisable at \$1.20 and expire 6 August 2010 and 833,334 are exercisable at \$1.20 and expire 23 February 2012. Furthermore, if resolution 1 is passed and consummated, a further 100,000,000 share options exercisable at 5 cents each on or before 3 years from issue (to SRE Gold) date will be on issue.
- 3.4 Pursuant to the Varied DOCA and recapitalisation proposals, it is proposed that the following number of shares will be issued:

	No of Shares
On issue as at 30 July 2009	199,655,317
Issue to SRE Gold	300,000,000
Issue to Crawley	35,000,000
Issued to MGMC as Trustee for the creditors' trusts	208,832,344
Total shares on issue post consummation of resolutions 1 to 2	743,487,661
Issue of shares on exercise of share options by Monarch	100,000,000
Potential issue after SRE Gold Options exercised	843,487,661

We have not provided a table to reflect any exercise of the existing share options of the Company. The Stirling Group (via SRE Gold) would initially own 300,000,000 of the 743,487,661 shares on issue representing an approximate 40.35% shareholding interest in the expanded issued capital of Monarch. The shareholding interest of Territory would reduce to approximately 5.36%. MGMC as Trustee of the creditors' trusts would initially control approximately 28.09% of the issued capital of Monarch. MGMC plans to sell such shares on the market for the best possible price and use the proceeds as part payment of the pre administration creditors. The Deed Administrator in a Report to Creditors was estimating an average of 5 cents per share but the actual prices to be received cannot be accurately forecasted. The shareholding of Crawley in Monarch will increase from 9,441,690 shares to 44,441,690 shares post the consummation of resolutions 1 to 4 and Crawley's shareholding interest would approximate 5.98%. Including the Imperial shareholding, the percentage controlled by Michael Kiernan (Crawley and Imperial) would approximate 6.77% (50,274,607 shares in total).

Further shares may be issued to SRE Gold if SRE Gold exercises the 100,000,000 SRE Gold Options noted above. To do so SRE Gold would need to pay to Monarch \$5,000,000 to exercise such share options. If exercised and in the absence of any further share issues, the Stirling Group's shareholding interest would be 400,000,000 shares out of 843,487,661 shares on issue representing approximately 47.42% of the then expanded issued capital of Monarch. The shareholding interest of Territory would reduce to approximately 4.72%.

- 3.5 It is planned to undertake a further cash raising post the recapitalisation of up to \$15,000,000. The timing and split between securities (and the issue price) and debt has yet to be finalised and assistance in the capital/debt raising may be sought from Stirling.

- 3.6 In relation to the Board of Directors control, the directors as at 31 July 2009 are Michael Kiernan and Keith Vuleta. It is proposed that Bruce Maluish will become the Managing Director of Monarch and Ian Price and Bernie Siddall as non-executive directors post the passing of the resolutions 1 to 5.
- 3.7 A pro-forma balance sheet noted below discloses the estimated consolidated financial position of the Monarch Group immediately post the passing and consummation of resolutions 1 to 4. As noted above, it is proposed that the unsecured creditors of Mt Ida will be repaid over an 8 month period, remaining unsecured creditors Group over a 12 month period and Territory over a 24 month period. The final percentage unsecured creditors receive is not yet known and may be less than 100 cents in the dollar. The part repayment of unsecured creditors is to be financed by approximately \$10,793,230 into the creditors' trusts and sale of 208,832,344 Monarch shares by the Trustee of the creditors' trusts. The repayments are to a large extent dependent on the success that Monarch has in commercialising the Davyhurst gold mine and the Mt Ida gold mine, the final amount of admitted creditors and the amounts received from the sale of the 208,832,344 shares by MGMC as Trustee of the creditors' trusts.

4. FUTURE DIRECTIONS OF MONARCH

4.1 We have been advised by a Director of Stirling that:

- The immediate short-term plan is to complete the recapitalisation proposal as out by Stirling that includes the issue of 300,000,000 shares at 5 cents each to raise \$15,000,000, issue 35,000,000 shares to Crawley to eliminate a debt of \$1,750,000 and issue 208,832,344 shares to MGMC as Trustee for the creditors' trusts. Approximately \$4,000,000 from the \$15,000,000 raised from the Stirling Group will be used for working capital of the Monarch Group and for the purpose of conducting a review and evaluation of the Company's exploration programmes and to start commencement of mining activities at Mt Ida and Davyhurst. Upon completion of the Recapitalisation Deed, the Varied DOCA will terminate so that the Company and its subsidiaries are no longer in Deed Administration. On completion of the capital raisings and removal of the Deed Administrator, the Company intends to seek re-quotations of its shares on the ASX. Based on an announcement released by Stirling to the ASX on 23 June 2009, Mt Ida is targeted to produce 48,000 ounces of gold per year at a projected cash cost of \$450 per ounce and Davyhurst which is intended to be re-commissioned within 3 months of Settlement has a production target of 65,000 ounces per annum with a cash operating cost of \$850 per ounce;
- Composition of the Board of Directors of Monarch is proposed to change in the near future as noted in paragraph 3.6 above;
- At the time of preparation of this report they are not aware of any proposals currently contemplated whereby Monarch will acquire any property or assets from the Stirling Group or where Monarch is to transfer any of its property or assets to the Stirling Group. By virtue of its holding, any transfer will require approval by Monarch's shareholders (excluding SRE Gold);
- No dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
- The Company proposes to change its name to Swan Gold Mining Limited; and

- The Company may seek to raise further capital and debt if required to continue exploration programmes or develop the Company's mineral assets. It is expected that in 2009/10 Monarch may seek to raise a further up to \$15,000,000 with the assistance of Stirling.

5. BASIS OF TECHNICAL VALUATION OF MONARCH

5.1 Issue of shares to SRE Gold, Crawley and MGMC

5.1.1 In considering the proposals as outlined in resolutions 1 to 3 we have sought to determine if the issue price of the shares to be issued to SRE Gold, Crawley and MGMC is in excess of the current fair value of the shares in Monarch on issue and then conclude whether the proposals are fair and reasonable to the existing non-associated shareholders of Monarch.

5.1.2 The proposals pursuant to resolutions 1 to 3 would be fair to the existing non associated shareholders if the issue price of the 300,000,000 shares to be issued to SRE Gold, the 35,000,000 shares to be issued to Crawley and the 208,832,344 shares to be issued to MGMC (as Trustee for the creditors' trusts) are greater than or equal to the implicit value of the shares in Monarch currently on issue. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Monarch shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of a Monarch share are:

- Capitalised maintainable earnings/discounted cash flow,
- Takeover bid - the price which an alternative acquirer might be willing to offer,
- Adjusted net asset backing and windup value, and
- The market value price of Monarch shares.

5.2 Capitalised Maintainable Earnings / Discounted Cash Flows

5.2.1 Monarch currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not appropriate. The Company is currently in Administration and under a DOCA and needs funds to progress the Mt Ida and Davyhurst gold mines, conduct a review and evaluation of the Company's exploration portfolio to prioritise and undertake exploration programmes. Notwithstanding, we have been advised that Stirling has undertaken an extensive \$250,000 mine study which included reassessing, reviewing, mine planning, including metallurgical, engineering and geological analysis on the Davyhurst and Mt Ida gold projects. Based on an announcement released to the ASX on 23 June 2009, Mt Ida is targeted to produce 48,000 ounces of gold per year at a projected cash cost of \$450 per ounce and Davyhurst which is intended to be re-commissioned within 3 months of Settlement has a production target of 65,000 ounces per annum with a cash operating cost of \$850 per ounce. Without the recapitalisation proposal Monarch does not have any funds to continue in business and thus any perceived technical values of the Mt Ida and Davyhurst gold projects are theoretical as without funds they could not be developed. No formal valuations have been undertaken on the Davyhurst and Mt Ida gold projects and other mineral assets of the Monarch Group. Monarch has little cash and is under a DOCA. Obtaining formal valuations based on potential cash flows is not deemed necessary in the circumstances.

5.3 Takeover Bid

The Deed Administrator recommended SRE Gold's proposal following an extensive sale process and it is very unlikely that any person would have an interest in taking over 100% of the Company by way of a formal takeover bid. To our knowledge, there are no current bids in the market place and the Directors of Monarch have formed the view that there is unlikely to be any takeover bids made for Monarch in the immediate future. It is noted however that the holding of the Stirling Group could approximate 40.35% and rising to approximately 47.42% if the 100,000,000 share options to be issued to SRE Gold are exercised. There is no guarantee that Stirling will exercise any of the 100,000,000 share options (that are exercisable at 5 cents each on or before 3 years from issue date).

5.4 Net Asset Backing and Wind-Up Value

5.4.1 A summary of the unaudited consolidated balance sheet of Monarch as at 30 June 2009 is summarised below along with a pro-forma consolidated balance sheets after allowing for the following:

- the issue of 300,000,000 shares at 5 cents each (with 100,000,000 free attaching share options) to SRE Gold to raise a gross \$15,000,000
- the issue of 35,000,000 shares at 5 cents each to eliminate a debt of \$1,750,000;
- the issue of 208,832,344 shares in Monarch at a deemed 5 cents each to the Trustee of the Group Trust and the Mt Ida Trust as noted in paragraph 1.2 above as part of the Varied DOCA and recapitalisation proposal to eliminate pre administration creditors;
- the payment of approximately \$10,793,230 to the creditors' trusts as part of the Varied DOCA and recapitalisation proposal;
- successful effectuation of the Varied DOCA so that all pre-administration creditors will be settled under the creditors' trusts and creditors' trust deeds noted in paragraph 1.2 above (the final percentage that will be paid to the unsecured creditors cannot be determined at this stage); and
- The collection of other minor receivables and use of the existing cash funds to pay post administration employee entitlements and creditors to 30 June 2009 so that the net cash reduces to approximately \$880,000 prior to the \$15,000,000 capital raising.

	Unaudited 30 June 2009 \$000's	Unaudited Pro-forma 30 June 2009 \$000's
Current assets		
Cash at bank	1,189	5,087
Receivables	5,306	4,920
Investments	40	40
	<u>6,535</u>	<u>10,047</u>
Non current assets		
Plant and equipment (partly secured to financiers)	8,750	8,750
Receivables and loans	12,996	-
Deferred exploration and evaluation costs	18,000	18,000
Security deposits	5,419	5,419
	<u>45,165</u>	<u>32,169</u>
Total assets	<u>51,700</u>	<u>42,216</u>

Current liabilities

Trade and other payables (including Administrator's fees and cost)	29,310	-
Future obligations under the DOCA's to the creditors' trusts	-	10,641
Provisions	540	400
Borrowings	30,803	1,093
	<u>60,653</u>	<u>12,134</u>

Non Current Liabilities

Borrowings- Hire purchase (secured)	1,367	1,367
Future obligations under the Territory Trust	-	10,287
Provisions- Rehabilitation	2,948	2,948
	<u>4,315</u>	<u>14,602</u>

Total liabilities	<u>64,968</u>	<u>26,736</u>
Net Assets (Deficiency)	<u>(13,268)</u>	<u>15,480</u>

Equity

Issued capital	142,257	169,449
Reserves	-	-
Accumulated losses	(155,525)	(153,969)
Net Equity (Deficiency)	<u>(13,268)</u>	<u>15,480</u>

5.4.2 The capitalised exploration and evaluation costs are comprised of \$5,000,000 Davyhurst, \$10,000,000 Mt Ida and \$3,000,000 Siberia. The plant and equipment comprises \$250,000 Monarch furniture, fittings and equipment, \$7,500,000 Davyhurst plant and equipment (owned and under HP/Leased) and \$1,000,000 Mt Ida, plant and equipment (owned and HP/Leased). Minjar, the previous 100% subsidiary of Monarch was sold during in March 2009 to a third party and the Minjar Creditors Trust ("MCT") was established. The previous inter company receivables relating to Minjar are now considered "external" or third party, that is, a receivable from the MCT given the sale. The Group receivables as at 30 June 2009 are made up of \$13,300,409 from the MCT, \$15,810 receivable owing to Siberia Mining or Mt Ida Excluded JV and \$354,753 is a loan payable by Davyhurst to the MCT. The provision for rehabilitation of \$3,348,100 is made up of \$400,000 (current) and \$2,948,000 non current. Based on the book values at 30 June 2009 prior to implementation of the recapitalisation proposals noted above, this equates to a value per share (199,655,317 shares) of nil cents (ignoring the value, if any, of non-booked tax benefits) as shareholders equity is negative.

5.4.3 Based on the pro-forma consolidated balance sheet the net book assets after taking into account the proposals pursuant to resolutions 1 to 4 as noted above is approximately \$15,480,000. Thus, the net book asset backing per share (743,487,661 shares) would approximate 2.08 cents. It should be noted that further payments of \$3,209,300 are to be paid by Monarch to the Group Trust within 4, 8 and 12 months of Settlement (total \$9,627,900) and further payments of \$506,700 at the end of 4 and 8 months from Settlement (total \$1,013,400) to the Mt Ida Trust. For the purposes of the pro-forma balance sheet we have disclosed \$10,641,300 as all current. Within 24 months, it is proposed that Monarch will pay Territory any shortfall payment as noted in paragraph 1.2 and resolution 4 above. It is estimated that the shortfall may be \$10,287,280 but this will depend on the amount received from the sale proceeds from the Minjar assets and possibly sale proceeds (if any) from the sale of the Davyhurst gold project. Any shortfall may be sourced from future capital raisings, surplus cash flows from operations or asset sales. On the grounds of conservatism, we have disclosed the estimated shortfall of \$10,287,280 as a non current liability. There is a contingent liability if the amount due from the Minjar sale

is not collected in full. It is assumed that the \$13,300,409 noted above is collected from the MCT. Although most of the current assets and non current receivables are to be retained by the Monarch Group, we have disclosed them as being acquired by the creditors' trusts and monies due to the Administrator and post Administration creditors are paid out via the creditors' trusts.

However, based on information forwarded Monarch Group creditors by the Administrator on 23 June 2009 the unsecured creditors on a liquidation basis would only receive between 42 cents and 86 cents in the dollar return in the absence of the recapitalisation proposal and even in this low case scenario (89% return on the recapitalisation basis) the return to unsecured creditors would be greater than that achieved under liquidation as based in his calculations, the unsecured creditors would achieve between 42 cents and 86 cents in the dollar. This arguably implies that currently the shares in Monarch (prior to the recapitalisation proposals being consummated) have nil or minimal value. Thus we conclude that the pre capitalisation value of a Monarch share is minimal and arguably worthless.

5.5 Market Price of Monarch Shares

5.5.1 As the Company is suspended from the ASX since mid 2008 and is under a DOCA, we do not believe it is appropriate to value a Monarch share based on prior quoted prices of Monarch shares on the ASX.

5.5.3 No independent valuations have been prepared on the mineral prospects of Monarch and we do not consider it necessary to obtain an independent valuation of the mineral prospects for the purposes of this report. We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Monarch and other parties. We also note that the Administrator has recommended that the recapitalisation proposal of Stirling was the most favourable proposal put forward to him for consideration following an extensive sales programme. He believes that the Varied DOCA proposal may be the most favoured option for the unsecured creditors of the Monarch Group and that this was accepted by a majority of Monarch's creditors (including Territory). Therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Monarch based on the market perceptions of what the market considers a Monarch share to be worth. It is noted that over the past year or so, many gold exploration and producer companies listed on the ASX were arguably trading at premiums to appraised technical values (this is a turn around from the early 2000's when a discount may have applied) although in recent months the premium has been reduced. The Company's financial position is very poor and may not be able to continue exploration and evaluation of its exploration portfolio (including Mt Ida and Davyhurst) and pay new administration and corporate costs without a significant inflow of funds via a capital raising or loan funds (such as envisaged via the raising of new capital of \$15,000,000) (this will be reduced by paying costs and Deed Administrator fees and expenses and repaying pre-administration creditors via the creditors' trusts as noted above). There is a distinct possibility that if the recapitalisation proposal under the Varied DOCA (or some other similar recapitalisation proposal) is not completed, the Deed Administrator may sell the remaining mineral assets of the Monarch Group and the Company and its subsidiaries may be forced into liquidation if the proceeds of the sales are insufficient to pay creditors. The Deed Administrator believes the recapitalisation proposal put by Stirling in conjunction with Crawley and others is in the best interests of creditors in that if the recapitalisation proposal is completed pre-administration unsecured creditors could receive up to 100% in the dollar compared with approximately 42% to 86% in the dollar if it does not proceed.

This implies that without the recapitalisation proposal the shares in Monarch may be worthless or of minimal value.

5.5.4 The Company's financial position is very poor (it is in fact under a DOCA) and may not be able to continue exploration and evaluation of its exploration portfolio and pay new administration and corporate costs without a significant inflow of funds via a capital raising or loan funds such as envisaged via the issue of shares to SRE Gold to raise \$15,000,000 and at the same time eliminate a debt of \$1,750,000 owing to Crawley. The issue of 208,832,344 shares to MGMC along with the payment of approximately \$10,793,230 to the creditors' trusts as part of the Varied DOCA also assists in the elimination of the pre administration creditors of the Monarch Group and pays all Administrator's/Trustee's fees and expenses.

5.6 Preferred value of Monarch fully paid shares (range) to arrive at fairness conclusion

5.6.1 Notwithstanding the prospectivity of the Davyhurst and Mt Ida gold projects, without cash the Company cannot recommence exploration and evaluation of the mineral assets. If funds can be raised, future exploration and evaluation proves successful and development of the Company's mineral assets proceed, then arguably the fair value of a Monarch share may be in excess of the 5 cent issue price under the proposed issue of shares to SRE Gold (to raise \$15,000,000) and the conversion price relating to the Crawley debt. The share price in the future is unknown but it may be fair to say that if the development of the Company's mineral assets do proceed to production, then it is likely that the share price would rise from its current value on a liquidation basis of nil. The future ultimate value of a Monarch share will depend upon, inter alia:

- the future prospects of its mineral assets;
- the state of the gold and base metal market (and prices) in Australia and overseas;
- the state of Australian and overseas stock markets;
- the strength of the Board and/or who makes up the Board;
- general economic conditions;
- the liquidity of shares in Monarch; and
- possible ventures and acquisitions entered into by Monarch.

It is noted that SRE Gold is to subscribe for 300,000,000 shares at 5 cents per share and the Deed Administrator/Trustee of the creditors' trust funds is assuming that post recapitalisation and completion of the DOCA, that MGMC will be able to sell Monarch shares that will be owned by MGMC as Trustee for the creditors' funds as part of the recapitalisation proposal to outside parties and use monies received from the sales to repay creditors under the Trust Deed. The Deed Administrator has implied that the shares in the absence of the recapitalisation process as envisaged are near worthless and unsecured creditors would receive between 42 cents and 86 cents in the dollar on a liquidation basis. Thus we conclude that in the absence of the recapitalisation proposals being consummated and finalised, the current value of a Monarch share is minimal and may in fact be worthless.

6. **PREMIUM FOR CONTROL**

6.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.

- 6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders' control more than 20% of the issued capital. In this case, the Stirling Group's shareholding in Monarch would be approximately 40.35% of the expanded issued capital of Monarch before any other capital raisings planned post the completion of the DOCA and approximately 47.42% following the exercise of the 100,000,000 share options granted to SRE Gold under the Recapitalisation Deed (assuming no other shares are issued). Additionally, the issue of 208,832,344 shares to MGMC as Trustee of the creditors' trusts obtains an initial approximate 28.09% shareholding interest in Monarch. Accordingly, we have addressed whether a premium for control will be paid.
- 6.3 It is noted that Monarch does not have sufficient funds to continue full evaluation and recommencement of gold mining of its Davyhurst gold project and commencement of mining at its Mt Ida gold project and without an inflow of funds by way of a capital raising (as envisaged by the proposals with the Stirling group) there is the possibility that the Company could be placed into liquidation in the absence of an alternative proposal. As arguably the value of shares, in the absence of the recapitalisation proposal is nil or minimal, then as SRE Gold is paying 5 cents per share, SRE Gold is paying a premium for control. The current shareholders do not receive directly cash to relinquish control but will have a collective interest in the Company of around 26.85% (24.80% excluding Crawley and Imperial) and will own shares in the Company that should be quoted on ASX and have sufficient funds to progress the planned mining at Davyhurst and Mt Ida. MGMC as Trustee of the creditors' trust funds will own approximately 28.09% of the issued capital of Monarch immediately post the completion of the DOCA. As noted above, the Trustee plans to dispose of the shares it holds on behalf of creditors and has planned for a disposal price of at least 5 cents per share. If successful, the share price of Monarch shares on ASX may be of some value and shareholders are therefore benefiting.
- 6.4 We note that the Deed Administrator has control of Monarch and that Michael Kiernan and Keith Vuleta who are directors of Stirling are the only two directors of Monarch. Whilst Monarch is under a DOCA, the directors have no operating power (the Deed Administrator has operational control of the Company and only he can authorise transactions). Control will return to Monarch's directors following completion of the Recapitalisation Deed and it is proposed that as part of the recapitalisation proposal, Bruce Maluish will be appointed as Managing Director and two additional non-executive director may be appointed (refer paragraph 3.6 above).

7. FAIRNESS AND REASONABLENESS OF THE PROPOSALS

We set out below, some of the advantages, disadvantages and other factors pertaining to the proposed issues, pursuant to resolutions 1 to 4 and the recapitalisation proposals generally.

Advantages

- 7.1 If shareholders do not approve resolutions 1 to 4 and the recapitalisation proposals generally, the Recapitalisation Deed will end and the Administrator will either seek new investors or recommend to creditors to wind up the Company. By raising \$15,000,000 (via the issue of shares to SRE Gold), the Company, after paying an initial \$10,793,230 to MGMC as Trustee of the three creditors' trusts (resolution 4 refers) may have enough working capital to progress the re-development of the Davyhurst gold project, conduct a review and evaluation of the Company's exploration portfolio and undertake exploration programmes. Monarch may then seek further funds by way of capital and debt plus to

assist in the development of the Mt Ida gold project. Should the Company commence developments (although these cannot be guaranteed) there may be an opportunity for the Company to return to being a gold producer and hopefully on a profitable and cash flow positive basis.

- 7.2 In the event that the recapitalisation process is not completed (that includes issuing 300,000,000 shares and 100,000,000 share options to SRE Gold), then it is probable that the Company may be forced into liquidation and shareholders would be severely disadvantaged. By agreeing to the proposals, the Company will be recapitalised, have cash and its shares are intended to be requoted on the ASX. Shareholders are then provided with the opportunity to potentially sell or remain a shareholder.
- 7.3 By issuing 35,000,000 shares to Crawley as part of the recapitalisation proposal, a debt owing to Crawley of \$1,750,000 is eliminated.
- 7.4 The issue of 208,832,344 shares to MGMC as Trustee of the creditors' trusts, the payment of an initial \$10,793,230 on Settlement, the payment of a further \$9,627,900 to MGMC as Trustee of the Group Trust over a 12 month period, the payment of a further \$1,013,400 to MGMC as Trustee of the Mt Ida Trust over an 8 month period, the payment to MGMC as Trustee of the Territory Trust for the covering of any shortfall payment relating to the amount owing to Territory and the issue of the Charges as noted in resolution 4 are all part of the recapitalisation proposals put forward by Stirling and it has guaranteed Monarch's payments to the creditors' trusts. The overall proposal was considered by the Administrator as the most commercial proposal put to him and is in the best interests of the creditors. In the absence of the recapitalisation proposal, the likelihood of Monarch being liquidated would be extremely high and existing shareholders would receive no benefit. The sale of the shares by MGMC may create liquidity in Monarch shares trading on the ASX however it may also depress any share price due to the large percentage (approximately 28.09%) of Monarch shares that need to be sold over a 12 month period. MGMC as Trustee is assuming a minimum share sale price of 5 cents per share and this may set a benchmark for the future sale price of a Monarch share in the next 12 months. However, as noted above the value of a Monarch share without the Varied DOCA and recapitalisation proposal is arguably nil. The final percentage that will be distributed to the unsecured creditors cannot be determined at this point of time but it may exceed 90%.

Disadvantages

- 7.5 In the event that SRE Gold acquires 300,000,000 shares at 5 cents each, the Stirling Group could own approximately 40.35% of the expanded issued capital of Monarch. In addition, Crawley (a significant shareholder in Stirling) that is associated with Michael Kiernan (who is on the Board of Monarch and Stirling) will have a relevant interest in 50,274,607 shares in Monarch (as at 7 July 2009 it owns 9,441,690 shares and Imperial at that date owns 5,832,917 shares and Crawley will be issued a further 35,000,000 shares) representing approximately 6.77% of the expanded issued capital of Monarch post completion of the DOCA (approximately 5.98% excluding Imperial). The existing shareholders other than SRE Gold, Crawley, Imperial and MGMC are materially diluted to approximately 24.80%. However it is noted that without the recapitalisation proposal (or some other recapitalisation proposal) the shares in Monarch are virtually worthless. There is the potential for SRE Gold to increase its shareholding interest in Monarch on exercise of the 100,000,000 share options that are to be issued as free attaching share options to the 300,000,000 shares. The Stirling Group could increase its shareholding on exercise of the 100,000,000 share options to approximately 47.42% however the Stirling Group would need to pay Monarch \$5,000,000. Including the Crawley and Imperial interest, the percentage combined shareholding of SRE Gold, Crawley and Imperial after

exercise of the 100,000,000 share options would approximate 53.38%. MGMC as Trustee of the creditors' trusts would also control approximately 28.09% of Monarch but these shares are planned to be sold over a 12 month period to other parties (refer paragraph 7.4 above). However, the current worth of a Monarch share without the recapitalisation proposals with the Stirling Group arguably is nil or minimal. The exercise of the 100,000,000 share options by SRE Gold would probably only occur if the Company entered into gold production and even then there is no guarantee or warranty that SRE Gold would exercise the 100,000,000 share options.

- 7.6 There is an obligation on Monarch to pay MGMC as Trustee of the Group Trust a further total sum of \$9,627,900 over a 12 month period and pay MGMC as Trustee of the Mt Ida Trust a further \$1,013,400 over an 8 month period. In addition there may be a shortfall payable to the Territory Trust that is estimated at \$10,287,000 by the Administrator (this assumes full recovery of the deferred instalments and royalty relating to Minjar Gold). The amount payable may be more or less than this amount. These obligations are secured by fixed and floating charges over various assets of the Monarch Group. The Company may not have sufficient funds to pay the obligations if there is insufficient positive cash flow expected from the redevelopment of the Davyhurst gold project and possibly the development of the Mt Ida gold project. It is likely that Monarch will need to raise further funds (capital and debt mix) to complete development of Mt Ida. However, as noted above and in the Explanatory Statement, the payments to MGMC are part of a recapitalisation proposal that has been approved by the creditors of the Monarch Group and without the varied DOCA and recapitalisation plan it would be likely that the Monarch Group would be liquidated and based on the Administrator's Report to Creditors of June 2009, the creditors would not receive 100 cents in the dollar and thus implying that the shares in Monarch may be worthless (in the absence of the recapitalisation plan).

Other Factors

- 7.7 The Stirling Group (and Crawley) is taking a risk in investing in Monarch as to a large extent, Monarch's future share price may be determined by the exploitation and/or commercial success (or otherwise) of its exploration portfolio (including the Davyhurst and Mt Ida gold projects) and other mineral assets owned by the Monarch Group. There is a huge incentive for the Stirling Group and Crawley to make Monarch a successful company and have the share price rise considerably. All shareholders would benefit if Monarch's shares are re-quoted on ASX and there is a rise in the share price (currently suspended since June 2008).
- 7.8 The opportunities to raise a total of \$15,000,000 are considered limited in the current bear market associated with gold companies and the stock market generally.
- 7.9 There is always the possibility that the value of the Monarch shares is in excess of the exercise prices of the 100,000,000 share options (exercisable at 5 cents each within 3 years from date of issue) at the date of exercise. However, shareholders would also benefit from an increased share price.
- 7.10 The Company would receive up to a total of \$5,000,000 if SRE Gold exercised all of the 100,000,000 share options at 5 cents each on or before 3 years from date of issue. There is no accounting cost (and no cash cost) of issuing 100,000,000 share options as the share options are free attached share options to the 300,000,000 issue of shares to SRE Gold.
- 7.11 The Company and various subsidiaries are issuing charges over their various interests as noted in resolution 4. Although this is not unusual to protect the pre administration creditors, these may limit its ability to raise debt finance if the Company wishes to do so

to finance part of the development (if it occurs that cannot be guaranteed) of the mineral projects of the Company. Any major financier would wish to have first security and this may lead to a rejection by financiers unless the charges in favour of MGMC were dropped to below a second ranking charge. If debt finance is not required, then the issue is not a significant concern although if the Company failed, MGMC would take control of the assets of the Monarch Group.

- 7.12 The final percentage to be distributed to the unsecured creditors cannot be determined at this point of time but it may exceed 90%. The final percentage will be dependent on the share prices MGMC as Trustee receives for the sale of the 208,832,344 shares, the Deed Administrator's/Trustee's final fees and disbursements and the extent of final admitted unsecured creditors. Monarch's obligations to the creditors' trusts are secured by charges over various assets within the Monarch Group. Monarch's liability to the Territory creditors trust may be \$10,287,280 but this will depend on the amount received from the sale proceeds from the Minjar assets and possibly sale proceeds (if any) from the sale of the Davyhurst gold project. Any shortfall may be sourced from future capital raisings, surplus cash flows from operations or asset sales. There is always a risk that MGMC may call up one or more of the Charges and this may affect the ability of the Monarch Group to continue as a going concern.

8. CONCLUSION AS TO FAIRNESS AND REASONABLENESS

- 8.1 After taking into account the factors referred to in Section 7 above and elsewhere in this report, we are of the opinion that the proposals as outlined in resolutions 1 to 4 are, **on balance, considered in view of the current financial position of the Company to be fair and reasonable to the non associated shareholders of Monarch.**

9. SOURCES OF INFORMATION

- 9.1 In making our assessment as to whether the proposals pursuant to resolutions 1 to 4 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we have held discussions with a Director of Stirling (who is also a director of Monarch) about the present and future operations of Monarch. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the directors and management of Stirling and/or Monarch and the information provided to the creditors of Monarch by the Deed Administrator.

- 9.2 Information we have received, includes, but is not limited to:

- Drafts of Notice of General Meeting of Shareholders and Explanatory Memorandum of Monarch for the General Meeting of Shareholders the Company plans to hold in September 2009;
- Discussions with a director of Stirling and Monarch;
- Shareholding details of Monarch as at 7 July 2009;
- Share prices of Monarch to June 2008;
- Annual Report of Monarch for the year ended 30 June 2007;
- Announcements made by Monarch to the ASX from 1 January 2008 to 30 July 2009;
- The updated evaluation/technical report on the Davyhurst and Mt Ida gold projects
- The unaudited balance sheet of the Monarch Group as at 30 June 2009 and a pro-forma balance sheet that assumed certain recapitalisation assumptions;

- Information provided to the creditors of Monarch by the Administrator(s) from July 2008 to 30 July 2009;
- The DOCA's noted in this IER;
- Discussions with the legal advisers to Stirling; and
- Discussions with representatives of the Administrator.

9.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES



J P Van Dieren - FCA
Director

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APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Pty Ltd trading as Stantons International Securities dated 31 July 2009 allowing the issue of 100,000,000 ordinary shares and 100,000,000 share Options (and allowing exercise of the share options) in Monarch to SRE Gold, allowing the issue of 35,000,000 shares to Crawley to extinguish a debt of \$1,750,000 owing by Monarch to Crawley, allowing the issue of 208,832,344 shares to MGMC, allowing the payments to MGMC as Trustee of the three creditors' trusts and allowing the issue of Charges in favour of MGMC as outlined in paragraph 1.1 of the report and resolutions 1 to 4 in the Notice of Meeting to Shareholders to be forwarded to shareholders in August 2009 for a meeting of shareholders in September 2009.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Monarch, Stirling or Crawley other than acting as an independent expert for the purposes of this report and an associated company of Stantons International Securities being the tax agents of Crawley and Michael Kiernan. Stantons International Securities have undertaken Independent Expert Reports for Stirling and other companies associated with Crawley and Michael Kiernan. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$14,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Monarch. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the Directors of Stantons International Services Pty Ltd are the Directors' of Stantons International Securities. Stantons International Securities and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

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DECLARATION

This report has been prepared at the request of the Deed Administrator in conjunction with Stirling (as they are organising the Monarch Notice of Meeting) in order to assist the Directors and shareholders of Monarch to assess the merits of the issue of 300,000,000 shares (and 100,000,000 share options and allowing the exercise of such share options) to SGE Gold, allowing the issue of 35,000,000 shares to Crawley to extinguish a liability of \$1,750,000, allowing the issue of 208,832,344 shares to MGMC and allowing Charges in favour of MGMC to which this report relates. This report has been prepared for the benefit of Monarch's shareholders and does not provide a general expression of Stantons International Securities' opinion as to the longer term value of Monarch, its subsidiaries or the individual assets of the Monarch Group. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Monarch and its subsidiaries or the ownership of Monarch. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities (Stantons International Pty Ltd) and Stantons International Services Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Stirling and Monarch and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Stirling has agreed:

- a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd and Stantons International Services Pty Ltd) to recover any loss or damage which Monarch may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Monarch; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd and Stantons International Services Pty Ltd) against any claim arising (wholly or in part) from Monarch or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Monarch or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to the Monarch directors, the Deed Administrator and Stirling for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

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FINANCIAL SERVICES GUIDE
Dated 31 JULY 2009

1. STANTONS INTERNATIONAL PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 319600**;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. FINANCIAL SERVICES WE ARE LICENCED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares and options)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the

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advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **BENEFITS THAT WE MAY RECEIVE**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **REFERRALS**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **ASSOCIATIONS AND RELATIONSHIPS**

SIS is a trading name owned by Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Services Pty Ltd.

From time to time, SIS and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **COMPLAINTS RESOLUTION**

9.1 ***Internal complaints resolution process***

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOSL”). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 30021

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. CONTACT DETAILS

You may contact us using the details set out above or by telephone (08) 9481 3188 or facsimile (08) 9321 1204.

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NOTICE OF GENERAL MEETING

A General Meeting of Monarch Gold Mining Company Limited (Receivers and Managers Appointed) (Subject to deed of company arrangement) ("**Company**" or "**Monarch**") will be held on the date and location and time specified below:

DATE: Thursday 10 September 2009

LOCATION: Celtic Club, 48 Ord Street, West Perth, Western Australia

TIME: 10.30 am

Terms used in this Notice and Explanatory Memorandum are defined in section 13 of the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.

RESOLUTION 1: Issue of Shares to Stirling Gold Pty Limited

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

"Subject to Resolutions 2, 3 and 4 being passed, Shareholders approve and authorise the Company:

- (i) allotting and issuing to Stirling Gold Pty Limited, and each of Stirling Resources Limited and Stirling Gold Pty Limited acquiring a relevant interest in 300,000,000 fully paid ordinary shares in the capital of the Company, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes;*
- (ii) allotting and issuing 100,000,000 options to subscribe for fully paid ordinary shares in the capital of the Company to Stirling Gold Pty Limited for all purposes; and*
- (iii) allotting and issuing to Stirling Gold Pty Ltd upon the exercise of the Options, and each of Stirling Resources Limited and Stirling Gold Pty Limited acquiring a relevant interest, in 100,000,000 fully paid ordinary shares in the capital of the Company, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes;*

on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

RESOLUTION 2: Issue of Shares to MGMC Pty Limited (as trustee of the Group Trust and the Mt Ida Trust)

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

"Subject to Resolutions 1, 2 and 4 being passed, Shareholders approve and authorise the Company allotting and issuing to MGMC Pty Limited (as trustee of the Group Trust and the Mt Ida Trust) and each of MGMC Pty Ltd and Bryan Hughes acquiring a relevant interest in, 208,832,344 fully paid ordinary shares in the capital of the Company, for the purposes of item 7 of section 611 of the Corporations Act, Listing Rule 10.11 and for all other purposes, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

RESOLUTION 3: Issue of Shares to Crawley Investments Pty Limited

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

"Subject to Resolution 1, 3 and 4 being passed, Shareholders approve and authorise the Company allotting and issuing to Crawley Investments Pty Limited 35,000,000 fully paid ordinary shares in the capital of the Company in full satisfaction of the Crawley Debt, for the purposes of Listing Rule 10.11 and for all other purposes on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."

RESOLUTION 4: Payments and grant of Charges and exercise of rights

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

"Subject to Resolution 1, 2 and 3 being passed by Shareholders, for the purposes of Listing Rule 10.1 and for all other purposes, Shareholders approve and authorise:

- (i) the Company paying MGMC Pty Limited as trustee of the Group Trust:*
 - a. \$6,630,392 at completion of the Recapitalisation;*
 - b. \$3,209,300 within 4 months of completion of the Recapitalisation;*
 - c. \$3,209,300 within 8 months of completion of the Recapitalisation; and*
 - d. \$3,209,300 within 12 months of completion of the Recapitalisation;*

- (ii) the Company paying MGMC Pty Limited as trustee of the Mt Ida Trust:*
- a. \$1,201,838 at completion of the Recapitalisation;*
 - b. \$506,700 within 4 months of completion of the Recapitalisation;*
 - c. \$506,700 within 8 months of completion of the Recapitalisation; and*
- (iii) the Company paying MGMC Pty Limited as trustee of the Territory Trust:*
- a. \$2,961,000 at completion of the Recapitalisation; and*
 - b. the Shortfall Payment within 24 months of completion of the Recapitalisation.*
- (iv) the Company granting a first-ranking charge over all of its interest in Mt Ida Gold Pty Limited (subject to deed of company arrangement) in favour of MGMC Pty Limited as trustee of the Mt Ida Trust to secure the Company's payment obligations to the Mt Ida Trust under the Recapitalisation Deed;*
- (v) the Company granting a second-ranking charge over all of its interest in Mt Ida Gold Pty Limited (subject to deed of company arrangement) in favour of MGMC Pty Limited as trustee of the Group Trust to secure the Company's payment obligations to the Group Trust under the Recapitalisation Deed;*
- (vi) the Company granting a first-ranking charge over all of its interest in Davyhurst Gold Pty Limited (subject to deed of company arrangement) and Siberia Mining Corporation Pty Limited (subject to deed of company arrangement) in favour of MGMC Pty Limited as trustee of the Territory Trust to secure the Company's payment obligations to the Territory Trust under the Recapitalisation Deed;*
- (vii) Mt Ida Gold Pty Limited (subject to deed of company arrangement) (a wholly owned subsidiary of the Company) granting a first-ranking charge over all of its assets and undertakings in favour of MGMC Pty Limited as trustee of the Mt Ida Trust to secure the Company's payment obligations to the Mt Ida Trust under the Recapitalisation Deed;*
- (viii) Mt Ida Gold Pty Limited (subject to deed of company arrangement) (a wholly owned subsidiary of the Company) granting a second-ranking charge over all of its assets and undertakings in favour of MGMC Pty Limited as trustee of the Group Trust to secure the Company's payment obligations to the Group Trust under the Recapitalisation Deed;*
- (ix) Davyhurst Gold Pty Limited (subject to deed of company arrangement) (a wholly owned subsidiary of the Company) granting a first-ranking charge over all of its assets and undertakings in favour of MGMC Pty Limited as trustee of the Territory Trust to secure the Company's payment obligations to the Territory Trust under the Recapitalisation Deed;*
- (x) Siberia Mining Corporation Pty Limited (subject to deed of company arrangement) (a wholly owned subsidiary of the Company) granting a first-ranking charge over all of its assets and undertakings other than its Bellevue Assets in favour of MGMC Pty Limited as trustee of the Territory Trust to secure the Company's payment obligations to the Territory Trust under the Recapitalisation Deed; and*
- (xi) the exercise by MGMC Pty Ltd (as trustee for the Group Trust, Mt Ida Trust and Territory Trust) of its rights under each of the charges granted in its favour upon default by the Company of its payment obligations to the Group Trust, Mt Ida Trust and Territory Trust, respectively under the Recapitalisation Deed,*
- on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting."*

RESOLUTION 5: Change of Company name

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to Resolutions 1, 2, 3 and 4 being passed and completion of the Recapitalisation, for the purposes of section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to "Swan Gold Mining Limited".

EXPLANATORY MEMORANDUM

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Extraordinary General Meeting.

NOTES:

These notes form part of the Notice of General Meeting.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by Stirling Gold Pty Limited and its associates.

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The Company will disregard any votes cast on Resolution 2 by MGMC Pty Limited and its associates.

The Company will disregard any votes cast on Resolution 3 by Crawley Investments Pty Limited and its associates.

The Company will disregard any votes cast on Resolution 4 by MGMC Pty Ltd and its associates.

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directors on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Entitlement to Vote

The Deed Administrator has determined that, for the purpose of voting at the Meeting, members eligible to vote are those persons who are the registered holders of shares at 5.00 pm (Perth time) on 8 September 2009.

How to Vote

You may vote by attending the Meeting in person, by proxy, or by an authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. Members are asked to arrive at the venue 30 minutes prior to the time designated for the Meeting, if possible, so that the Company may check their shareholding against the Company's share register and note attendances.

Voting by Proxy

A Shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. A proxy can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

If a Shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise.

To vote by proxy, the Proxy Form (together with the original of any power of attorney or other authority, if any, or certified copy of that power of attorney or other authority under which the proxy is signed) must be received by the Company no later than 10.30am (Perth time) on 8 September 2009 (Proxy Forms received after that time will be invalid). Proxy Forms must be received via any of the following methods:

In Person:	Level 1, 914 Hay Street, Perth
By Post:	PO Box 7191 Cloisters Square, WA, 6850
By Facsimile:	+61 8 9322 1262

Corporate Representatives

A body corporate may elect to appoint an individual to act as its representative in accordance with Section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and/or the Company's Share Registrar, Computershare Investor Services, before the Meeting or at the registration desk on the day of the Meeting. Certificates of appointment of corporate representatives are available from the Company on request by telephoning +61 8 9322 2022.

Enquiries

Shareholders are invited to contact the Deed Administrator, Bryan Hughes of Pitcher Partners on +61 8 9322 2022 between 9.00am and 5.00pm (Perth time) Monday to Friday, if they have any queries in respect of the matters set out in these documents.

By order of the Deed Administrator

Bryan Kevin Hughes
Deed Administrator
Dated 7 August 2009

Shareholder Details

Name:

Address:

Contact Telephone No:

Contact Name (if different from above):

Appointment of Proxy

I/We being a shareholder/s of Monarch Gold Mining Company Limited (Receivers and Managers Appointed) (Subject to Deed of Company Arrangement) and entitled to attend and vote hereby appoint

The Chairman of the meeting (mark with an 'X') **OR** Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Monarch Gold Mining Company Limited (Subject to Deed of Company Arrangement) to be held at Celtic Club, 48 Ord Street, West Perth, Western Australia on 10 September 2009 at 10.30a.m. WST and at any adjournment of that meeting.

IMPORTANT



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

Voting directions to your proxy – please mark to indicate your directions

Ordinary Business	FOR	AGAINST	ABSTAIN*
Resolution 1. Issue of Shares to Stirling Gold Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2. Issue of Shares to MGMC Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3. Issue of Shares to Crawley Investments Pty Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4. Payments and grant of Charges and exercise of rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5. Change of Company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointment of a second proxy (see instructions overleaf) %

If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form

PLEASE SIGN HERE This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

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How to complete this Proxy Form

Your Name and Address

Please print your name and address as it appears on your holding statement and the company's share register. If shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Deed Administrator on +61 8 9322 2022 or you may photocopy this form.

To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the shareholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting i.e. no later than 10.30am WST on 8 September 2009. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be delivered to the Company's registered office at Level 1, 914 Hay Street, Perth 6000, sent by prepaid post to the Company's registered office at 7191 Cloisters Square, WA 6850 or sent by facsimile on +61 8 9322 1262.

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