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**MONARCH GOLD MINING COMPANY LIMITED**

ABN 69 100 038 266

**AND CONTROLLED ENTITIES**

**HALF YEAR FINANCIAL REPORT**

**31 DECEMBER 2007**

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## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

Michael Kiernan	Chairman
Matthew Gill	Managing Director
John Davis	Exploration Director
Ian Huitson	Operations Director
Keith Vuleta	Finance Director
David Humann	Non-executive Director
Phillip Botsis	Non-executive Director

### COMPANY SECRETARY

Patrick McCole

### REGISTERED OFFICE

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23 Ventnor Avenue  
West Perth WA 6005

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Web-site: [www.monarchgold.com.au](http://www.monarchgold.com.au)

### SHARE REGISTRY

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Level 2  
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Telephone: (61 8) 9323 2000  
Facsimile: (61 8) 9323 2033  
E-mail: [perth.services@computershare.com.au](mailto:perth.services@computershare.com.au)  
Web-site: [www.computershare.com.au](http://www.computershare.com.au)

### AUDITOR

PricewaterhouseCoopers

### SOLICITORS

Pullinger Readhead Lucas

### BANKER

National Australia Bank Limited

### STOCK EXCHANGE LISTING

Shares in Monarch Gold Mining Company Limited are quoted on Australian Securities Exchange Limited. (ASX code: MON) and the Dubai International Financial Exchange Limited (DIFX code: MON)

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**MONARCH GOLD MINING COMPANY LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

The directors of Monarch Gold Mining Company Limited ("Monarch" or "parent entity") present their report on the results and state of affairs of the consolidated entity (consisting of Monarch and the entities it controlled) for the half-year ended 31 December 2007.

**DIRECTORS**

The following persons were directors of Monarch during the whole of the half-year and up to the date of this report, unless otherwise stated:

Michael Kiernan  
Matthew Gill (appointed 12 November 2007)  
John Davis  
Ian Huitson  
Keith Vuleta  
David Humann  
Philip Botsis  
Allan Quadrio (resigned 25 January 2008)  
John McKee (resigned 16 November 2007)  
David Macoboy (resigned 1 July 2007)  
Michael Etheridge (resigned 30 July 2007)

**PRINCIPAL ACTIVITIES**

During the half year ended 31 December 2007 the principal activities of the consolidated entity were the mineral exploration, development, mining, processing and sale of gold bullion.

**RESULTS OF OPERATIONS**

The net loss of the consolidated entity for the half year ended 31 December 2007 after provision for income tax was \$17.7 million (31 December 2006: loss of \$4.3 million).

**REVIEW OF OPERATIONS**

**1. Corporate**

Monarch acquired the Riverina Gold project from Riverina Resources Pty Ltd and Barra Resources Ltd, containing resources of 200,000 ounces of gold.

Monarch is also expanding its landholding with the acquisition of the Mount Magnet Gold Operations from Harmony, a project comprising a gold resource of 2.7 million ounces, a ground package of 330 tenements covering approximately 1,100 square kilometres and a 2.7mtpa capacity gold processing facility.

During December 2007 there was a consolidation of Monarch's securities on the basis that every three shares were consolidated into one share and every three options to acquire a share were consolidated into one option to acquire a share.

The resulting issued capital of Monarch as at 31 December 2007 is 159,194,165 ordinary shares and 14,883,344 options to acquire shares.

**2. Operations**

During the period, the Davyhurst Mill refurbishment was successfully completed, commissioned and gold bullion production commenced with operational reliability being achieved. Gold recoveries improved to 92.3% by 31 December 2007.

The start-up pit – Walhalla – proved to be a disappointment grade-wise, resulting in Monarch revising its Mine Plan to focus away from the Walhalla Pit, with the higher grade Missouri and Sandking Pits being prepared, and the Riverina Prospect returning encouraging results to support early mining.

Monarch intersected high grade gold ore on 6 Level and 7 Level at the Mt Ida gold project at the Baldock lode. Four sub-levels were established on ore on 6 Level.

**MONARCH GOLD MINING COMPANY LIMITED  
AND CONTROLLED ENTITIES**

**Davyhurst Summary of Production**

			July-Dec 07
Mining	Total Movement	BCMs	1,351,567
	Ore Tonnes	T	232,352
Processing	Tonnes Crushed	T	332,793
	Tonnes Milled	T	316,047
	Mill Feed Grade	g/t Au	1.25
	Gold Recovered	Oz	11,361
	Gold Poured	Oz	10,922

**3. Exploration**

- Monarch continued the extensive exploration drilling programme as part of the 2008 Exploration Budget for the Davyhurst project with 48,110 metres of RAB and 21,965 metres of RC drilling completed during the period.
- At the Davyhurst Gold project RC drilling programmes were completed at the Walhalla, Federal Flag, Salmon Gums and Mt Banjo prospects on the Round Dam trend and at the Iguana prospect at the Lady Ida mining centre. Encouraging results were reported and are currently being followed up.
- Also at Davyhurst, RC drilling concentrated on the prospective Riverina Project. Encouraging results from within the optimized Pit area and outside this area were reported and give confidence to an extension to the size of the original Pit design.

**4. Equity Raisings**

During the half year Monarch raised equity capital of \$11,247,967 (net of costs) through;

- 1) a share placement of 45,000,000 fully paid shares at an issue price of 26 cents per share;
- 2) the issue of 4,412,500 fully paid shares at an issue price of 25 cents per share further to a Share Purchase Plan and non-renounceable entitlement issue and as approved by shareholders on 14 August 2007; and
- 3) the exercise of 350,000 options.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act 2001 is included immediately following the Directors' Report and forms part of the Directors' Report.

**EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR**

Significant events which have occurred subsequent to the end of the half year are contained in Note 7 to the financial report.

**ROUNDING OF AMOUNTS**

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.

**Matthew Gill**  
Managing Director

Perth, Western Australia  
28 February 2008

MONARCH GOLD MINING COMPANY LIMITED  
AND CONTROLLED ENTITIES



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**Auditor's Independence Declaration**

As lead auditor for the review of Monarch Gold Mining Company Limited for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Monarch Gold Mining Company Limited and the entities it controlled during the period.



Peter Buchholz  
Partner  
PricewaterhouseCoopers

Perth  
28 February 2008

Liability limited by a scheme approved under Professional Standards Legislation

**MONARCH GOLD MINING COMPANY LIMITED  
AND CONTROLLED ENTITIES**

**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

		<b>CONSOLIDATED</b>	
	<b>Notes</b>	<b>31.12.07 \$'000s</b>	<b>31.12.06 \$'000s</b>
<b>Revenue from continuing operations</b>		8,679	65
Other income	3	1,578	103
Changes in inventories of ore, gold in circuit and gold on hand		2,803	-
Operating mine costs		(24,454)	-
Depreciation and amortisation		(1,408)	(159)
Administration		(4,543)	(3,435)
Finance costs		(315)	(92)
Write-down to market value of "available for sale" investments		-	(749)
Loss before income tax		(17,660)	(4,267)
Income tax expense		-	-
<b>Loss for the half-year</b>		(17,660)	(4,267)
Loss is attributable to:			
Equity holders of Monarch Gold Mining Company Limited		(17,660)	(4,267)
Minority interest		-	-
		<u>(17,660)</u>	<u>(4,267)</u>
		<b>Cents</b>	<b>Cents</b>
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings/(loss) per share		(4.09)	(1.78)
Diluted earnings/(loss) per share		(4.09)	(1.78)

*The above consolidated income statement should be read in conjunction with the accompanying notes.*

**MONARCH GOLD MINING COMPANY LIMITED**  
**AND CONTROLLED ENTITIES**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2007**

	NOTE	CONSOLIDATED 31.12.07 \$'000s	30.06.07 \$'000s
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,478	21,750
Trade and other receivables		4,981	494
Inventories		3,305	33
Prepayments		253	158
Other financial assets		<u>136</u>	<u>62</u>
<b>TOTAL CURRENT ASSETS</b>		<u>10,153</u>	<u>22,497</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		32	-
Other financial assets		2,061	2,604
Property, plant and equipment		16,536	12,745
Mine properties		1,408	-
Deferred exploration expenditure		<u>57,058</u>	<u>40,996</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>77,095</u>	<u>56,345</u>
<b>TOTAL ASSETS</b>		<u>87,248</u>	<u>78,842</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		12,410	13,567
Borrowings	4	10,549	489
Provisions		<u>319</u>	<u>355</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>23,278</u>	<u>14,411</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		2,172	1,302
Provisions		<u>3,348</u>	<u>3,348</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>5,520</u>	<u>4,650</u>
<b>TOTAL LIABILITIES</b>		<u>28,798</u>	<u>19,061</u>
<b>NET ASSETS</b>		<u>58,450</u>	<u>59,781</u>
<b>EQUITY</b>			
Contributed equity	5	119,223	103,800
Reserves		4,236	3,330
Accumulated losses		<u>(65,051)</u>	<u>(47,391)</u>
Parent entity interest		58,408	59,739
Minority interests		<u>42</u>	<u>42</u>
<b>TOTAL EQUITY</b>		<u>58,450</u>	<u>59,781</u>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

**MONARCH GOLD MINING COMPANY LIMITED**  
**AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

Consolidated	Attributable to members of Monarch Gold Mining Company Limited				Minority interests	Total equity
	Contributed equity	Reserves	Accumulated losses	Total		
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>At 1 July 2006</b>	55,757	1,662	(22,070)	35,349	42	35,391
Loss for the period	-	-	(4,267)	(4,267)	-	(4,267)
<b>Total recognised income and expense for the half-year</b>	-	-	(4,267)	(4,267)	-	(4,267)
Contributions of equity, net of transaction costs	13,785	-	-	13,785	-	13,785
Employee and director share options – value of services	-	731	-	731	-	731
<b>At 31 December 2006</b>	69,542	2,393	(26,337)	45,598	42	45,640
<b>At 1 July 2007</b>	103,800	3,330	(48,419)	58,711	42	58,753
Effect of prior period adjustment	-	-	1,028	1,028	-	1,028
	103,800	3,330	(47,391)	59,739	42	59,781
Loss for the period	-	-	(17,660)	(17,660)	-	(17,660)
<b>Total recognised income and expense for the half-year</b>	-	-	(17,660)	(17,660)	-	(17,660)
Contributions of equity, net of transaction costs	15,423	-	-	15,423	-	15,423
Employee and director share options – value of services	-	906	-	906	-	906
<b>At 31 December 2007</b>	119,223	4,236	(65,051)	58,408	42	58,450



**MONARCH GOLD MINING COMPANY LIMITED  
AND CONTROLLED ENTITIES**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	<b>CONSOLIDATED</b>	
	<b>31.12.07</b>	<b>31.12.06</b>
	<b>\$'000s</b>	<b>\$'000s</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	8,771	195
Payments to suppliers and employees (inclusive of goods and services tax)	(25,335)	(2,068)
Interest received	167	65
Interest paid	(197)	-
<b>Net cash outflow from operating activities</b>	<u>(16,594)</u>	<u>(1,808)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	4,728	-
Payments for mineral exploration expenditure	(20,016)	(6,016)
Payments for purchase of mineral interests	(1,971)	-
Payments for purchase of plant and equipment	(6,219)	(532)
Payment for other financial assets	(75)	(2,630)
<b>Net cash outflow from investing activities</b>	<u>(23,553)</u>	<u>(9,178)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	12,430	14,052
Payments for share issue expenses	(1,183)	(787)
Proceeds from borrowings	9,500	-
Repayment of finance lease principal	(255)	-
Loans advanced to other parties	(617)	(497)
<b>Net cash inflow from financing activities</b>	<u>19,875</u>	<u>12,768</u>
<b>Net increase in cash held</b>	(20,272)	1,782
Cash at the beginning of the financial period	<u>21,750</u>	<u>804</u>
Cash at the end of the financial period	<u><u>1,478</u></u>	<u><u>2,587</u></u>

**MONARCH GOLD MINING COMPANY LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**1. BASIS OF PREPARATION OF HALF-YEAR REPORT**

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Monarch Gold Mining Company Limited during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period:

- (i) Revenue  
Gold and silver sales

Amounts are recognised as sales revenue when there has been a transfer of risk to a customer, and:

- the gold is in a form suitable for delivery and no further processing is required by, or on behalf of, the consolidated entity;
- the quantity, quality and selling price of the gold or silver can be determined with reasonable accuracy; and
- the gold or silver has been despatched to the metals refinery and is no longer under the physical control of the consolidated entity, or the metals refinery has formally acknowledged legal ownership of the product, including all inherent risks.

- (ii) Inventories

Ore and Gold stocks are valued at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure relating to mining activities, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**Going Concern**

As at 31 December 2007, the consolidated entity has a working capital deficiency of \$13,125,006. The consolidated entity has also recorded operating losses and negative cash flows during the half year ending 31 December 2007.

The ability of the consolidated entity to continue to fulfil its mineral project evaluation, mine development and operational activities and hence the continued adoption of the going concern assumption, is dependent on the Company raising additional funding as and when required. In the forthcoming period, the consolidated entity expects to continue its mineral project evaluation, mine development and operational activities.

The financial statements have been prepared on a going concern basis which assumes that the company and the consolidated entity will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In arriving at this position, the directors have considered the following pertinent matters:

- Available cash reserves;
- Cash flow from full ramp up of mining operations at the Davyhurst and Mt Ida mines; and
- The directors are assessing various options for the raising of additional funds including equity raisings.

**2. SEGMENT INFORMATION**

The consolidated entity operates in one business and geographical segment, being mineral exploration in Western Australia and all of the assets of the consolidated entity are deployed for these purposes.

**3. INCOME AND EXPENSES**

	31.12.07 \$'000	31.12.06 \$'000
Gain on sale of plant and equipment	<u>1,578</u>	<u>103</u>

**MONARCH GOLD MINING COMPANY LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**4. TRADE AND OTHER PAYABLES**

Trade and other payables includes loans from other entities of \$9,500,000 on commercial terms

**5. EQUITY SECURITIES ISSUED**

Movements in ordinary shares on issue during the half-year:

	31.12.07 Shares	31.12.06 Shares	31.12.07 \$'000	31.12.06 \$'000
Exercise of options under employee share ownership plan	350,000	15,358,625	70,000	3,071,722
Part consideration for acquisition of Riverina Gold Project tenements	15,000,000	-	3,675,000	-
Share placements	45,000,000	50,000,000	11,700,000	11,500,000
Share purchase plan	2,000,000	-	500,000	-
Entitlements issue	2,412,500	-	603,125	-
1 for 3 share consolidation <sup>1</sup>	(318,382,810)	-	-	-
Share issue costs	-	-	(1,125,158)	(787,336)
	<u>(253,420,310)</u>	<u>65,358,625</u>	<u>15,422,967</u>	<u>13,784,386</u>

	31.12.07 Options	31.12.06 Options
Movements in share options on issue during the half-year:		
Share-based payments	2,500,000	12,500,000
Exercise of options under employee share ownership plan	(350,000)	(15,358,625)
Part consideration for acquisition of Riverina Gold Project tenements	5,000,000	-
Options cancelled	(1,000,000)	-
1 for 3 share consolidation <sup>1</sup>	(29,766,663)	-
	<u>(23,616,663)</u>	<u>(2,858,625)</u>

- <sup>1</sup> A reorganisation of capital was undertaken on 18 December 2007 on the basis that every 3 ordinary shares in the capital of the Company were consolidated into one ordinary share and every three options to acquire a share were consolidated into one option to acquire a share.

**6. CONTINGENT LIABILITIES**

There have been no changes in any contingent liabilities of the consolidated entity since the last annual reporting date.

**7. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

- (i) On 4 February 2008 Monarch Gold Mining Company Ltd finalised and signed the share sale agreement for the purchase of the Mount Magnet Gold operations for \$65 million to be satisfied by the payment of \$30 million in cash and the issue of \$20 million fully paid ordinary shares and \$15 million convertible note. Monarch will take possession on 1 April 2008 and the purchase process is due for completion on 30 June 2008.
- (ii) On 15 February 2008 Monarch Gold Mining Company Ltd announced a \$10 million placement of 20 million shares at 50 cents per share.

**8. CORRECTION OF PRIOR PERIOD ERROR**

Mining costs for the year ending 30 June 2007 were overstated by \$1,028,698. This error had the effect of overstating the 30 June 2007 retained losses and understating deferred exploration expenditure.

The amount of the correction for both basic and diluted earnings per share was a reduction of 0.39 cents per share.

**MONARCH GOLD MINING COMPANY LIMITED  
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**DIRECTORS' DECLARATION**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 10 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and
- (b) based upon the reasons set out in Note 1 to the financial report, there are reasonable grounds to believe that Monarch Gold Mining Company Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made in accordance with a resolution of the directors.



**Matthew Gill**  
Managing Director

Perth, Western Australia  
28 February 2008

MONARCH GOLD MINING COMPANY LIMITED  
AND CONTROLLED ENTITIES



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**INDEPENDENT AUDITOR'S REVIEW REPORT**  
**to the members of Monarch Gold Mining Company Limited**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Monarch Gold Mining Company Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Monarch Gold Mining Company Limited group (the consolidated entity). The consolidated entity comprises both Monarch Gold Mining Company Limited (the Company) and the entities it controlled during that half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Monarch Gold Mining Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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MONARCH GOLD MINING COMPANY LIMITED  
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For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Monarch Gold Mining Company Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in dark ink, appearing to read 'P. H. ...', is written over the printed name 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'Peter Buchholz', is written over the printed name and title.

Peter Buchholz  
Partner

Perth  
28 February 2008