



PITCHER PARTNERS

(WA) PROPRIETARY LIMITED

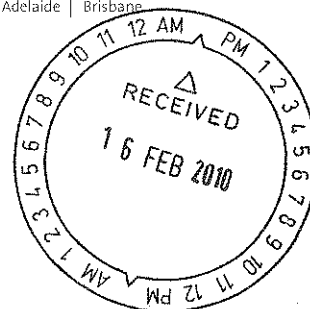
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Ref: BKH/TF

11 February 2010

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The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600



By email: economics.sen@aph.gov.au

Dear Sir/Madam

SENATE INQUIRY INTO THE ROLE OF LIQUIDATORS AND ADMINISTRATORS, THEIR FEES AND THEIR PRACTICES, AND THE INVOLVEMENT AND ACTIVITIES OF THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION, PRIOR TO AND FOLLOWING THE COLLAPSE OF A BUSINESS

Thank you for your invitation to make a submission to the Senate Inquiry into Administrators and Liquidators.

I advise that I am authorised to act as an Administrator and Liquidator pursuant to the Corporations Act (Commonwealth) 2001 ("the Act"), and have taken appointments for the past 13 years in these respective roles.

It is my submission that the scope of any inquiry should be limited such that the existing extensive remuneration reporting requirements are not added too further.

As you should be aware, Practitioners are already accountable and undergo significant scrutiny of their remuneration charged. In 2007, the Insolvency Practitioners Association of Australia (IPA) released a Code of Professional Conduct, with the remuneration section being effective from 31 December 2007. The Code states that a Practitioner is entitled to claim remuneration and disbursements, in respect of necessary work, properly performed in an administration. Further, the Code states that a claim by a Practitioner for remuneration must provide sufficient, meaningful, open and clear disclosure to the approving body so as to allow that body to make an informed decision.

In accordance with the Code, a Practitioner must prepare a Remuneration Report each time that approval for remuneration is sought. The Remuneration Report is divided into five parts, contains significant detailed information and is on average 20 pages in length. I have attached for your information the Administrator's Report to Creditors Pursuant to Section 439A of the Act (with attached Remuneration Report) for one of

my Administrations. As you will see the entire report is 104 pages in total, of which 30 pages is attributable to the Remuneration Report.

In almost all cases, the Remuneration Report addresses both retrospective and future remuneration. The retrospective remuneration is extracted from staff timesheets and despite the lengthy process of extracting this information, is relatively simple to report. However, providing the Practitioners best estimate as to future fees to be incurred to completion or to a specified milestone, involves substantial guess work and what I can only describe as “crystal ball gazing”.

I submit that this matter has been reviewed recently and there is no need to further review this topic at this time. You may wish to consider whether current Administrator’s Reports contain too much information for the average stakeholder to comprehend? Whether the information is meaningful and able to be understood? Whether all stakeholders read such a lengthy report? As always, there should be a cost/benefit analysis of the Remuneration Report, especially when you consider the costs incurred to provide this information, including staff hours required in reviewing timesheets, preparing the report, additional photocopying and postage requirements, which can be significant if you have 200 creditors or more.

These costs are then billed against the respective Administration and therefore the balance of funds available for a dividend to stakeholders is reduced. So in essence, stakeholders are paying to receive a Remuneration Report which many of them do not read due to the size of the information presented.

Honest Practitioners, regardless of the reporting requirements imposed on them, charge according to the hours incurred. I believe that 99% of Practitioners are hardworking, honest and diligent in carrying out their duties under the Act. It is only the smallest minority of Practitioners who do not comply and therefore to legislate to increase reporting requirements is unjust to the majority, and more importantly costly to the creditors.

In regard to the conduct of the Australian Securities and Investments Commission (“ASIC”), I believe that ASIC regulates the environment in which Practitioners operate in a competent manner and are proactive in doing so.

ASIC requires all Practitioners to be registered, requires certain information to be lodged with ASIC within specified timeframes, issues penalties to Practitioners if lodgement requirements are not attended to, requires significant investigations into a Company’s affairs to be performed and reported on.

Should you wish to discuss any matter raised above, please telephone me on (08) 9322 2022.

Yours faithfully
PITCHER PARTNERS



BRYAN HUGHES
Managing Director



PITCHER PARTNERS

**Monarch Gold Mining
Company Limited
(Receivers and Managers
Appointed) (Administrators
Appointed)
ACN 100 038 266**

Administrators' Report to Creditors
Pursuant to Section 439A of the
Corporations Act (Commonwealth) 2001

Bryan Hughes and Christopher Munday
Joint and Several Administrators

Pitcher Partners
Level 1
914 Hay Street
Perth WA 6000
Telephone (08) 9322 2022
Email partners@pitcher-wa.com.au

**Monarch Gold Mining Company Limited
(Administrators Appointed) (Receivers & Managers Appointed)**

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1. INTRODUCTION

I refer to the appointment of my Partner, Mr Bryan Hughes, and I as Joint and Several Administrators of Monarch Gold Mining Company Limited (Receivers and Managers Appointed) (Administrators Appointed) (“Monarch” or “the Company”) by a resolution of the Company’s Directors passed on 10 July 2008.

We were also appointed Administrators over the following Companies on 10 July 2008:

- Davyhurst Gold Pty Ltd (Administrators Appointed) (“Davyhurst”);
- Minjar Gold Pty Ltd (Administrators Appointed) (“Minjar”);
- Mount Magnet Gold Pty Ltd (Administrators Appointed) (“Magnet”);
- Monarch Nickel Pty Ltd (Administrators Appointed);
- Mt Ida Gold Operations Pty Ltd (Administrators Appointed) (“Mt Ida”);
- Siberia Mining Corporation Pty Ltd (Administrators Appointed) ;
- Mt Ida Gold Pty Ltd (Administrators Appointed);
- Monarch Gold Pty Ltd (Administrators Appointed)
- Siberia Gold Operations Pty Ltd (Administrators Appointed);
- Pilbara Metals Pty Ltd (Administrators Appointed);
- Ida Gold Operations Pty Ltd (Administrators Appointed);

collectively “the Monarch Group” or “the Group”.

The Group operates as a gold mining and exploration concern and has an extensive portfolio of mining tenements located within Western Australia. Upon the appointment of Administrators the Group had the following projects, all of which are currently on care and maintenance:

- Mt Ida Gold Project;
- Mount Magnet Gold Project;
- Davyhurst Gold Project (including Siberia, Riverina and Bellevue); and
- Minjar Gold Project.

The purpose of the appointment of an Administrator is to allow for an independent insolvency practitioner to take control of and investigate the affairs of a company. During the Administration creditors’ claims are put on hold. At the end of that period, the Administrators are required to provide creditors with information and recommendations to assist creditors to decide upon the Company’s future.

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The purpose of this report is therefore to provide creditors with background information relating to the Company's business, property, affairs, and financial circumstances, and to provide information on the findings of our preliminary investigations into these matters. In addition, this report sets out the Administrators' opinion as to whether it would be in the creditors' interests for:

- The Administration to end and for the Company to be returned to the control of the Directors; or
- The Company to execute a Deed of Company Arrangement ("DOCA"); or
- The Company to be wound up;

and the reasons for the opinions expressed.

Additionally, pursuant to Section 439A(4) of the Corporations Act (Commonwealth) 2001 ("the Act"), if a DOCA is proposed the Administrators are required to provide a statement setting out the details of the proposed DOCA. A Holding DOCA (i.e. essentially a continuance of the administration moratorium period) is being proposed and details are contained in section 10.2 of this report.

The Administrators' preliminary investigations are discussed in section 8 of this report. The Administrators have identified a number of areas requiring further detailed investigations, which will be undertaken during the period of the Holding DOCA. The primary focus of these investigations will be:

- Unreasonable director related transactions (refer to section 8.2.3 of this report); and
- Insolvent trading and directors' defences (refer to sections 8.3 and 8.3.5 of this report). In this regard, the Administrators intend to:
 - Complete their analysis of the financial position of the Group at various times over the six months prior to the appointment of Administrators;
 - Complete their analysis in relation to the ageing of creditors at various dates, including 10 July 2008;
 - Consider in detail, at various times, the position regarding the expected receipt of loan funding (and subsequent repayment) from Territory Resources Limited ("Territory");
 - Consider whether it is appropriate to commission expert advice in relation to Monarch's budgets and mine plans relied upon by the board; and
 - Determine the long term viability of the Group.

The Administrators' findings in relation to these additional investigations, as well as any potential recoveries available to the Liquidators if the Company

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subsequently proceeds into liquidation, will be reported to creditors in a supplementary report.

The Administrators have issued this report in as timely a manner as possible, bearing in mind the Monarch Group comprises 12 separate companies, each of which must be reported on. Whilst we intend to conduct the additional investigations over the forthcoming weeks, we concluded it was important creditors receive a report as soon as possible outlining the Administrators' findings to date, the progress of discussions with interested parties and the progress of the administration generally.

We were particularly conscious of the fact the Court is due to review the independence of the Administrators in hearing COR 105 of 2008 on 19 August 2008. Whilst we are confident the Court will allow us to remain as Administrators, there is a risk, albeit small, that the Court may have the view that a replacement Administrator should be appointed. If this were the case, then in the absence of this report it is unlikely a replacement Administrator would have been in a position to provide creditors with a detailed report for at least another one to two months, which would clearly disadvantage creditors generally.

At the meeting of creditors to be held on 25 August 2008, creditors will be asked to make a decision by passing a resolution in respect of options available to them. In this report we have recommended to creditors that the Company enter a DOCA, the key term of which is a moratorium period. We have detailed why this option is, in our opinion, in creditors' interests in section 11.2 of this report.

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2. STATEMENT OF INDEPENDENCE

Section 448C of the Act expressly provides that certain persons described in that provision must not, except with leave of the Court, seek or consent to be appointed as, or act as Administrator of a Company or of a DOCA.

Furthermore, the Insolvency Practitioners Association of Australia (“IPA”) recently introduced a code of professional practice, establishing guidance for insolvency practitioners in relation to independence. We carefully considered the issue of our independence prior to our appointment and considered that we were in compliance with the IPA guidelines and we do not fall within any of the descriptions contained in Section 448C of the Act that would prevent us by law from taking the appointment. Accordingly we consented to be appointed as Joint and Several Administrators on 10 July 2008. A declaration of Independence, Relevant Relationships and Indemnities (“DIRRI”) was forwarded to all known creditors with notice of the first meetings.

Creditors and suppliers were advised in our circular dated 24 July 2008 that on 18 July 2008 we were formally put on notice by lawyers representing Territory of a challenge to our appointment. As a result of the concern being raised, a replacement DIRRI (a copy of which is attached) was sent to creditors on 24 July 2008, in which the Administrators provided creditors an even more detailed summary of all matters. Territory’s lawyers proposed a resolution to replace the existing Administrators with alternate Administrators at the first meeting of creditors for three of the Group’s Companies, including Davyhurst Gold Pty Ltd, Monarch Gold Mining Company Ltd and Mount Magnet Gold Pty Ltd. The resolutions presented at each of these meetings failed in the absence of a required majority.

In the interests of progressing the administration without any further distraction, the Administrators sought legal advice in relation to this matter and considered it appropriate, given Territory’s standing as a major creditor and shareholder of the Group, to seek directions from the Court regarding our appointment. Accordingly, we filed an application with the Court on Wednesday 30 July 2008 and the application is scheduled to be considered by the Court on 19 August 2008.

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3. MEETINGS OF CREDITORS

3.1 First Meeting of Creditors

The first meeting of creditors of the Company was held on 21 July 2008 at Level 19, 140 St Georges Terrace, Perth, Western Australia. At that meeting, the appointment of Mr Hughes and I as Joint and Several Administrators was confirmed and a committee of creditors was formed. Creditors are represented on this committee by Mr Ian McCubbing of Territory Resources Limited and Eoin Rothery of India Resources Limited.

Minutes of the first meeting of creditors were lodged with the Australian Securities and Investments Commission (“ASIC”) on 30 July 2008.

3.2 Second Meeting of Creditors

The second meeting of the creditors of the Company will be held at the Park Business Centre, 45 Ventnor Avenue, West Perth, Western Australia on Monday, 25 August 2008 at 9.30 am WST. A formal notice of this meeting is enclosed.

For the purpose of voting at the meeting, creditors are required by no later than 4.00pm WST on Friday 22 August 2008 to provide a formal proxy and a proof of debt in accordance with the Forms 532 (document enclosed) and 535 (document enclosed). Creditors who have already lodged a proof of debt form are not required to lodge another form; **however, creditors are still required to lodge a proxy form if they wish to vote at the meeting.**

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4. BACKGROUND INFORMATION

4.1 Officers, Shareholders and Charges

According to a search of the records maintained at the ASIC, the Company was registered in Western Australia on 26 March 2002 as Monarch Resources Limited. The Company changed its name to Monarch Gold Mining Company Limited on 7 July 2006. The Company traded on the Australian Stock Exchange (“ASX”) under the code “MON” prior to its suspension on 18 June 2008.

The Company’s registered office is located at Level 1, 23 Ventnor Avenue, West Perth, Western Australia.

According to ASIC records, the corporate officer positions held in relation to the Company within the six month period prior to the date of appointment are set out below:

Name	Position	Date of Appointment	Date of Resignation
Mr Michael Laurence James Kiernan	Director	26 March 2002	n/a
Mr Phillip Peter Botsis	Director	3 February 2003	14 July 2008
Mr John Maxwell Davis	Director	22 August 2005	31 July 2008
Mr David James Humann	Director	23 February 2007	11 July 2008
Mr Keith John Vuleta	Director	16 May 2007	n/a
Mr Ian David Huitson	Director	16 May 2007	n/a
Mr Matthew Damian Gill	Director	12 November 2007	10 March 2008
Mr Allan James Quadrio	Director	20 July 2006	25 January 2008
Mr Patrick McCole	Secretary	25 January 2008	n/a
Mr Keith Vuleta	Secretary	27 October 2007	25 January 2008
Mr Frank John Campagna	Secretary	26 March 2002	25 January 2008

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The top twenty shareholders at the date of the Administrators' appointment as recorded in the Company's shareholder registry are set out below:

Shareholder	Shares Held	Percentage of Total Shares
Territory Gold Pty Ltd	39,849,657	19.96%
J P Morgan Nominees Australia	15,272,031	7.65%
Crawley Investments Pty Ltd	9,441,690	4.73%
ANZ Nominees Limited	7,981,844	4.00%
HSBC Custody Nominees	7,883,521	3.95%
AMP Life Limited	6,625,571	3.32%
Imperial Resources Limited	5,832,917	2.92%
Mineral Resources Limited	5,000,000	2.50%
Abbotsleigh Pty Ltd	3,424,862	1.72%
Mr Laurence James Kiernan	3,000,000	1.50%
Dr Leon Eugene Pretorius	3,000,000	1.50%
Emichrome Pty Ltd	2,376,667	1.19%
Methuen Holdings Pty Ltd	1,950,583	0.98%
Dcm Decometal Gmbh	1,666,667	0.83%
Barra Resources Ltd	1,500,000	0.75%
Forrest Family Investments Pty Ltd	1,170,000	0.59%
Ms Debbie Maree Ellison	797,795	0.40%
Mr Roger Anthony Pierce	693,880	0.35%
National Nominees Limited	649,470	0.33%
Mr Gordon Anthony	631,042	0.32%
Total	118,748,197	59.48%

At the date of the Administrators' appointment the Company's shareholder registry disclosed that it had 199,655,317 shares on issue held by 4,659 shareholders.

The range in number of shares held by the shareholders of the Company is set out below:

Shares Held	Holders	Units	Percentage of Total Shares
1 - 1,000	423	283,224	0.14%
1,001 - 5,000	1,516	4,419,208	2.21%
5,001 - 10,000	1,054	8,083,925	4.05%
10,001 - 100,000	1,541	45,370,845	22.72%
100,001 - 500,000	102	21,059,327	10.55%
500,000 +	23	120,438,788	60.32%
Total	4,659	199,655,317	100.00%

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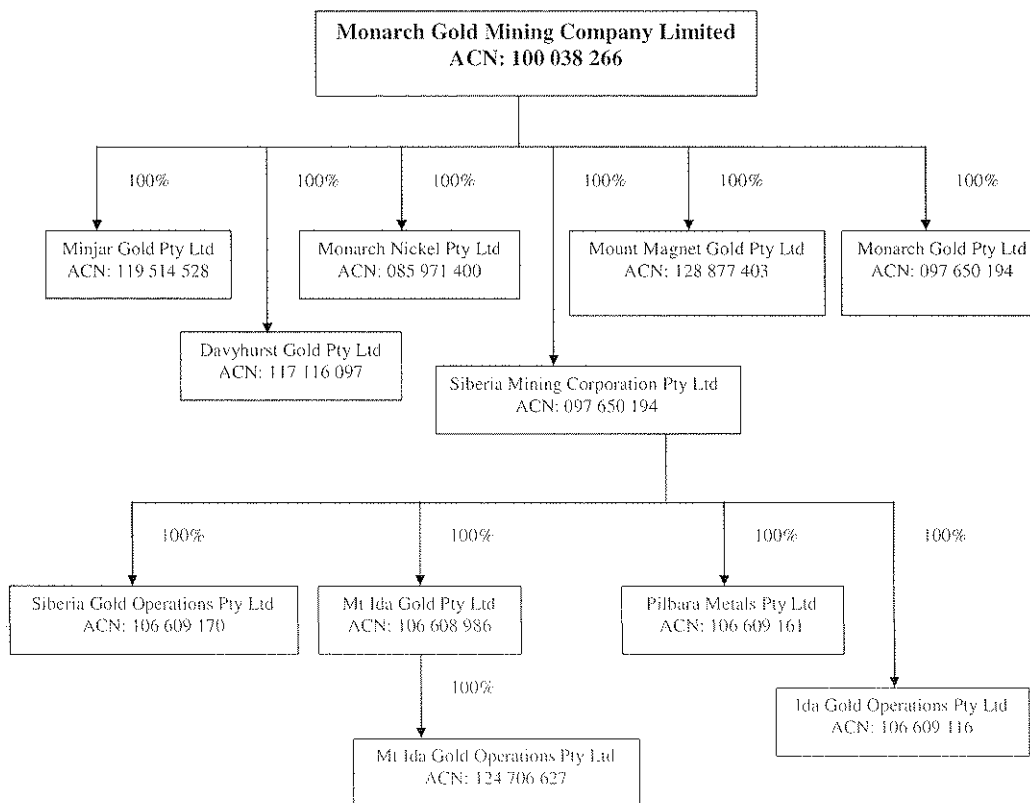
ASIC records indicate the following charges are registered in relation to the Company:

Name	Type of Security	Date Charge Registered
Societe Generale	Fixed & Floating	24 July 2006
Territory Resources Limited	Fixed	9 February 2008

We comment further in respect of the charges at section 6 below.

4.2 Structure of the Group

The Company is the controlling entity of the following subsidiaries:



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4.3 Company History and Reasons for its Failure

Monarch is the ultimate holding Company in the Monarch Group. Monarch is a West Australian registered, mining and exploration Company and is currently listed on both the ASX and the Dubai International Financial Exchange. Monarch's shares are currently in voluntary suspension and have been since approximately 18 June 2008.

The Monarch Group is the largest Australian controlled tenement holder in the Kalgoorlie region of Western Australia, with a resource base of more than five million ounces, two state-of-the-art gold treatment plants and dominant ground positions in the prolific gold mining region to the north-west of Kalgoorlie.

Monarch's strategy prior to our appointment was to capture opportunities for the consolidation of gold development assets which had not in the past realised their full potential, either due to a lack of capital or limited exploration. The Company identified and purchased a large and diverse tenement package and has six current projects.

The only mine in operation for the Group at the time of our appointment was the Mt Ida Gold Project, which is an underground, high grade, narrow vein mine operation on an excluded area agreement from the lease holder, Mt Ida Gold Pty Ltd. This site is located approximately 200kms north-west of Kalgoorlie. Upon our appointment, management had originally forecast production of 44,900 ounces at an average cost of AUD\$480 per ounce for the 2008/09 year. However, following a detailed review of the operations, mine plans and budgets prepared by Company management, the Administrators placed these operations on a care and maintenance basis on 29 July 2008 after determining, in conjunction with management, there was considerable risk in continuing operations, for a potentially marginal short term return.

Upon our appointment, the project was managed by Mt Ida Gold Operations Pty Ltd (a 100% owned subsidiary of Monarch through its holdings in Siberia and Mt Ida Gold Pty Ltd), however a 70/30 joint venture agreement with Kingsday Holdings Pty Ltd ("Kingsday") had been prepared (but had not been executed prior to our appointment) which would have resulted in the ownership of Mt Ida Gold Operations Pty Ltd being reduced to 70% (and 30% owned by Kingsday). We are currently seeking legal advice with regards to the joint venture agreement.

Monarch acquired the Davyhurst Project (owned by Davyhurst Pty Ltd) in November 2005. In early 2006 Monarch expanded its position at Davyhurst through a merger with Siberia Mining Corporation. This merger resulted in the strategic consolidation of the nearby Siberia and Ida Gold Camp deposits into Monarch's existing holding (including the Bellevue and Riverina projects), 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

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located gold treatment facility and production infrastructure. However, as a result of diminishing returns and continued underperformance during the period July 2007 to May 2008, production on the Davyhurst project was suspended on 14 June 2008 and the site remains on care and maintenance.

The Mount Magnet Gold Project was also on care and maintenance at 10 July 2008. When the Administrators were appointed, Monarch had the right to acquire this project from Harmony Gold (Australia) Pty Ltd, and it was proposed this acquisition and recommencement of site operations would occur in the second half of 2009. However the contract to purchase was mutually terminated shortly following the appointment of Administrators as a result of Monarch's inability to meet the required funding and other conditions precedent. A \$2.5m refundable deposit was received by the Administrators on 6 August 2008.

The Group's Minjar Gold project is well developed and contains a centrally located gold treatment facility and production infrastructure. Production on this project has recently been suspended due to underperformance and the site is currently on care and maintenance.

During the period 1 July 2007 to 31 December 2007 the Company, whilst experiencing significant losses, continued to meet all of its commitments in a timely manner. From 1 January 2008 to 31 May 2008, the financial position of the Group deteriorated further, principally due to the under performance of the Davyhurst mine. During the above periods the Group sourced fresh equity and loan funding through a number of capital raisings and the continued funding of the Group by both India Resources Limited ("India") and Territory, including on-going funding (totaling approximately \$24.5m) from Territory to support the development of the various projects.

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A summary of the funding from Territory and India is set out below:

Date	Territory Resources (\$)	India Resources (\$)	Description
31/08/2007	-	2,000,000	Advance
31/08/2007	-	500,000	Advance
3/12/2007	-	1,000,000	Advance
21/12/2007	-	6,000,000	Advance
6/01/2008	2,000,000	-	Advance
17/01/2008	1,000,000	-	Advance
28/01/2008	2,000,000	-	Advance
31/01/2008	4,000,000	-	Advance
15/02/2008	5,000,000	-	Advance
22/02/2008	-	(1,000,000)	Repayment
4/03/2008	-	(2,000,000)	Repayment
18/03/2008	2,961,000	-	Payment for Bonds
26/03/2008	1,000,000		Advance
29/04/2008	-	(1,500,000)	Repayment
12/05/2008	-	(500,000)	Repayment
23/05/2008	2,000,000	-	Advance
27/05/2008	-	(500,000)	Repayment
30/05/2008	2,500,000	-	Advance
6/06/2008	-	(500,000)	Repayment
6/06/2008	2,000,000	-	Advance
Total	24,461,000	3,500,000	

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On or about 20 June 2008, Territory advised the Group they desired an external advisor review the Group's financial position before committing to the further \$4m in loan funding the Group was expecting at that time. On 27 June 2008 Territory subsequently appointed Receivers and Managers to the Company, purportedly to secure assets of the Company relating to the Minjar Gold project.

During the period between 26 June 2008 to 10 July 2008, the directors explored alternative sources of funding, principally a proposal ("the Proposal") from Monarch's Chairman, Mr Michael Kiernan and his family to provide an interest free loan of between \$11m and \$15m, a capital raising of a further \$25m by September 2008 and a request for forbearance by Territory and India in respect of their debts, to enable the Monarch Group to recapitalise and focus on Mt Ida for the future growth of the Group.

Lawyers for Monarch and Territory prepared a Deed of Forbearance to document the Proposal, and draft copies were circulated between the parties over several days in late June and early July. A number of additional terms were negotiated during this period. Mr Kiernan provided an advanced payment of the funding under his Proposal (\$1.75m) to the Group on 4 July 2008, in anticipation of the Proposal documentation being executed within days.

However, on Thursday 10 July 2008, Mr Kiernan withdrew his proposal after advising the Monarch board that agreement could not be reached on certain key conditions. Consequently, the board appointed Administrators on the same day, being 10 July 2008.

Further details in relation to Mr Kiernan's Proposal and the events leading up to the appointment of Administrators are set out in Annexure B to this report.

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5. ONGOING TRADING OF THE COMPANY

On our appointment as Administrators, Monarch traded from leased premises at Levels 1 and 2, 23 Ventnor Street, West Perth. As the parent company of the Monarch Group, Monarch conducted the majority of the administration and accounting functions of the Group. At the date of our appointment, Monarch employed 16 individuals to fill these functions.

Following our appointment, we were provided with cash flow budgets and plans from the management team which indicated the Group would generate cash flow surpluses from trading operations. We therefore elected to retain all employees of Monarch whilst we conducted an assessment of the budgets and operations of the Company to determine if it was viable to continue to trade with a view to seeking expressions of interest from parties wishing to either purchase assets of the Company to facilitate a restructure and recapitalisation of the Group. Following this assessment it became apparent that the share sale agreement with Harmony Gold (Australia) Pty Ltd for Mt Magnet Gold NL and Big Bell Gold Operations Pty Ltd would not be able to be completed and that it was not viable to continue with trading operations at the Mt Ida mine site. As a result, the activities required to be completed by Monarch decreased significantly and the services of a number employees were no longer required. Accordingly we terminated the services of seven employees on 31 July 2008. These terminations equate to annual salary savings of in excess of \$1m for Monarch.

We have continued to retain the services of nine employees to assist with operational issues, the preparation and finalisation of 30 June 2008 accounts, the management of tenements, the preparation of information memorandums and related documents required for the sale of the assets and/or a restructuring of the Group. The Administrators have also disclaimed the lease of the 1st floor of the leased premises occupied by Monarch in West Perth, due to the reduced requirement for floor space during the Administration period.

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6. FINANCIAL POSITION

6.1 Historical Financial Performance

We have obtained copies of the Company's consolidated financial accounts for the years ended 30 June 2006 and 30 June 2007, and the management accounts for the period ended 31 May 2008 (full year financial accounts to 30 June 2008 are being finalised by the Company and will be available in our next report), including Profit & Loss Statements and provide hereunder a summary of reported operating results for the last three years.

Monarch Gold Mining Company Limited – Parent Entity

	Year ended 30 June 2006 (\$)	Year ended 30 June 2007 (\$)	Period ended 31 May 2008 (\$)
Operating Revenue	40,000	124,000	407,988
Other Revenue	32,000	217,000	100,149
Total Revenue	72,000	341,000	508,137
Less Expenses	(18,609,000)	(26,673,306)	(8,207,570)
(Loss)/Profit from ordinary activities before income tax	(18,537,000)	(26,306,000)	(7,699,433)

Consolidated Group

	Year ended 30 June 2006 (\$)	Year ended 30 June 2007 (\$)	Period ended 31 May 2008 (\$)
Operating Revenue	60,000	161,000	28,920,227
Other Revenue	71,000	314,000	267,627
Total Revenue	131,000	475,000	29,187,854
Less Expenses	(18,748,000)	(26,824,000)	(68,493,847)
(Loss)/Profit from ordinary activities before income tax	(18,617,000)	(26,349,000)	(39,904,654)

The above table indicates significant losses were being recorded by the Group, as well as the significant deterioration in both the Company and the Group's financial position over the three year period.

Clearly, significant funding (capital raisings and loan funding) was required to support the financial position of the Group.

The Administrators are undertaking a detailed review of the expenditure of the Group to gain a greater understanding of the operating performance and the development and/or exploration activities of the various Companies within the

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Group. The Administrators will provide creditors with further information in this regard our subsequent report.

The operating performance of the Group is further discussed in section 8.3.1 of this report.

6.2 Directors' Report as to Affairs ("RATA")

Set out below is a summary of the assets and liabilities of the Company as at the date of our appointment, which has been compiled from information contained in the directors' RATA signed on 25 July 2008. It should be noted the RATA sets out the directors' estimates as to the realisable values of the Company's assets and does not reflect the Administrators' view as to their likely value on either a 'going concern' or 'auction realisable' basis. A full copy of the RATA will be available for review by creditors at the second meeting of creditors if they desire.

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Table 1 – Summary of Report as to Affairs

	Notes	Book Value (\$)	Directors' Estimated Realisable Values (\$)
Assets			
Land		-	-
Sundry Debtors	1	100,282,486	733,622
Cash at Bank and on hand	2	910,847	910,847
Stock on Hand	3	24,778	49,090
Plant and Equipment	4	383,000	200,000
Other Assets	5	297,000	-
<i>Sub Total</i>		101,898,111	1,893,559
Assets Subject to Specific Charges	6	1,160,965	664,000
Less: Amounts Owing on the Specific Charges	6	(784,523)	(784,523)
<i>Sub Total</i>		376,442	(120,523)
Total Assets		102,274,553	1,773,036
Liabilities			
Less: Priority Employee Claims	7	322,791	322,791
Less: Amounts Owing and Secured by Debentures	8	2,961,100	2,961,100
Less Territory Resources claim	8	21,500,000	21,500,000
Estimated Amount Available for Unsecured Creditors (Before costs of the Administration)		77,490,662	-
Unsecured Creditors	9	6,427,789	6,427,789
Contingent Liabilities		-	-
Total Liabilities		31,211,580	31,211,580
Net Surplus/(Deficit)		71,062,973	(29,438,544)

We have provided below further details as to the composition of the various categories of assets and liabilities. Given the limited time available to issue this report, and given the size and complexity of this administration we have not yet completed a detailed review of all of the Company's assets and liabilities.

As part of the restructure and/or sale of the Monarch Group's assets, the Administrators are proposing a DOCA (refer to Section 11 of this report) pursuant to which we will be undertaking a more detailed review of the assets

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and liabilities for incorporation into a further report to be issued to creditors. This further report will include the Administrators' estimates of the likely realisable values of assets in both a Liquidation and a DOCA scenario.

Notes:

1. Sundry Debtors

The directors' RATA details sundry debtors as having a balance of \$100,282,486 as at 10 July 2008. Debtors consist of the following:

Debtor	Notes	Amount Owing (\$)	Amount Realisable (\$)
Australian Taxation Office (GST)	a	79,584	79,584
India Resources Limited	a	52,219	52,219
Territory Resources	a	100,708	100,708
Matthew Gill	a	500,000	500,000
Alison Jones	a	1,111	1,111
Mt Ida Gold Pty Ltd	b	11,115,837	-
Mt Ida Gold Operations Pty Ltd	b	13,266,157	-
Minjar Gold Pty Ltd	b	13,939,309	-
Siberia Mining Corporation Pty	b	4,021,600	-
Davyhurst Gold Pty Ltd	b	50,595,259	-
Mount Magnet Gold Pty Ltd	b	6,076,066	-
Monarch Landholdings Pty Ltd	c	34,636	-
Ian Huitson	d	250,000	-
Keith Vuleta	d	250,000	-
Total		\$100,282,486	\$733,622

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Notes

- a. The directors are of the view that these amounts (totalling \$733,622) are fully recoverable by the Company. We are currently making our own independent assessment as to the recoverability of these amounts, including corresponding with the Australian Tax Office to obtain written confirmation of the amounts due, and establishing the Company's legal position with regards to debts owed by Matthew Gill and Alison Jones. Our preliminary view is the latter two debts are fully recoverable. We also note that both Territory and India have made significant claims against the Company and therefore, subject to determination of these claims, the amounts due by them may not be recoverable.

A further update to creditors on the Administrators' view of the estimated amount and timing of the recovery of the Company's debtors will be provided in our supplementary report to creditors.

- b. The directors are of the view that a significant amount (approximately \$99m) of the amounts owing are not recoverable, as they represent intercompany loans within the Monarch Group. Whilst the Administrators will conduct further investigations into the recoverability of these funds, we are of the preliminary view that a portion of the intercompany loans may be unrecoverable.
- c. The directors advise that Monarch Landholdings Pty Ltd, formerly a subsidiary of Monarch, was sold in January 2008. We understand this amount was to be written off and accordingly, it will not be recoverable.
- d. These items represent limited recourse loans to directors (approved by shareholders on 14 August 2007). The Administrators are currently reviewing the terms of these loans in conjunction with any employee entitlements owing as at the date of appointment and will also determine any right to set off amounts owed by the Company to these directors.

2. Cash at Bank and Cash on Hand

The directors' advise that at 10 July 2008 the Company had the following bank accounts:

a) National Australian Bank Cheque Account	\$910,647
b) Petty Cash held	<u>\$200</u>
<i>Total Cash at Bank & Cash on Hand</i>	<u>\$910,847</u>

The actual balance in the bank account upon our appointment was \$1,077,104.62. These funds were transferred into a separate bank account controlled by the Administrators and are being applied to the ongoing trading of the Company.

A contract to purchase the Mount Magnet project was mutually terminated shortly following the appointment of Administrators as a result of Monarch's inability to meet the required funding and other conditions precedent. The

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contract expressly stated that in the event of termination, the deposit should be returned to Monarch. Accordingly, a \$2.5m refundable deposit was received by the Administrators on 6 August 2008. The Administrators are investigating how the refund of the deposit to Monarch might be treated in the event of liquidation and will advise creditors further in our supplementary report.

3. Stock on Hand

The directors' RATA details stock on hand at 10 July 2008 with a value of approximately \$24,778. Stock consists of the following asset:

Gold Ingots (297 bars @5.3gms) with a net
book value of: \$24,778

Total of Stock on Hand \$24,778

The directors estimate a realisable value of \$49,090 for this asset. The Administrators consider this estimate is reasonable given current gold prices fluctuating at approximately AUSD\$31 per gram (or approximately \$966 per ounce), however we are aware there may be a considerable expense involved in extracting the gold from their current casings (the gold is enclosed in silicon casings). The Administrators are currently making enquiries in this regard and will report further to creditors on the recoverability of this asset in our subsequent report.

4. Plant and Equipment

The directors' RATA details plant and equipment as having a written down book value of approximately \$383,000 and includes office furniture and equipment located at Level 1, 23 Ventnor Avenue, West Perth, Western Australia.

The Administrators have commissioned a valuation of the Company's plant and equipment and expect a report within the next week. Therefore, we are unable to comment at this time with regards to the accuracy of the carrying value determined by the directors.

5. Other Assets

The Company has a term deposit with National Australia Bank ("NAB") in the amount of \$297,000 over which the Department of Industry and Resources holds security. The release of these funds is subject to the Company meeting a number of environmental obligations in relation to the Riverina Tenements. The Administrators are currently assessing the Company's ability to meet these obligations, however the directors are of the view the full amount of these funds will be applied to meeting the environmental obligations.

6. Assets Subject to Specific Charges

The directors have advised the leased equipment held by the Company has a written down book value of \$1,160,965 and an estimated realisable value of

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\$664,000. The leased assets have been financed through three entities, being NAB, Esanda and Westpac.

The level of debt outstanding on these lease contracts totalled approximately \$784,523 at 10 July 2008.

The Administrators intend to review the Company's lease obligations in conjunction with the valuations and will provide an update in our supplementary report to creditors.

7. Priority Employee Claims

The directors have estimated outstanding employee entitlements as at the date of our appointment total \$322,791, consisting of unpaid annual leave (\$172,980), unpaid superannuation (\$54,909) and unpaid wages (\$94,902). Pursuant to Section 556 of the Act, employees are entitled to a priority for the repayment of their entitlements over the ordinary unsecured creditors (and the secured creditors to the extent of the value from the realisation of Floating Charge assets (i.e. cash, stock and receivables)).

The above does not include a provision for termination or redundancy payments. The Administrators have calculated these amounts for employees that have been terminated since our appointment. The pre-appointment amounts payable do not include amounts owing to directors (see below) and include severance (\$85,450) and payment in lieu of notice (\$249,232). Further, these amounts do not include additional termination or redundancy payments that may become due. Employee claims will be subject to adjudication prior to any payments being issued by the Administrators.

The above figure also does not include an amount payable to the current directors of the Company. Creditors should be aware that under the provisions of the Act certain employees of a Company, including directors and relatives of directors, are considered to be "excluded employees" and are limited as to the amount they can claim as a priority payment. These priority payments are limited to \$2,000 for wages and superannuation and \$1,500 in respect of annual leave entitlements. Any claims lodged over these statutory limits are considered unsecured claims against the Company and will rank equally with the general body of unsecured creditors.

8. Amounts Owing and Secured by Debentures

Société Generale

Société Generale ("SocGen") currently holds a fixed and floating charge registered against the Company. We understand the charge was originally created by SocGen to secure a facility they had agreed to provide the Monarch Group to fund environmental performance bonds which Monarch's subsidiary (Davyhurst Gold Pty Ltd) was required to provide to the Western Australian Department of Industry and Resources (DOIR) in relation to various tenements.

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We understand that SocGen subsequently withdrew the facility, after the charge had been registered and bonds totalling \$2,961,100 had been issued to DOIR. SocGen agreed to allow the Company time to arrange a replacement issuer for the bonds provided that SocGen was provided with cash collateral on deposit by way of additional security.

As a result, we understand that Monarch sought Territory to provide the required funds (\$2.961m) to SocGen as an interim measure prior to Territory becoming the replacement issuer of the bonds or arranging a financier to become the replacement issuer. Territory paid an amount of \$2.61m to SocGen and was in the process of procuring a replacement issuer of the bonds. As a result prior to our appointment we believe Territory was seeking to have the SocGen charge assigned to it, however this had not occurred by 10 July 2008 when Administrators were appointed. Territory has lodged a proof of debt in this amount, as an unsecured creditor, in the administration of Davyhurst Gold Pty Ltd and whilst the Administrators are seeking legal advice regarding the claim.

We wrote to SocGen immediately upon our appointment and advised that we were investigating the above matter fully and requested that no further action be taken with respect to the funds they held, without consulting with the Administrators first. However, we were then advised on 26 July 2008 that SocGen had transferred the full amount of the \$2.961m to DOIR. DOIR have advised us this is highly unusual, and that in fact they initially refused acceptance of the funds. We understand that DOIR sought legal advice and subsequently accepted the funds which we understand are being held on trust until this matter is resolved. We have been advised that DOIR may seek to set off the amount against environmental liabilities attached to the Davyhurst tenements. We are seeking legal advice on this issue and will be in a position to update creditors at the forthcoming creditors meeting.

Territory Resources Limited (Territory)

As a separate matter, Territory has a fixed charge registered against the Company. Our preliminary investigations revealed two issues. Firstly, there appear to be some inconsistencies with respect to the registration of the charge which may bring its registration into question (failure to correctly register a charge may render it void against an Administrator). Secondly the charge purportedly charges the Company's interest in the Minjar Gold Project. The assets comprising the Minjar Gold Project are legally and beneficially owned by Minjar Gold Pty Limited, not the Company.

In summary, our preliminary view is that the charge, whilst technically valid, does not charge any assets of the Company. Accordingly, we have shown Territory's full debt as an unsecured claim against the Company. If it becomes necessary to do so, we will seek further legal advice on the relevant issues.

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9. Unsecured Creditors

The directors' RATA details the level of unsecured creditors of the Company as \$6,427,789 at 10 July 2008. This amount is comprised of the following:

Trade Creditors	\$884,309.13
India Resources Ltd	\$3,500,000.00
Crawley Investments Pty Ltd	\$1,750,000.00
Australian Taxation Office	<u>\$293,480.00</u>
<i>Total Unsecured Creditors</i>	<u><i>\$6,427,789.13</i></u>

As detailed in note 8 above, it would appear Territory's claim over Monarch totalling (\$24.5m) is secured by a fixed charge, fixed over no assets owned by this entity. Accordingly, the Administrators consider Territory have an unsecured claim against Monarch, significantly increasing the value of unsecured creditors in the directors' RATA (to approximately \$29.7m).

A final creditor position cannot be fully determined until formal proofs of debt have been called for and adjudicated upon. It is likely this figure will increase with the receipt of invoices and accounts from trading in June 2008.

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**7. STATUS OF ADMINISTRATORS' NEGOTIATIONS
WITH INTERESTED PARTIES**

Advertising for Expressions of Interest for the acquisition of all or part of the Company's assets, or for a recapitalisation and restructure of the Company commenced on 16 July 2008. A summary of the Administrators' timetable for advertising is set out below:

Day & Date	Publication
Wednesday 16 July 2008	The West Australian
Saturday 19 July 2008	The West Australian
Saturday 26 July 2008	The West Australian
Wednesday 30 July 2008	The West Australian
Wednesday 6 August 2008	Australian Financial Review
Wednesday 6 August 2008	The West Australian
Wednesday 13 August 2008	Australian Financial Review
Wednesday 13 August 2008	The West Australian
Wednesday 20 August 2008	Australian Financial Review
September 2008	Resource Stocks

It is our intention to continue to advertise in the current form over the coming weeks to ensure the market is fully tested.

Furthermore, we are contacting parties from our own database that we consider may have a strategic fit.

The Administrators have commenced preparation of a data room that will be available to interested parties after they have satisfied a number of criteria.

The process for marketing and any subsequent sale of assets or restructure can be summarised as follows:

- Continuation of advertising campaign; and
- Receipt of expressions of interest (more than 60 to date).

The interest to date has been diverse, from an interest in individual assets and tenements, to restructuring the Group as a whole. Each of the parties has been advised that they will shortly be issued with a letter detailing the sale process and a Confidentiality Agreement ("CA") for completion and return.

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- An Information Memorandum (“IM”) is currently being compiled. On completion, each of the interested parties will be invited to proceed to the next step, whereby they will be required to pay a fee of \$500 and will be provided with a copy of the IM. The purpose of the fee is two-fold, firstly to contribute to the costs of the advertising program; and secondly to ensure the Administrators’ time and effort is focussed on serious parties.
- Interested parties will then be asked to lodge formal Expressions of Interest detailing specific assets they are interested in (or the preliminary terms of any restructure of the Group, if applicable) and subject to Due Diligence, an indicative price range.
- After receipt of formal Expressions of Interest, the Administrators and their corporate advisors will organise to meet each party to obtain clarification on specific terms of any offers received and to gain comfort as to the ability of each party to complete their proposed transaction. We would anticipate through this process we will also be able to rank the interests.
- Based on the abovementioned ranking, a shortlist will be derived and we will organise for each party to conduct Due Diligence at the Company’s West Perth offices, where a dedicated Data Room will be set up. Interested parties will also be offered the opportunity to visit relevant mine sites. Parties wishing to conduct Due Diligence may be asked to pay a refundable deposit.
- After Due Diligence is completed we will seek formal offers.
- Finally, formal offers will then be negotiated.

During the above process we will hold discussions with major creditors for their input and comments. We will also liaise with the Committee of Creditors as required.

Subject to the major creditors’ approval, the interested parties will be assessed on the following criteria:

- Value;
- Timing of the payment of funds from the proponent;
- Our assessment of the nature of any conditions precedent to the proposal and ability of the final offeror/proponent and the Company to meet them;
- Our assessment of the prospects of the proponent to raise any funding required to complete the transaction; and
- The quality, reputation and credibility of the proponent.

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8. ADMINISTRATORS' INVESTIGATIONS

As Administrators, we are required pursuant to Section 438A of the Act to investigate the Company's business, property, affairs and financial circumstances with a view to forming an opinion as to the course of action which would be in the interests of creditors generally. The options available to creditors are detailed in section 10 of this report.

In addition, the Administrators are required to investigate and identify any offences, recoverable (i.e. voidable) actions and/or insolvent trading which may lead to a recovery of funds by a Liquidator, if appointed. A summary of the various types of investigations conducted by the Administrators to determine the recovery actions (if any) available in liquidation is set out in Annexure A.

8.1 Summary of Offences Under the Act

Section 438D of the Act requires an Administrator to lodge a report with ASIC if it appears that:

- A past or present officer, or member, of the Company may have been guilty of an offence in relation to the Company; or
- A person who has taken part in the formation, promotion, administration, management or winding up of the Company may have misapplied money or property of the company or may have been guilty of negligence, default, breach of duty or trust in relation to the Company.

On the following page we set out a table summarising the relevant offence provisions under the Act and our comments as to whether further investigations are warranted.

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Section Number	Nature of Offence	Further Investigation Warranted	Further Investigation Unwarranted
180	Failure to exercise reasonable degree of care and diligence	x	
181	Failure to act in good faith		x
182	Making improper use of position to gain advantage		x
183	Making improper use of information to gain advantage		x
184	Reckless or intentional dishonesty in failing to exercise duties in good faith		x
191	Failure of director to disclose interest in contract with company		x
286	Failure to keep proper accounting records		x
314	Failure to comply with requirements for financial statement preparation		x
438B	Failure to assist administrator, deliver books and provide information		x
588H 588M	Being a director at the time when an insolvent company incurs a debt and there are reasonable grounds for suspecting the company to be insolvent	x	
1307	Concealing, destroying, mutilating or falsifying and books and records		x
1308	Making a statement which is knowingly false or misleading in a material particular		x
1309	Making, furnishing, authorising or permitting any false or misleading statement or report to directors, auditors or members		x

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8.1.1 Directors' Statutory Duties

Our preliminary review of the possible breaches of other directors' duties prior to the commencement of the Administration focused on section 180(1) of the Act which imposes a duty upon directors to exercise a proper degree of care and diligence in the conduct of their duties as directors, and section 182(1) of the Act where an officer or employee of a corporation must not make improper use of his or her position to gain, directly or indirectly, an advantage for himself or herself or for any other person or to cause detriment to the corporation.

Where it is considered this duty has not been fulfilled, the ASIC may bring an action for a civil penalty order against the Directors. In addition, a Liquidator may also bring an action against the Directors for the amount of any loss suffered by the Company pursuant to Section 1317HA(1) of the Act.

Whilst our preliminary investigations have not revealed any examples of offences in relation to section 180 of the Act, the size of the debts in the Group warrant further investigations before our final conclusions are made.

8.1.2 Maintenance of Books and Records and other Statutory information

The Company maintained monthly management and financial accounts in a computerised accounting package (Pronto) and prepared annual audited financial accounts.

Monarch has traded on the ASX since 29 October 2002. Whilst our investigations are continuing, we are not aware of any breaches of the ASX Listing rules or the Corporations Act that required the involvement of either the ASX or ASIC during this period prior to our appointment.

Further, we have sighted and reviewed copies of "board packs" prepared for each board meeting over the last 12 months. These documents were extremely comprehensive and contained the level of detail we would expect of a listed public company in order for a board to be kept fully updated regarding the Group and in a position to make informed decisions.

Our initial investigations have not revealed any issues with respect to the Corporate Governance of the Group, however these investigations are continuing.

Our preliminary review indicates the financial accounts and statutory information are adequate for an entity of this type.

The auditors issued an unqualified independent Audit Report for the financial year ended 30 June 2006, however they noted an inherent uncertainty regarding the going concern of the Group. From our review of the 30 June 2007 independent Audit Report and the subsequent 31 December 2007 independent Auditors' Review Report it appears the auditors were satisfied the Company had

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eliminated any going concern issues, and no further issues were revealed to report to creditors.

Details of our investigations to date in respect of section 588M are outlined below.

8.2 Recoverable Actions

8.2.1 Preferences

In order for a preference payment to be recoverable by a Liquidator, the transaction must have occurred at a time when the Company was insolvent. As stated above the Act's definition of "insolvent" is determined with reference to the term "solvent" which is defined as "...when a Company is able to pay all its debts as and when they fall due". By definition therefore, a Company is insolvent when it is unable to pay all its debts as and when they fall due.

Recipients of alleged preference payments may have the opportunity to raise several defences available to them under the Act. These defences include, that they received no benefit from the transaction or that the payments were received in good faith and that at the time the person received the benefit the person had no reasonable grounds for suspecting that the Company was insolvent or would become insolvent.

In reviewing the merits of pursuing any of these potential preference payments, consideration must also be given to the costs of pursuing these potential claims. Other factors that should also be taken into consideration are:

- The creditor's knowledge of the Company's solvency or insolvency at the time of receiving the payments.
- Previous dealings between the Company and the creditor.
- The nature of the documentary evidence held amongst the Company's books and records.
- Any additional information discovered as a result of further investigations.

In order for a preference payment to be recoverable, it must be an insolvent transaction and have been made within six months of the date the Company was placed into Administration.

We have conducted a preliminary review of the relevant books and records to determine whether any unfair preferences were granted to creditors pursuant to section 588FA of the Act. A review of the Company's bank statements was undertaken in addition to an analysis of the regularity of payments made to creditors to identify potential preference payment plans.

Our preliminary investigations (covering the six month period prior to our appointment) have not identified any material payments that may constitute a voidable unfair preference. however, further investigations into possible unfair

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preferences will be completed during the period of the Holding DOCA and our findings will be reported to creditors in a subsequent report.

8.2.2 Uncommercial Transactions and Unfair Loans

Our preliminary investigations have not identified any uncommercial transactions or unfair loans, however these investigations are continuing and our findings in this regard will be reported to creditors in a subsequent report.

8.2.3 Unreasonable Director Related Transactions

We are currently investigating a loan of \$500,000 to a former director, Mr Matthew Gill. The funds were loaned on interest free terms to Mr Gill in accordance with his contract, however when Mr Gill resigned from his position in March 2008 (four months following his commencement in this position) the loan was not repaid. We are currently seeking legal advice with regards to pursuing Mr Gill for the repayment of this loan.

Our preliminary investigations have not identified any additional payments that may constitute an unreasonable director related transaction. However we will be conducting further investigations during the period of the Holding DOCA and our findings in this regard will be reported to creditors in a subsequent report.

8.3 Insolvent Trading

There are a number of key factors that should be investigated in determining whether the Company was at any time (and continued to be) insolvent. This includes a through analysis of the level of readily realisable funds available to meet immediate financial commitments at a particular time, and what actually comprises, in this case, those “readily realisable assets”.

In undertaking our preliminary review into the solvency of the Company, we have focused on the following areas:

- The working capital position at various dates;
- The ageing of creditors at various dates (after considering both trade creditors and loans from other parties, such as India and Territory);
- Correspondence with creditors, including details of any payment plans, writs and summons;
- The balance sheet position at various dates;
- The operating performance over various periods; and
- The Minutes of board meetings and the contents of the board packages to assess the information the board had available to assist them in making informed decisions.

We have also had regard to whether there is present those matters described in authorities as the “usual indicia of insolvency”, namely whether there has been:

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- A history of dishonoured cheques;
- Suppliers insisting on COD terms;
- The issue of post-dated or "rounded sum" cheques;
- Special arrangements with creditors;
- Inability to produce timely, audited accounts;
- Unpaid group tax, payroll tax, workers compensation premiums or superannuation contributions;
- Demands from bankers to reduce overdraft and other evidence of deteriorating relations with bankers;
- Receipt of letters of demand, statutory demands and court processes for debt; and
- Various other information contained in the Company's books and records.

We have provided below a summary of the various information reviewed and our preliminary comments given the time available to date within which to undertake investigations.

8.3.1 Balance Sheet and Operating Profit Analysis

The financial position of the Company based on its management accounts maintained in a computerised accounting package (Pronto) for the period 1 July 2007 to 31 May 2008 is as follows:

Month Ended	Total Assets (\$)	Total Liabilities (\$)	Net Assets (\$)	Operating Profit / (Loss) before tax (\$)
July 2007	79,099,097	3,329,999	75,769,098	(620,173)
August 2007	78,785,825	3,243,855	75,541,970	(685,148)
September 2007	78,290,565	3,086,972	75,203,593	(579,180)
October 2007	88,345,942	3,113,001	85,232,941	(626,957)
November 2007	87,674,471	3,100,968	84,573,503	(3,084,008)
December 2007	99,194,670	10,303,002	88,891,668	(3,861,707)
January 2008	107,520,471	19,461,472	88,058,999	(4,705,863)
February 2008	120,387,780	23,184,986	97,202,794	(5,266,943)
March 2008	118,601,726	22,219,961	96,381,765	(6,165,518)
April 2008	125,512,995	21,194,783	104,318,212	(7,143,068)
May 2008	128,322,848	24,679,788	103,643,060	(7,699,433)

The Company's total assets in the balance sheet include a significant amount for intercompany loans (between \$40m and \$99m during the period reviewed). Clearly, the elimination of these intercompany loans would considerably impact the Company's net asset position. The Administrators will further investigate the recoverability of the various intercompany loans at various points during the

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period leading up to our appointment to determine the Company's true net asset position.

The Company consistently reported a loss position during the period reviewed, and losses deteriorated from about January 2008. The Administrators are currently reviewing the Company's expenditure to identify exploration and/or development costs and will report further with regards to the Company's operating losses in our subsequent report to creditors.

8.3.2 Working Capital Analysis

Set out below is summary of the working capital position (current assets less current liabilities) of the Company based on its management accounts, which were maintained in a computerised accounting package (Pronto), for the period 1 July 2007 to 31 May 2008.

Month Ended	Current Assets (\$)	Current Liabilities¹ (\$)	Current Liabilities² (\$)	Working Capital¹ (\$)	Working Capital² (\$)
July 2007	10,723,576	2,496,484	2,496,484	8,227,092	8,227,092
August 2007	5,007,886	2,410,339	2,410,339	2,597,547	2,597,547
September 2007	225,550	2,313,238	2,313,238	(2,087,688)	(2,087,688)
October 2007	5,451,066	2,372,037	2,372,037	3,079,029	(3,079,029)
November 2007	583,499	2,391,105	2,391,105	(1,807,606)	(1,807,606)
December 2007	996,169	2,624,641	9,624,641	(1,628,472)	(8,628,472)
January 2008	4,947,599	2,814,852	18,814,852	2,132,747	(13,867,253)
February 2008	8,325,015	2,570,350	22,570,350	5,754,665	(14,245,335)
March 2008	521,253	2,655,565	21,655,565	(2,134,312)	(21,134,312)
April 2008	3,245,333	3,159,291	20,659,291	86,042	(17,413,958)
May 2008	2,820,705	3,171,720	24,171,720	(351,015)	(21,351,015)

A deficiency in working capital may be an indication of insolvency however, in order to obtain a greater understanding of whether the Company was insolvent, it is necessary to determine when the debts fell due, and what assets were available to meet these debts at that time.

It is important to note that whilst the loan provided by Territory is classified as "current" in the Company's balance sheet, it would appear that Territory was in regular consultation with the Company with regards to the Company's ability to meet any repayments in the short-term and that Territory did not pursue the loan as due and payable throughout the period of our review. Accordingly, we have calculated working capital during the period review both excluding the Territory loans ("Working Capital1") and including Territory loans ("Working Capital2").

1. Current Liabilities without Loans from Territory Resources

You will observe that the Company's working capital pattern is quite different in the absence of Loans from Territory. In the period reviewed, the working capital consistently fluctuated between a positive and negative position from

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September 2007. As mentioned previously, the fact that the Company had a negative working capital position does not necessarily equate to its insolvency.

From the table above, it is quite clear the Company's working capital was restored to a positive position at times during the period. The Company relied upon several sources, including GST refunds, diesel fuel rebates, capital raisings and further funding commitments from Territory. We note that the Company raised approximately \$18.9m between 26 February 2008 and 18 March 2008 from share placements and a renounceable rights issue.

2. Current Liabilities with Loans from Territory Resources

The Company's working capital deficiency when loans from Territory are included increased significantly during the period reviewed. From the analysis above, it would appear that the Company's alternative sources of funding enabled it to meet payment of its debts as and when they fell due (refer to section 8.3.3 of this report for an ageing of creditors analysis).

It is the Administrators view that the Company's expectations regarding the loan repayment terms extended by Territory from time to time leading up to the appointment of the Administrators is a key issue requiring further investigation. Accordingly, the Administrators will update creditors regarding their findings in their subsequent report to creditors.

8.3.3 Ageing of Trade Creditors and Liquid Assets

Set out on the following page is a schedule illustrating the ageing of the Company's trade creditors and the current assets as recorded in the Company's management accounts maintained in a computerised accounting package (Pronto) for the period 1 July 2007 to 10 July 2008.

When classifying liquid assets, consideration must be given to the timing associated with converting the asset to cash. In this case, the Company's cash, inventory and accounts receivable assets comprise available liquid assets.

Our preliminary review indicates that by 30 June 2008 trade creditors exceeded liquid assets by \$592,736, however at this time only 4% of trade creditors were aged 60 days or greater and trade creditors aged greater than 90 days were nil. Based on our review, the Company was experiencing difficulties maintaining a solvent financial position by the end of June 2008, however, as discussed in Annexure B, the board believed it had a reasonable expectation they would receive funding imminently during this period.

We are still reconciling the aged trade creditors records as at 10 July 2008 and will report further on the ageing of balances, as well as proofs of debts received from unsecured creditors in our subsequent report to creditors.

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Comparison of Aged Trade Creditors and Liquid Assets

Month Ended	Current (\$)	30 Days (\$)	60 Days (\$)	90+ Days (\$)	Total Trade Creditors (\$)	Cash at Bank (\$)	Other Current Assets (\$)	Total Liquid Assets (\$)	Surplus / (Deficiency) (\$)
Jul-07	167,050	118,348	(641)	-	284,757	10,427,060	296,516	10,723,576	10,438,819
Aug-07	148,567	220,552	(368)	(1,981)	366,771	4,828,581	179,305	5,007,886	4,641,115
Sep-07	169,246	3,007	-	-	172,253	49,448	176,102	225,550	53,298
Oct-07	191,392	90,782	(3,023)	9,257	288,408	5,233,866	217,200	5,451,066	5,162,658
Nov-07	182,029	12,347	1,337	-	195,713	326,402	257,097	583,499	387,786
Dec-07	155,422	151,819	(631)	-	306,610	789,537	206,632	996,169	689,559
Jan-08	198,229	259,138	6,991	13,590	477,948	4,656,700	290,899	4,947,599	4,469,651
Feb-08	160,929	84,936	-	-	245,865	8,057,775	267,240	8,325,015	8,079,150
Mar-08	96,309	26,595	-	-	122,904	177,745	343,508	521,253	398,349
Apr-08	117,024	16,328	-	-	133,352	3,026,380	218,953	3,245,333	3,111,981
May-08	117,263	-	-	27,559	144,821	2,618,736	201,969	2,820,705	2,675,884
Jun-08	268,542	138,097	17,045	-	423,684	(84,526)	(84,526)	(169,052)	(592,736)

The contents of this table are discussed on the previous page.

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8.3.4 *Solicitor and Debt Collector Demands, Writs and Summons Issued and Other Outstanding Legal Matters*

Our preliminary investigations have identified the Company entered into a payment plan with RUC Mining Contractors (“RUC”) on 26 June 2008. A creditor generally requests a payment plan when the debtor has experienced difficulty in recovering a debt well beyond its normal trading terms. In this case RUC detailed a payment plan in respect of a May 2008 invoice (totalling \$1,281,123.58) and expected future invoices, stating they had specific concerns regarding the solvency of Monarch, and consequently Mt Ida. We have not identified any writs or summonses specifically lodged in respect of the Company.

We have found no further evidence of any formal demands from creditors, however we intend to investigate further and provide any additional details in our subsequent report to creditors.

8.3.5 *Defences*

It should be noted that subject to any valid defences that are available to the directors, the maximum amount recoverable from the directors pursuant to Section 588M of the Act would be limited to the total credit incurred after the date of insolvency and still outstanding to creditors.

It can be difficult for a Liquidator to pursue directors for insolvent trading in the event of liquidation due to the defences that may be raised by a director, as outlined in Annexure A.

It has been determined that the onus of proof with respect to the defences lies strictly with a director on the balance of probabilities and that the grounds on which the director forms the view on the Company’s solvency or otherwise must be reasonable. Furthermore, a director is not entitled to hide behind ignorance of the Company’s affairs which is of his/her own making, or if not entirely of their own making, has been contributed to by their own failure to make further necessary enquiries.

We expect the directors may argue that at all times they had a reasonable expectation funding was about to become available, initially from Territory until 25 June 2008, and then in the following weeks in the lead up to the appointment of Administrators they had a reasonable expectation that Mr Kiernan and his family would provide the Group with funding that would restore the Group’s financial position.

The Courts will generally allow directors a reasonable timeframe to consider and pursue options that may reasonably return the Company to solvency. It will be necessary to conduct further investigations before the Administrators form their final opinion with regards to the solvency of the Group. Accordingly, the Administrators will be focussing our further investigations in relation to the following:

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- Expectations regarding the timing of loan repayments to Territory and India;
- The reasonableness of budgets and mine plans being relied upon by the directors. We note that it may be necessary to commission the services of an expert in this regard;
- The future financial position of the Group had funding expectations been achieved (based on expert advice regarding the mine plans and budgets) and the probability of the Group achieving viable operations in the longer term.

We will provide creditors with our final opinion regarding the solvency of the Company in our subsequent report to creditors.

8.4 Other Investigations

8.4.1 Holding Company Liability

Pursuant to Section 588V of the Act, a holding company also has a duty to prevent its subsidiary from incurring a debt when its subsidiary is insolvent or when there are reasonable grounds to suspect that its subsidiary is or would become insolvent as a result of incurring the debt.

A holding company would fail to fulfill that duty if the holding company was aware there were grounds for suspecting its subsidiary was or would become insolvent as a result of incurring the debt or a reasonable person in a like position would be aware of such grounds. If a holding company contravenes Section 588V of the Act, then an application for a civil penalty order against the holding company may be made to the Court to obtain compensation for the loss incurred by the subsidiary company equal to the value of the debts incurred subsequent to the date of insolvency.

Section 588X of the Act specifies the following defences which may be raised by a holding company and its directors:

1. The holding company and each relevant director had reasonable grounds to expect and did expect that the subsidiary was solvent and would remain so.
2. The holding company and each relevant director had reasonable grounds to believe and did believe that a competent and reliable person was providing adequate information to the holding company and based on that information the holding company expected its subsidiary to be solvent and to remain so.
3. A director of the holding company did not take part in the management of the holding company at the time when the subsidiary incurred the debt due to illness or other good reason.
4. The holding company took all reasonable steps to prevent its subsidiary from incurring the debt.

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The Company has eleven subsidiaries. Our investigations indicate that upon our appointment, the following five of these subsidiaries were trading and incurring liabilities in their own capacity:

- Davyhurst Gold Pty Ltd
- Mt Ida Gold Operations Pty Ltd
- Mount Magnet Gold Pty Ltd
- Minjar Gold Pty Ltd; and
- Siberia Mining Corporation Pty Ltd.

Accordingly the above provisions of the Act could apply.

These Companies were reliant on Monarch as their primary source of financial support as the various mining projects were largely in a development and/or exploration phase. Accordingly, our investigations regarding the solvency of these Companies are continuing and we will report our findings in our subsequent report to creditors.

8.5 Summary of Investigations by the Administrators as to the Solvency of the Group, and Continuing Investigations

To assist us to review the large volume of information relating to this issue we have divided our analysis into a number of key periods:

- 1 July 2007 to 31 December 2007;
- 1 January 2008 to 31 May 2008; and
- 1 June to 10 July 2008 (the latter date being the date Administrators were appointed).

Our investigations to date reveal that during the first six month period the Davyhurst mine experienced significantly higher production costs than forecast, and corresponding trading losses. The Group, however continued to meet its creditor payments within terms. We intend conducting further investigations to confirm this conclusion, however it appears that significant capital raisings during this period (including \$11m raised in October 2007) may have assisted the Group to operate with a positive cash flow despite the Group's \$12.79m operating loss for the 3 months ended 30 September 2007.

During the period 1 January 2008 to 31 May 2008 the financial position of the Company and the Group deteriorated further, principally due to the under performance of the Davyhurst mine, which resulted in operations being suspended on 14 June 2008.

It appears it was only due to the provision of additional loan funds by Territory (\$19.5m), that the Group was able to continue to meet its immediate commitments. The Group appears to have been under some financial stress at this time, and there is evidence in the Group's books and records that management and the board were mindful of the Group's solvency position. It

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appears one of the considerations taken into account by the directors of the Group of Companies at this time was the availability of funds from external third party sources to permit them to continue to meet financial obligations, and we are assessing if this was a permissible matter to take into account when considering the various Group entities' solvency. These investigations are necessarily complex and we expect them to take some time before we can make decisive conclusions.

We will be focussing on a number of matters including:

- The ageing of creditors at various dates during this period;
- The financial position at various dates; and
- The timing of receipt of funds, in particular loan funds and the expectations of various parties (the Company and the loan providers) in respect of the timing of receipt and subsequent repayment of these funds.

In addition, we are examining the period from 1 June 2008 to 10 July 2008. During this period (on or about 20 June 2008) Territory management advised Monarch management they wanted an external advisor to review the Group's financial position before committing further funding of \$4m the Group was seeking from Territory.

At Annexure B we provide a more detailed analysis of preliminary investigations undertaken by us in relation to the solvency of the Monarch Group.

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**9. SUMMARY OF ACTIONS DURING THE
ADMINISTRATION**

We have outlined below some of the matters which have been attended to during the period in which the Company has been under the control of Administrators:

- Attended to statutory requirements of the appointment, including lodgements with the ASIC and notifications to various parties;
- Prepared and sent circulars to creditors regarding the current status of the Company and future direction;
- Secured assets, met with employees, implemented detailed procedures for the control of day to day trading and incurring expenditure for the care and preservation of assets;
- Convened and conducted the first meeting of creditors, including notifications and advertisements;
- Drafted this report to creditors including conducting investigations into the Company's affairs and potential recovery actions; and

Various other matters, as summarised in the remuneration report annexed to this report.

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**10. OPTIONS AVAILABLE TO CREDITORS FOR THE
FUTURE OF THE COMPANY**

Creditors may vote at the second meeting of creditors for one of the following three options:

- Vote to end the administration; or
- Vote to enter into a Deed of Company Arrangement with the Company; or
- Vote to wind up the Company.

Comments on each of these alternatives are provided below.

Alternatively, creditors may choose to adjourn the second meeting for a period of up to 45 business days.

10.1 The Administration ends

Should creditors resolve that the Administration end, the Company will be placed back into the hands of the existing Directors and the appointment of the Administrators will be terminated. Given that the Company is now insolvent, creditors of the Company may then have to petition the Court to have the Company wound up at their own expense.

10.2 The Company executes a Deed of Company Arrangement

As detailed above, we intend on conducting further investigations into the Company's business, property and affairs. In addition, expressions of interest are being sought for the sale of the Company's assets and/or the restructuring of the Group. Accordingly, we intend to propose a DOCA so as to allow the Administrators time to conclude their investigations into the Company's affairs and conclude their dealings in relation to the sale of the Company's assets and/or a restructure of the Company's share capital with a view to re-listing the Company on the ASX for the benefit of creditors and members.

Creditors should also be aware that there is significant benefit in retaining the Company's ASX listing (which cannot occur in a liquidation scenario.) Our Firm has achieved returns of significantly greater than \$1m for the restructuring of listed public companies. These funds would not be available in a liquidation scenario.

Under the proposed DOCA, the aim is to provide the Administrators time to accommodate the above so as to ensure that the return to creditors of the Company is maximised and the objectives of Section 435A of the Act are met. If our subsequent investigations determine the return to creditors is maximised by the Liquidation of the Company, we will immediately convene a meeting of creditors to terminate the DOCA and liquidate the Company.

To this end, it is our intention to issue a report to creditors as soon as practical after the completion of our further investigations and upon the conclusion of

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negotiations with interested parties for the sale of the Company's assets and/or the restructuring of the Company. We will endeavour to issue this report prior to 30 November 2008 (see expected timeframes for dealing with interested parties at section 7 above).

The main terms of the proposed DOCA are:

1. The assets of the Company will remain under the control of the Administrators, who will then be known as the Deed Administrators. The powers of the directors and other officers of the Company will continue to be suspended during this period;
2. The Deed Administrators will continue to have power to act on behalf of the Company to, amongst other things, operate the various businesses and assets owned by the Company; execute agreements; issue shares; lend or borrow funds; sell assets; remove directors; compromise claims, and commence or defend litigation brought on behalf of or against the Company;
3. Creditors' ability to seek to recover the Companies' indebtedness to it will remain suspended;
4. The Deed Administrators will continue to act in the best interest of creditors and investigate the affairs of the Company, to assess and determine which course of action will produce the best return to creditors as a whole;
5. The Deed Administrators will assess creditor claims which arose prior to 10 July 2008 (including claims by creditors who claim to hold security, and the claim(s) of entities which comprise the Monarch Group), and determine the Companies' liability for, and quantum of each claim;
6. The DOCA will continue to operate until a further meeting of creditors is convened later this year, when the Administrators have finalised their investigations;
7. The remuneration of the Administrators will continue to be calculated in accordance with the Pitcher Partner (WA) scale of fees, plus disbursements, GST and, where applicable, interest;
8. The Deed Administrators will prepare and provide to creditors a further report which will set out the results of their investigations, and recommend to creditors a course of action they think is in creditors' best interests; and
9. Upon finalisation of the report referred to in the preceding paragraph, the Deed Administrators will convene a further meeting of creditors, at which creditors will be asked to vote on what they wish the Deed Administrators to do.

As the purpose of the proposed DOCA is to provide the Administrators additional time in which to investigate the Company's affairs, there will be no dividend paid to creditors unless creditors vote to amend to proposed DOCA, or

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until after the meeting of creditors the Administrators propose to convene late this year, when they have finished their investigations.

The proposed DOCA will also not affect the entitlement of secured creditors or lessors to realise or deal with their property, or prevent claims being made against third parties such as directors of the Company.

In our opinion, this proposal currently provides a better alternative to creditors than the immediate liquidation of the Company. It **does not** exclude the possibility of winding up the Company whilst allowing the Administrators to conclude the negotiations for the sale of the Company's assets and/or a restructuring of the Company for the benefit of both the secured and unsecured creditors of the Company.

If the terms of the DOCA detailed above are acceptable to the majority of creditors present at the second creditors' meeting, then a formal DOCA document will be executed by the Company in due course but no later than 15 business days after the creditors' meeting.

We note that should the above DOCA proposal not be acceptable to creditors, but creditors still favour the review of possible restructuring opportunities, then they may resolve to adjourn the second creditors meeting for up to 45 business days to consider alternatives. This of course will require creditors to attend a further meeting within the 45 business day period to pass a resolution on the Company's future.

10.3 The Company is placed into Liquidation

Should creditors resolve at the second meeting of creditors that the administration be terminated and the Company be wound up, the Company will be placed into liquidation and the Administrators will become the Liquidators.

The Liquidator will conclude a sale of the Company's assets, complete investigations into the Company's past affairs, the conduct of the Directors and the potential for recoveries under the voidable transaction provisions of the Act.

A restructuring of the listed entity is not available in liquidation.

The Administrators will provide creditors with a detailed summary of the estimated realisable values of assets and liabilities in both a DOCA (if a proposal is received) and liquidation scenario in their subsequent report to creditors. At this preliminary stage, due to continuing investigations and in the absence of sufficient time to conclude negotiations with interested parties, we are unable to provide creditors with a meaningful summary of expected returns.

Therefore, we have not included the table of comparisons required by the IPA Guidelines as it is unfortunate the guidelines do not contemplate the use of a Holding DOCA in order to gather the information necessary to give the table meaning. We will include a table of comparisons in compliance with the guidelines in our next report.

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**11. ADMINISTRATORS' OPINION ON THE OPTIONS
AVAILABLE TO CREDITORS**

Pursuant to Section 439A(4)(b) of the Act, we have provided below our opinion on each of the options available to creditors.

**11.1 Whether it is in the Creditors' interests for the
Administration to end**

It is our opinion that it is not in the interests of creditors that the Administration end, as the Company is insolvent and in the absence of outstanding debts being satisfied, unsecured creditors of the Company may continue to pursue the Company for these debts.

**11.2 Whether it is in the Creditors' interests for the Company
to execute a Deed of Company Arrangement**

It is the Administrators' opinion from the information available, that it is in the creditors' interests that the Company enter into a DOCA substantially in accordance with the terms as outlined in section 10.2 of this report.

The reasons for this conclusion are as follows:

- There is the potential for unsecured creditors to receive a better dividend under a DOCA than may be the case in the immediate liquidation of the Company.
- The DOCA allows the Administrators to pursue the possibility of the restructuring of the Company and/or realising further value for the benefit of the creditors and shareholders of the Company. Restructuring of the Company or Group may allow additional consideration to be achieved together with adding flexibility on how to achieve value that is not achievable in a standard sale format.

Should creditors decide at the second meeting of creditors to resolve that a Company enter into a DOCA, then within 15 business days of the meeting, the DOCA must be executed by the Company. Following the execution, the DOCA will be enforced and all claims against the Company that arose prior to the commencement of the Administration will be dealt with according to its terms. Further, where creditors decide that the Company should enter into a DOCA, then creditors (including secured creditors to the extent that they have voted upon or executed the DOCA) are not entitled to act in a manner that is inconsistent with its terms.

**11.3 Whether it is in Creditors' interests for the Company to
be wound up**

It is the Administrators' opinion that it is not currently in the interests of creditors that the Company be wound up. The objectives of the Administration are best served by the proposed DOCA and we believe greater value may be

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achieved by all stakeholders through the DOCA. Accordingly, it is for this reason that the proposed DOCA has been recommended.

The Administrators are currently formulating a liquidation scenario for creditors to consider and compare in relation to any DOCA proposed in our supplementary report to creditors. At that time, the Administrators will be in a position to provide creditors with more meaningful information with regards to the recoverability of assets in a liquidation scenario, enabling creditors to make an informed decision regarding the future of the Company.

We look forward to discussing the contents of this report with you at the forthcoming meeting.

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12. ADMINISTRATORS' REMUNERATION

As referred to in our circular to creditors and suppliers dated 11 July 2008, the Administrators' fees will be calculated on a time basis, applying our standard hourly rates.

12.1 Remuneration incurred to date

The fees incurred by me as Administrator and my staff in respect of the Administration to 7 August 2008 were \$181,906.07 excluding GST and disbursements. These costs have been calculated by reference to the following standard scale of fees:

Classification	Standard Rate
Director	\$490
Associate Director	\$450
Senior Manager	\$395
Manager	\$360
Assistant Manager	\$260
Senior 2	\$230
Senior 1	\$195
A2	\$185
Graduate	\$145
Paraprofessional	\$110
Secretary/WPO	\$95

At the forthcoming meeting of creditors we will be seeking approval of this remuneration.

In compliance with the Insolvency Practitioners Association of Australia Code of Professional Practice and the requirements of the Corporations Act 2001, we set out at Annexure C our remuneration report in respect of the Administration to 7 August 2008.

12.2 Future Remuneration

When creditors meet on 25 August 2008 we will ask for approval to be paid remuneration for services rendered from 8 August 2008 through to the end of the deed administration or liquidation as the case may be, as follows:

If a DOCA is approved, then we will seek remuneration for the administration and *deed administration* not to exceed \$606,993, plus GST and disbursements; **or alternatively** if creditors resolve to wind up the Company, we will seek remuneration for the administration and *liquidation*, not to exceed \$1,043,256.

In each alternative, the period of remuneration will commence from 8 August 2008 through to the end of the deed administration or liquidation as the case may be. The Holding DOCA amount equates to approximately \$121,000 per month of the proposed Holding DOCA if it continues to 31 December 2008. These fees may be reduced significantly if the Holding DOCA exists for a

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shorter period of time. The liquidation amount equates to approximately \$41,000 per month of the proposed liquidation if it continues for a period of two years, which is highly likely in an administration of this size and complexity.

A summary of the expected major tasks and costs relating to the professional services under both deed administration and liquidation for the period is set out at Annexure C. You will note that the approval sought under each available outcome does not vary in amount however it does vary the remuneration incurred in respect of the category of work.

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13. CONCLUSION

We look forward to discussing the content of this report with you at the second meeting of creditors on Monday, 25 August 2008 at 9.30am WST.

In the meantime should you have any queries in relation to the contents of this report please contact either Mr Sam Gliddon or Mr Steve Wood of this office.

Dated this 15th day of August 2008



CHRISTOPHER MUNDAY
Joint and Several Administrator

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading



Offences

A summary of offences that may be identified by the administrator:

180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Voidable Transactions

Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under either the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and,
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation. However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.



The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Unfair Loan

A loan is unfair if and only if the interest was extortionate when the loan was made or has since become extortionate. There is no time limit on unfair loans – they only have to have been entered into any time on or before the day when the winding up began.

Arrangements to avoid employee entitlements

If an employee suffers loss because a person (including a director) enters into an arrangement or transaction to avoid the payment of employee entitlements, the liquidator or the employee may seek to recover compensation from that person. It will only be necessary to satisfy the court that there was a breach on the balance of probabilities. There is no time limit on when the transaction occurred.

Unreasonable payments to directors

Liquidators have the power to reclaim "unreasonable payments" made to directors by companies prior to liquidation. The provision relates to transactions made to, on behalf of, or for the benefit of, a director or close associate of a director. To fall within the scope of the section, the transaction must have been unreasonable, and have been entered into during the 4 years leading up to a company's liquidation, regardless of its solvency at the time the transaction occurred.

Voidable charges

Certain charges are voidable by a liquidator:

- Floating charge created with six months of the liquidation unless it secures a subsequent advance;
- Unregistered charges; and
- Charges in favour of related parties who attempt to enforce the charge within 6 months of its creation.

Insolvent Trading

In the following circumstances, directors may be personally liable for insolvent trading by the company:

- a person is a director at the time a company incurs a debt;
- the company is insolvent at the time of incurring the debt or becomes insolvent because of incurring the debt;
- at the time the debt was incurred, there were reasonable grounds to suspect that the company was insolvent;
- the director was aware such grounds for suspicion existed; and
- a reasonable person in a like position would have been so aware.

The law provides that the liquidator, and in certain circumstances the creditor who suffered the loss, may recover from the director, an amount equal to the loss or damage suffered. Similar provisions exist to pursue holding companies for debts incurred by their subsidiaries.

A defence is available under the law where the director can establish:

- there were reasonable grounds to expect that the company was solvent and they actually did so expect;
- they did not take part in management for illness or some other good reason; or,
- they took all reasonable steps to prevent the company incurring the debt.

The proceeds of any recovery for insolvent trading by a liquidator are available for distribution to the unsecured creditors before the secured creditors.

Important note: This information sheet contains a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. This document may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances.

Annexure B

Summary of Detailed Solvency Investigations Conducted to Date

Financial Accommodation

In assessing solvency, the Administrators must consider the funds the Monarch Companies had available to them both from internal sources within the Group of Companies and also, as a matter of commercial reality, monies obtained from unsecured or secured borrowing. Accordingly, we have had regard to the funding provided by Territory to Monarch over the December 2007 - June 2008 period when considering the ability of the Companies to meet debts as and when these fell due for payment.

The Courts have found that we should take into account *"the immediate availability of funds from unsecured loans made by directors or other related parties in assessing solvency, provided that the loan terms are such as to exclude the loan liability from consideration as part of the company's debts due or near due"*. We also need to consider whether Territory expected to be repaid these loans according to the terms of its loan arrangements or whether it expected these loans to be repaid once capital expenditures, upon which the loans appear to us to have been advanced, had realised appropriate cashflows from mining operations.

From our review of emails, correspondence between the Monarch Companies and Territory, as well as our discussions with Monarch and Territory officers, it seems to us that all parties committed to the funding needs of Monarch on the basis these funds would be directed to meeting operational shortfalls and capital needs until the Monarch Companies were cashflow positive.

It seems to us that each of these decisions, or common understanding or common inaction, were based upon the assumptions that the mine plans and forecasts were reasonable and that so long as these were reasonable, existing loans would not fall due and in effect would continue to rollover. However, we also believe it likely that at some point in time, the boards of those two Companies would have realised the decision to continue rollover of loans would depend upon Territory forming a view as to the reasonableness of those mine reports and forecasts. That requires an assessment to be undertaken of when (or if) those projections were reasonably based, and continued to be reasonably based on fact and/or demonstrable assumption.

This assessment could involve the engagement of experts to assess the reasonableness of the mine plans and attendant cashflow forecasts and to assess, with input from Territory whether, if it had known the true state of affairs (that is, based on whether or not these mine plans and forecasts were reasonably prepared), it would have continued funding and rolling over existing funding commitments or would have ceased to do so at some point in time prior to June 2008.

On the basis of the information we presently have to hand, we can only say that Territory showed a willingness to advance, and up until or about 20 June 2008, showed a continued willingness to advance unsecured funds on deferred repayment arrangements, if not as a matter of legal obligation, then as a matter of commercial reality.

At this stage of our investigations then, it appears to us that Monarch had the continued support of Territory until at least late June 2008 and would continue to have that support until Territory gave reasonable notice of a change in position. According to cashflow forecasts, Minjar was to settle on 30 June (\$5,000,000), Mt Ida had produced gold bearing ore and other funds were available to satisfy a portion of the Territory debt at that time.

We are supported in our conclusions by the fact the Monarch Groups' directors continued to closely review solvency in board minutes from at least February 2008, continued to receive and speak of the support of Territory during 2008 (up until 20 June 2008, at which time the other events described below occurred) and continued to engage in expansion plans for Mt Ida Gold and Mount Magnet (and sought to realise some assets by sale of the Minjar tenements). That is, solvency was a matter very much on the minds of the boards of the Monarch Companies. Their subjective views do not, of course, show, objectively, whether or not the Companies were solvent, but do lend support for the view that Territory had not said or done anything before 20 June 2008 to suggest repayment dates for the loans were "imminent" or would be enforced within any immediate timeframe. This supports our view that as a matter of commercial reality, if not legal reality, and on the assumption the mine plans were reasonably based, Territory remained willing and able to fund continuing capital and operational needs of Monarch up until or about 20 June 2008.

We are further supported in these conclusions by the absence of many of the "usual indicia" of insolvency, no doubt because Monarch were using Territory funding to enable the continued repayment of its other creditors. In a liquidation, the Liquidators would need to undertake further investigations to determine whether there is any basis for attacking the mine plans, and the assumptions upon which these were founded, to determine solvency. The Liquidators would then need to consider whether the directors were entitled to rely upon these assumptions or to otherwise raise a defence to a claim for insolvent trading.

Key Time Periods

We have summarised our initial investigations in respect of the Group's solvency into a number of separate periods as detailed below. We are continuing with these investigations and may further report on our findings in our next report to creditors.

1 July 2007 to 31 December 2007

Our investigations to date reveal that during this six month period Davyhurst experienced significantly higher production costs than forecast and corresponding trading losses. However it appears the Group continued to meet its creditor payments within their terms. We intend conducting further investigations to confirm this however it appears the significant capital raisings during this period (including \$11m raised in October 2007) enabled the Group to operate with a positive cash flow despite the Group's \$12.79m operating loss for the 3 months ended 30 September 2007.

From our review of the board minutes (and accompanying board packages) during this period the board was increasingly focussed on the solvency of the Group, with additional summary financial information being added to the monthly board packages over time. By December 2007 for example, the Board were specifically reviewing the

level of cash reserves on hand (as at the date of the monthly board meeting), creditors at that date and the sources of funds (other than cash immediately available) that would become available within the following month to meet all outstanding current liabilities in full (including wages and salaries).

In summary, we intend conducting some further investigations with respect to the solvency of the Group within this period focussing on the reasonableness of budgets prepared, including mine plans. This may include engaging external mining experts to also review such information and provide independent feedback.

1 January 2008 to 25 June 2008

Our review of the board meeting minutes reveals that during this period the production difficulties being experienced at the Davyhurst mine clearly became of increasing concern to the board. A revised mine plan and gold production forecast were examined in detail at the February 2008 board meeting, as it was clear future cash flow budgets relied on the aforementioned forecasts being accurate and additional capital raisings occurring (February and March 2008). Revised cash flow, profit and loss and balance sheet forecasts for the 12 months ended 31 December 2008 were also tabled at the board meeting and discussed in detail. The board minutes reveal the board still held the view that the revised mine plan and corresponding forecast showed Davyhurst remained viable.

The March board minutes record that management had advised the board it was still comfortable the production figures were realisable and achievable. Further, even at 14 March 2008, 75% of outstanding creditors claims (other than the loans from India and Territory) were "current" and 98% were either current or 30 days. The Group's cash flow forecast at this time indicated the Group would maintain a minimum of approximately \$3.4m in cash each month through to 31 December 2008. Finally, we note that during this period the board referred to a rolling 10 week cash flow forecast rather than the previous 12 month forecast, to provide increased focus on the Group's ongoing cash position.

1 April 2008 to 31 May 2008

The cash flow forecast contained within the board minutes of 23 May 2008 reveal that cash on hand was forecast to decrease over coming weeks (to as little as \$367,000 at w/e 16 May 08), however that all creditor payments could still be met as long as future funding sources were realised. These sources included the receipt of \$1m as a cash deposit on the sale of the Group's Minjar assets (with the balance of \$4m due in early July 2008) plus further funding of approximately \$4.5m due from Territory Resources.

The minutes of the board meeting of 29 April 2008 reveal the board continued to have serious concerns gold production at Davyhurst was not going to be sufficient to meet production costs. Management forecast that a minimum of 7,500 oz of gold needed to be produced each month in order to meet all costs of production. The minutes reveal that the board spent some considerable time reviewing again all production expectations for the month of May 2008 and the forecast grade (ore) and tonnes needed to be mined to produce the required ounces to cover expenses. The Minutes reveal the board seriously considered whether a decision needed to be made to cease operations, with the decision eventually being made to send the managing director to

site to review and assess whether this was the appropriate action. The decision to suspend operations was ultimately made (and announced to the market) on 14 June 2008.

We intend conducting further investigations in respect of this period, focussing on whether at all times the Group maintained sufficient cash on hand and had a reasonable expectation of further funds being received during the immediate future to meet its immediate liabilities during this period. This is a complex area of investigation – determining what “a reasonable expectation” should have been, at a particular time, based on information known at that time. Our intention is to conduct further detailed analysis of the financial position of the Company at various times and the actions of management during this period in determining our findings in respect of the aforementioned issue.

We will provide further comments and our findings in this regard in our next report.

1 June 2008 to 10 July 2008

We have spent considerable time reviewing whether the Company became insolvent at any time during this period and we consider it warrants more detailed analysis. We have summarised below in significant detail the events as we understand them over this period. Our intention over the forthcoming months is to now critically analyse the financial position of the Group at all times over this period, including analysing all new debt incurred, in order to determine whether the Company was insolvent at any time in this period.

As detailed above, the Group suspended operations of the Davyhurst mine on 14 June 2008. This led to an immediate review of future funding requirements and the revision of the Group’s cash flow forecast. At that time, Territory Resources were expected to provide further funds up to \$4m within the following few weeks in this regard, however we have been advised that on or about Friday 20 June 2008 Monarch management were advised by Territory management that the \$4m loan funding would not be made available until after some limited due diligence had been conducted by an advisor selected by Territory. We understand from our discussion with Monarch management that they understood this to be a very brief exercise designed to give additional comfort to the Territory board, prior to the funds being advanced.

Wednesday 25 June 2008

Monarch management commenced the preparation of a file of financial information including updated cash flows, a Resource / Reserve Statement in respect of Davyhurst, the Mt Ida Resource / Reserve Statement, the Mt Ida budget and a mining reconciliation against resource model to provide to Territory’s advisors in order for them to complete their engagement as quickly as possible. Additional information was sought over the period of the next two days including creditors’ lists for each company, current wages details and information regarding any cross-guarantees within the Group (none existed). Pitcher Partners were called to assist Monarch with the provision of information to Territory and their advisors.

Thursday 26 June 2008

Whilst Monarch commenced the provision of the information, Monarch Chairman, Mr Michael Kiernan, presented Territory with a proposal (“the Proposal”) to see

Monarch proceed forward with significant additional funding. The Proposal initially encompassed the provision by Mr Kiernan and his family of funding totalling up to \$11m over the next few months, with a request for Territory to immediately remit the \$4m loan funds previously expected by Monarch. A capital raising was also proposed for September 2008, which Mr Kiernan reportedly already had undertakings from sophisticated investors for \$15m. Finally, a moratorium was requested in respect of all Territory debts to enable the Group to proceed forward in the strongest position, as quickly as possible.

Friday 27 June 2008

On Friday 27 June 2008, having received their advisors report, Territory appointed Receivers and Managers to Monarch in order to (purportedly) secure the Minjar assets (refer section 6.3, note 8 above).

Territory considered the Kiernan Proposal but initially rejected it, however after discussion between the two parties on this day the Proposal was amended by Mr Kiernan and a revised Proposal was presented that included a further \$4m in funding from Mr Kiernan (effectively to replace the previous request for Territory to immediately provide a \$4m loan).

Saturday 28 June 2008 and Sunday 29 June 2008

Over the weekend Monarch's lawyers, Pullinger Readhead Lucas, drafted a Term Sheet and prepared a Draft Deed of Forbearance encompassing the key terms of the Proposal, for Territory's lawyers, McKenzie Moncrieff, and the Receivers to consider. Each company's lawyers reviewed the aforementioned documents over the weekend and we understand that on this basis the Monarch board scheduled to meet on Monday 30 June 2008 (prior to a proposed 11am board meeting) to execute the final version of a Deed of Forbearance – assuming all terms could be agreed to by end of Sunday evening.

Monday 30 June 2008

It appears that on 30 June 2008 the Monarch board met, and discussed a number of key issues raised by McKenzie Moncrieff over the weekend (i.e. key conditions to be added to the Proposal). The board resolved to adjourn the meeting for two hours to initiate discussion with Territory in respect of the conditions to seek comfort the Proposal had every chance of success. As a result of further detailed discussion between the parties, the Territory and Monarch boards agreed that neither would appoint Administrators over Monarch until at least after the Territory board meeting, scheduled for 1 July 2008, which was being convened to consider the terms of the Deed and specifically releases requested (in the Proposal) in respect of the Kiernan family.

Tuesday 1 July 2008

We understand on or about 1 July 2008 the key terms of the Proposal were effectively agreed between the parties and it was left to McKenzie Moncrieff and Pullinger Readhead Lucas to then finalise the various documents for execution.

Wednesday 2 July 2008 and Thursday 3 July 2008

Further written correspondence then appears to have taken place between McKenzie Moncrieff and Pullinger Readhead Lucas regarding the Draft Deed of Forbearance. A

number of different Draft versions of the proposed Deed of Forbearance were circulated between the parties and a Deed was also drafted in respect of India Resources Limited's debt (owed by Monarch). A number of legal issues were raised in the drafting of the documents which the solicitors endeavoured to resolve.

Friday 4 July 2008

On this date Mr Kiernan provided funding of \$1.75m to the Monarch Group as an advanced payment under his Proposal with the promise of up to a further \$1.75m within seven days if the Proposal proceeded. The Company's records reveal that the Monarch board members were advised in writing by the Chairman's personal assistant on this date that a board meeting was likely to be Monday (not that day, Friday, as previously planned)... "allowing time to finalise the Deed with Territory".

Further, our review of the Company records reveals that a Draft ASX announcement was prepared and circulated that afternoon regarding the future of Monarch and the fact that an agreement had been reached, whereby a Proposal had been agreed which would see Mr Kiernan and his family inject an interest free loan of \$15M to the Group; with a capital raising also to be conducted, raising \$25M.

Saturday 5 July and Sunday 6 July 2008

We understand that over the weekend further correspondence took place between McKenzie Moncrieff and Pullinger Readhead Lucas regarding the drafting of the key terms contained in the proposed Deed.

Monday 7 July 2008

The board of Monarch released an ASX announcement regarding the Proposal, an excerpt which appears below:

MONARCH ADVANCES WITH \$30M GO FORWARD FUNDING

Monarch Gold Mining Company (ASX /DIFX:MON) is pleased to announce a clear go forward funding package has been put in place to underpin the operations of the Mount Ida and Mount Magnet gold projects.

As part of the funding package, the Board of Monarch will undertake a \$25 million capital raising at 25 cents per share with a one-for-one attaching free 25 cent option. As part of the \$25 million raising, the founding Chairman and major shareholder Michael Kiernan's family will provide an interest free \$15 million loan which subject to shareholder approval will be converted to equity on the same terms of the capital raising. The balance of the capital raising of \$10 million will be underwritten, at no cost, by the Kiernan family.

In addition, Monarch expects to raise \$5 million from the sale of the Minjar gold asset.

Tuesday 8 July 2008

Our review of the records of the company reveals that on this date a number of additional issues were raised by McKenzie Moncrieff (i.e. a request for additional conditions and obligations on the Group and Mr Kiernan were added). As a result further drafts of the Deed were still being circulated and a number of legal points debated.

Pitcher Partners' Bryan Hughes was also telephoned this day by Monarch and updated (Mr Hughes had been interstate from 4 July 2008). Mr Hughes warned the Group's Chief Financial Officer that it was vital he (the CFO) again review the creditor position for each entity and assess whether any company in the Group might be trading whilst insolvent.

Wednesday 9 July 2008

Our investigations reveal that further correspondence took place between the respective company's solicitors regarding the Deed terms, with the focus on the additional conditions raised the previous day by McKenzie Moncrieff (and which we understand were not acceptable to Mr Kiernan and his family).

Thursday 10 July 2008

On Thursday 10 July 2008, we understand that Mr Kiernan withdrew his Proposal, after failing to reach an agreement with respect to various terms.

The Board then met and reviewed the financial position of the Group and with the prospect of the future funding commitments now withdrawn, resolved that the Group was either insolvent or likely to become insolvent at some future time, and resolved to appoint Administrators to the Group.

Please refer to Section 8.4 of our report for a summary of our findings to date and details of the additional investigations we intend conducting.

Remuneration Report

Monarch Gold Mining Company Ltd ABN 69 100 038 266 (Receivers and Managers Appointed) (Administrators Appointment)

("the Company")

In compliance with the Insolvency Practitioners Association of Australia Code of Professional Practice and the requirements of the Corporations Act 2001, we set out below our remuneration report for the period of the Administration until the close of business on 7 August 2008.

This report is set out as follows:

▪ **Part 1. Retrospective fees**

1. We estimate that the retrospective fees for the period 10 July 2008 to 7 August 2008 to be \$181,906.07
2. We intend to put the following resolution to creditors at the forthcoming meeting of creditors:

“That the remuneration of the Administrators and their staff for the period ended 7 August 2008 in the amount of \$181,906.07 plus GST and disbursements, calculated in accordance with the Pitcher Partners’ scale of rates advised to creditors in the circular to creditors dated the 11 July 2008, be approved and the Administrators be authorised to draw same immediately.”

▪ **Part 2. Future fees**

1. We estimate that the future fees for the period 8 August 2008 to completion of the following to be either:
 - on completion of the Holding DOCA to be \$606,993 plus, GST and disbursements; or
 - on completion of liquidation to be \$1,043,256 plus GST and disbursements.
2. If the creditors resolve to execute the Holding DOCA at the forthcoming meeting of creditors, it is my intention to put the following resolution to creditors:

“That the remuneration of the Administrators or Deed Administrators and their staff for the period from 8 August 2008 to completion of the holding DOCA be approved in the amount of \$606,993 plus, GST and disbursements calculated in accordance with the Pitcher Partners scale of rates advised to creditors in the circular to creditors dated the 11 July 2008 and billed monthly, or as the Administrators or Deed Administrators see fit”.

If the creditors resolve to put the Company into liquidation at the forthcoming meeting of creditors, we intend to put the following resolution to creditors:

"That the remuneration of the Administrators or Liquidators and their staff for the period from 8 August 2008 to completion of the liquidation be approved in the amount of \$1,043,256 plus GST and disbursements calculated in accordance with the Pitcher Partners' scale of rates advised to creditors, in the circular to creditors, dated the 11 July 2008 and billed monthly, or as the Administrators or Liquidators see fit."

- **Part 3. Summary of Receipts and Payments**
- **Part 4. Initial advice to creditors**
- **Part 5. Information to creditors**

Part 1. Retrospective fees

Description of work completed

The tasks which external administrators undertake can be broadly divided into seven (7) categories. These are:-

- Assets
- Employees
- Creditors
- Trade On
- Investigation
- Dividend
- Administration

Information on the seven categories is summarised below to enable creditors to understand the type and purpose of work being undertaken.

Company	Monarch Gold Mining Company Ltd (Receivers and Managers Appointed) (Administrators Appointed)	Period	The Administration Period from 10 July 2008 to 7 August 2008
Practitioner	Christopher John Munday & Bryan Kevin Hughes	Firm	Pitcher Partners
Administration Type	Voluntary Administration		

Task Area	General Description	Includes
Assets [76.95 Hours] [\$20,790.08]	Identification and monitoring	<ul style="list-style-type: none"> ▪ Liaising with Company directors, management and personnel regarding number, type and location of assets. ▪ Correspondence with financial institutions regarding freezing of pre-appointment bank accounts. ▪ Securing pre-appointment accounts. ▪ Maintaining administration bank accounts during the administration period. ▪ Attendance at Company's West Perth offices to secure, preserve and realise assets. ▪ Co-ordinating exit of the Company's Altona Street, West Perth premises. ▪ Reviewing the Company's rights with respect to a Joint Venture (Mt Ida) and project acquisitions (including Mt Magnet and Big Bell operations). ▪ Commissioning valuations of the Company's leased assets.
	Plant and Equipment	<ul style="list-style-type: none"> ▪ Reviewing asset listing to sell surplus plant and equipment.
	Sale of Business as a Going Concern	<ul style="list-style-type: none"> ▪ Planning advertising campaign. ▪ Drafting advertisements for sale of business and assets. ▪ Meeting with corporate brokers to discuss marketing, sale of business and restructure possibilities.

		<ul style="list-style-type: none"> ▪ Commence preparation of Information Memorandum ▪ Liaising with potential interested parties (including meeting with many) and record expressions of interest in a schedule of Interested Parties. ▪ Preparation of a data/due diligence room.
	Debtors	<ul style="list-style-type: none"> ▪ Correspondence with debtors ▪ Obtaining legal advice regarding the collection of any difficult debtors.
	Deed of Company Arrangement	<ul style="list-style-type: none"> ▪ Meetings and correspondence with the Company's directors and alternate proponents regarding alternate avenues to liquidation, including a DOCA. ▪ Reviewing and considering the key terms of the Holding DOCA proposal to be put forward at the second meeting of creditors.
Employees [41.77 Hours] [\$11,716.00]	Employee enquiries	<ul style="list-style-type: none"> ▪ Receiving and following up employee enquiries. ▪ Attending meetings with employees regarding status of the administration and their roles. ▪ Termination of certain employment contracts and attend meetings with individual staff members. ▪ Preparation of schedule of entitlements. ▪ Correspondence with employees.
	Calculation of employee entitlements	<ul style="list-style-type: none"> ▪ Calculating employee entitlements. ▪ Reviewing employee contracts, awards and books and records in relation to entitlements. ▪ Reconciling superannuation. ▪ Liaising with legal advisors regarding employee entitlements.
Creditors [261.31 Hours] [\$66,372.96]	Unsecured creditors	<ul style="list-style-type: none"> ▪ Preparation of notification documents regarding appointment. ▪ Convening and conducting first meeting of creditors. ▪ Maintaining unsecured creditors' list. ▪ Liaising with numerous unsecured

		<p>creditors in relation to the administration processes, their debts and updating on the status of the administration.</p> <ul style="list-style-type: none"> ▪ Liaising with the committee of creditors. ▪ Meetings and discussions with Territory Resources Ltd ("Territory")
	Secured creditors	<ul style="list-style-type: none"> ▪ Meetings and discussions with Société Generale regarding the administration process and their respective positions. ▪ Reporting to the Company's major secured creditor regarding the administration progress and direction. ▪ Reviewing status of Territory charge and Receivers and Managers appointment, including liaising with legal advisors regarding the same. ▪ Correspondence with Société Generale regarding performance bonds and their fixed and floating charge. ▪ Correspondence and discussions with finance companies regarding equipment finance leases and payments. ▪ Reviewing and assessing priority claims.

	Meeting of Creditors and Reporting	<ul style="list-style-type: none"> ▪ Preparation of meeting notices, proxies and advertisement for the first meeting of creditors and second meeting of creditors. ▪ Preparation of reports to creditors including the 439A report to creditors summarising the Administrators' investigations into the Company including reporting on: <ul style="list-style-type: none"> - Company profile; - Financial positions of the Company; - Administrators' investigations; and - Administrators' opinion on the operations available to creditors. ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting for the first meeting of creditors. ▪ Preparation and lodgement of minutes of first meeting of creditors at ASIC. ▪ Responding to stakeholder's queries and questions immediately following the first meeting of creditors.
	Shareholder enquiries	<ul style="list-style-type: none"> ▪ Preparation of updates to shareholders for lodgement on the ASX. ▪ Responding to shareholders queries.
	Retention of Title	<ul style="list-style-type: none"> ▪ Correspondence with creditors regarding Retention of Title ("ROT") claim. ▪ Separating identified ROT asset. ▪ Negotiations with ROT supplier. ▪ Preparation of payment voucher to satisfy valid claim.

<p>Investigation [63.32 Hours] [\$16,235.92]</p>	<p>Conducting investigation</p>	<ul style="list-style-type: none"> ▪ Reviewing the Company's books and records. ▪ Conducting a preliminary review of Company's detailed cash flows and budgets for the administration. ▪ Corresponding with external parties, the Company's management and personnel to obtain information for the investigations. ▪ Conducting in depth investigation into the affairs of the Company to satisfy the Administrators' statutory investigation obligations including: <ul style="list-style-type: none"> - review of financial records; - review of antecedent transactions; - solvency reviews; - preference recoveries; - form a preliminary view on the date of insolvency; and - review assets available to creditors including commission valuations. ▪ Discussions with Company officers and employees about the Company history. ▪ Completing all investigations in relation to antecedent transactions required in the 439A report to creditors.
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Trade On [98.52 Hours] [\$26,777.67]		<ul style="list-style-type: none"> ▪ Correspondence with suppliers via mail and telephone. ▪ Implementation of new cash management controls and general trade-on controls. ▪ Reviewing and authorising trading orders and payments including maintenance of appropriate registers. ▪ Liaising with employees regarding trading operations and procedures. ▪ Preparation of Statements of Position and trading budgets. ▪ Preparation of purchase orders, payments and reconciliations. ▪ Overseeing trading generally. ▪ Regular internal team meetings to ensure financial controls are adequate.
	Processing receipts and payments	<ul style="list-style-type: none"> ▪ Maintenance of management accounting program including receipts, payments and tax related issues. ▪ Review and process wages.
Dividend [4.80 Hours] [\$858.00]	Processing Proofs of Debt	<ul style="list-style-type: none"> ▪ Receipting and filing Proofs of Debts ("POD's") from creditors. ▪ Reviewing and adjudicating POD's. ▪ Liaising with creditors in regard to their POD's submitted.
Administration [120.77 Hours] [\$28,984.56]	Correspondence	<ul style="list-style-type: none"> ▪ Liaising with insurers and extending suitable insurance cover for the Company's assets and trading operations. ▪ Correspondence with directors regarding information requests. ▪ Preparing / filing all inwards and outbound correspondence, emails, diary notes, facsimiles and other correspondence.
	Internal meetings	<ul style="list-style-type: none"> ▪ Internal meetings regarding job status and required tasks, including holding weekly transparent Administration Meetings.
	File maintenance	<ul style="list-style-type: none"> ▪ Preparation of and maintenance of

		<p>checklists.</p> <ul style="list-style-type: none"> ▪ Attending to quality assurance.
	Bank account administration	<ul style="list-style-type: none"> ▪ Correspondence with banks regarding existing bank balances. ▪ Liaising with NAB in regard to pre-appointment bank accounts, receipts and payments. ▪ Setting up new bank accounts. ▪ Transferring deposits from pre-appointment balances to the bank account maintained by the Administrators.
	Accounts administration	<ul style="list-style-type: none"> ▪ Setting up information relating to the Company in CORE insolvency practice management program. ▪ Scrutinising bank accounts and discussions with employees to construct administration cashbook.
	Statutory requirements and reporting	<ul style="list-style-type: none"> ▪ Preparation and lodgement of appointment documents and other statutory requirements with ASIC. ▪ Prepare and advertise notices in The West Australian as required. ▪ Assisting directors finalising their Report as To Affairs. ▪ Attendance to all statutory requirements as they arise.
	ATO	<ul style="list-style-type: none"> ▪ Notification of appointment ▪ Attending to lodgement requirements. ▪ Maintaining documents and records to enable compliance with GST obligations. ▪ Reviewing pre-appointment balances. ▪ Reviewing tax grouping and other tax associated issues.
Independence [23.33 Hours] [\$10,170.88]		<ul style="list-style-type: none"> ▪ Liaising with Clayton Utz regarding the affidavit and the 447A court application. ▪ Preparation of minutes at the transparent administration meetings. ▪ Preparing and finalising the affidavit.

		<ul style="list-style-type: none">▪ Numerous internal meetings to discuss issues.▪ Finalising the circular to creditors regarding the court application and sending to creditors.▪ Reviewing and adjudicating POD's.▪ Liaising with creditors in regard to their POD's submitted.
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Calculation of Remuneration

Professional fees for the Administration Period to 7 August 2008

Employer	Position	Hourly Rate (R)	Total Hours	Total (R)	Tasks								
					Administration	Absent	Creditors	Debtors	Employees	Investigation	Trade in	Independent/Other	
Chris Van der Merwe	Director	490	33,80	16,562	-	1,568	5,896	4,557	1,722	245	2,973	-	
Bryan Dreyer	Director	490	65,67	32,177	6,697	5,880	8,983	735	1,715	3,920	4,247	-	
Reverend Dreyer	Senior Manager	398	50,79	20,062	1,929	1,238	10,803	2,350	99	2,383	1,279	-	
Shirley Dreyer	Senior Manager	395	61,07	24,123	4,049	2,285	6,824	217	3,270	6,824	794	-	
Christina Dreyer	Senior Manager	395	6,43	2,541	-	-	2,541	-	-	-	-	-	
Ben Coetzee	Assistant Manager	200	28,42	7,388	347	130	1,430	-	130	5,382	-	-	
Michelle Dreyer	Senior	195	59,76	11,642	838	2,191	1,563	-	-	5,909	1,121	-	
Shirley Dreyer	Senior	195	40,87	7,969	344	926	1,125	-	4,846	98	734	-	
Stacy Wood	AC	190	59,80	11,362	665	5,092	3,230	-	-	-	2,375	-	
Annemarie de Vries	AC	190	63,74	12,111	3,420	1,045	6,929	-	1,045	380	180	149	
Andrius Havens	AC	185	23,49	4,364	-	-	4,210	-	-	154	-	-	
Shirley Dreyer	AC	185	51,45	9,518	2,350	167	4,701	740	-	900	962	-	
Leslie Jones	AC	185	3,40	626	-	-	463	-	-	-	167	-	
Chris Dreyer	AI	145	57,10	8,280	2,081	1,69	5,260	-	-	348	200	232	
Nicholas Dreyer	AI	145	20,38	2,985	652	-	97	-	109	73	2,184	-	
Vanessa Dreyer	AI	145	4,50	653	-	-	653	-	-	-	-	-	
John Strick	Director	490	1,20	588	-	-	-	-	-	-	-	588	
Kevin Campbell	Senior Manager	426	1,08	455	455	-	-	-	-	-	-	-	
Debra Maloney	Manager	366	1,60	269	240	-	-	-	-	-	-	-	
Leanne Hooper	Senior	195	7,17	1,398	1,073	-	-	-	-	-	325	-	
Hayley Dreyer	AC	185	2,78	515	391	-	154	-	-	-	-	-	
Michelle Dreyer	AC	185	9,72	1,798	1,495	-	303	-	-	-	-	-	
Rosemary Babin	AI	145	7,17	1,059	987	-	-	-	-	-	73	-	
Mark Hill	AI	145	1,50	218	-	-	218	-	-	-	-	-	
Elizabeth Tam	AI	145	11,55	1,716	1,088	-	357	-	-	242	-	-	
Leslie Maloney	Support	95	6,09	579	-	-	578	-	-	-	-	-	
Leanne Goodwin	Support	95	2,00	190	-	190	-	-	-	-	-	-	
Leanne Hooper	Support	95	6,60	627	36	19	266	-	-	266	-	-	
Christie Pappas	Support	95	1,50	171	-	-	171	-	-	-	-	-	
	GST		GST	18,191	2,898	2,079	6,637	86	1,172	1,624	2,678	1,017	
				200,097	31,883	22,869	73,010	944	12,888	17,860	29,455	11,088	
				TOTAL (including GST)		Average hourly rate (GST exclusive)							
				263									

Disbursements

The Disbursements are divided into three types, A, B1, B2. The table below sets out the disbursements incurred to date. These disbursements are yet to be billed to this Administration.

Type	Disbursement	Total (\$)
A: externally provided professional services and are recovered at cost. Eg. legal fees.	Legal fees	102,000.00
	A Total	102,000.00
B1: externally provided non-professional costs such as travel, accommodation and search fees. B2 disbursements are recovered at cost.	Taxis	85.07
	Parking	29.20
	Postage	652.00
	Advertising	409.78
	B1 Total	1,176.05
B2: internally provided non-professional costs such as photocopying and document storage. B2 disbursements are charged at cost except for photocopying, printing and telephone calls which are charged at a rate which is intended to recoup both variable and fixed costs.	Photocopying	6,466.50
	Telephone/Fax/Mobile	847.12
	B2 Total	7,313.62
Total disbursements		110,489.67

Statement of remuneration

Please refer to the circular to creditors dated 11 July 2008 regarding our hourly rates and the general guide showing our qualifications and experience of staff engaged and the role they take in the administration. A copy of same is available from this office upon request.

It is our intention to put the following resolution to creditors at the forthcoming meeting of creditors:

“That the remuneration of the Administrators and their staff for the period ended 7 August 2008 in the amount of \$181,906.07 plus GST and disbursements, calculated in accordance with the Pitcher Partners scale of rates advised to creditors, in the circular to creditors dated the 11 July 2008, be approved and the Administrators be authorised to draw same immediately.”

Part 2. Future Fees

Description of work to be performed

When creditors meet on 25 August 2008, we will be seeking for approval to be paid remuneration for services rendered in the administration from 8 August 2008 through to the completion of the Holding DOCA (based on our Recommendation in this Report) as incurred with the Pitcher Partners scale of rates advised to creditors, in the circular to creditors dated the 11 July 2008, and billed on a monthly basis or as the Administrators sees fit.

A summary of the expected major tasks and costs relating to the professional services for the period are broken down into two options that the creditors can choose. They are:

- Option 1: Holding DOCA (based on a 6 month period from the 8 August 2008)
- Option 2: Liquidation (based on a 24 month period from the 8 August 2008)

Option 1: Holding DOCA

Task Area	General Description	Includes
Assets [\$283,628]	Sale of Business as a Going Concern / Asset Sales	<ul style="list-style-type: none"> ▪ Reviewing all asset realisation strategies and organise asset valuations. ▪ Co-ordinating the sale of non-core assets. ▪ Meeting with corporate brokers to discuss marketing and sale of business restructure possibilities. ▪ Finalising Information Memorandum. ▪ Liaising with numerous potential interested parties (including meeting with many) and recording expressions of interest. ▪ Overseeing preparation data/due diligence room. ▪ Negotiating and monitoring the asset sales and recapitalisation / restructuring process. ▪ Approving asset sales.
	Executing the Deed of Company Arrangement	<ul style="list-style-type: none"> ▪ Finalising terms of the Holding DOCA for approval by creditors at the second meeting of creditors. ▪ Correspondence with proponents regarding the Holding DOCA progress.

		<ul style="list-style-type: none"> ▪ Negotiating terms with successful proponents ▪ Agreeing terms of Varied DOCA for approval by creditors.
	Other	<ul style="list-style-type: none"> ▪ Assessing equity position on leased assets. ▪ Disclaiming surplus leased assets that are 'out of the money'.
Employees [\$22,460]	Employee enquiries	<ul style="list-style-type: none"> ▪ Receiving and addressing employee enquiries. ▪ Meetings with employees regarding the status of the administration and their roles. ▪ Calculating employee entitlements as required.
Creditors [\$178,211]	Unsecured creditors	<ul style="list-style-type: none"> ▪ Preparation of and issue of notifications in regard to the execution of a DOCA. ▪ Liaising with numerous unsecured creditors in relation to the administration processes, their debts and updating them on the status of the administration. ▪ Preparation of and distributions of written reports to creditors as required. ▪ Maintaining unsecured creditors list. ▪ Regular discussions and updates to Territory regarding the asset realisation process. ▪ Liaising with the committee of creditors as required.
	Secured Creditors	<ul style="list-style-type: none"> ▪ Correspondence with Société Generale regarding their fixed and floating charge. ▪ Correspondence and discussions with finance companies regarding equipment finance leases and payments. ▪ Reviewing and assessing priority claims.
	Creditors Meetings	<ul style="list-style-type: none"> ▪ Preparing and hold second meeting of creditors and any subsequent meetings as required. ▪ Finalising detailed report to creditors

		<p>summarising the Administrators' further investigations into the Company including reporting on:</p> <ul style="list-style-type: none"> - Financial positions of the Company (if necessary); - Administrators' financial investigations; - Administrators' opinion on the options available to creditors; - Actions performed to date by the Administrators; - Sale of the business/ restructuring / recapitalisation; and - Future actions to be taken under the DOCA. <ul style="list-style-type: none"> ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisements of meetings for the second meeting of creditors and following meetings. ▪ Preparation and lodgement of minutes at the second and following meeting of creditors. ▪ Responding to stakeholder's queries and questions immediately following the meetings. ▪ Preparation of detailed report for creditors following the finalisation of asset sale and restructuring negotiations detailing: <ul style="list-style-type: none"> - the outcome of the sale and restructuring activities; - recommending the variation / termination of the Holding DOCA, including liquidation vs DOCA scenarios for creditors to review prior to electing how the Administrators should proceed; and - the results of any further investigations carried out.
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	Shareholder enquiries	<ul style="list-style-type: none">▪ Preparation of updates to shareholders for lodgement on the ASX.▪ Attending to shareholders queries.
	ROT claims	<ul style="list-style-type: none">▪ Reviewing and correspondence with creditors regarding Retention of Title ("ROT") claim.▪ Separating counted stock in relation to ROT claim.▪ Negotiations with ROT supplier.▪ Preparation of payment vouchers to satisfy and finalise valid claim.

<p>Investigation [\$30,306]</p>	<p>Conducting Investigations</p>	<ul style="list-style-type: none"> ▪ Further review of the Company's books and records. ▪ Conducting a further review of the Company's detailed cash flows and budgets for the Administration. ▪ Corresponding with external parties, the Company's management and personnel to obtain information for the investigations. ▪ Conducting further in depth investigation into the affairs of the Company to satisfy the Administrators' statutory investigation obligations including: <ul style="list-style-type: none"> - review of financial records; - review of antecedent transactions; - preference recoveries - form a definitive view on the date of insolvency; and - determine assets available to creditors, following receipt of valuations. ▪ Investigating unreasonable director related transactions and insolvent trading and directors' defences. In this regard, the Administrators intend to: <ul style="list-style-type: none"> - Complete discussions with Company officers and employees about the Company history. - complete their analysis of the financial position of the Group at various times over the six months prior to the appointment of Administrators; - complete their analysis in relation to the ageing of creditors at various dates, including 10 July 2008; - consider in detail, at various times, the position regarding the expected receipt of loan funding (and subsequent repayment) from Territory.
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		<ul style="list-style-type: none"> - consider whether it is appropriate to commission expert advice in relation to Monarch's budgets and mine plans relied upon by the board; and - determine the long term viability of the Group.
Trade On [\$32,321]		<ul style="list-style-type: none"> ▪ Reviewing and authorising trading orders and payments including maintenance of appropriate registers. ▪ Liaising with employees regarding trading operations and procedures. ▪ Reviewing and processing wages of staff. ▪ Preparation of Statements of Position and trading budgets. ▪ Preparation of purchase orders, payments and reconciliations. ▪ Maintenance of management accounting program including receipts, payments and tax related issues. ▪ Overseeing trading generally. ▪ Attending internal team meetings to ensure financial controls are adequate. ▪ Correspondence with suppliers via mail and phone. ▪ Finalising the trading of the administration period. ▪ Closing administration accounts with creditors and opening new accounts for the DOCA period. ▪ Attending to leasehold issues including exiting leases no longer required. ▪ Attending internal team meetings as required.
Dividend [\$7,225]	Dealing with Proof of Debts	<ul style="list-style-type: none"> ▪ Receipting and filing Proofs of Debts ("POD's") from creditors. ▪ Reviewing and adjudicating POD's. ▪ Liaising with creditors in regard to their POD's submitted.

Administration [\$52,842]	Correspondence	<ul style="list-style-type: none"> ▪ Correspondence with directors regarding information requests. ▪ Preparing / filing all information inwards and outbound correspondence, emails, diary notes, facsimiles and other correspondence.
	Internal Meetings	<ul style="list-style-type: none"> ▪ Attending internal meetings regarding job status and required tasks, including transparent administration meetings on a weekly basis.
	File Maintenance	<ul style="list-style-type: none"> ▪ Preparation of and maintenance of checklists for the conduct of the administration ▪ Regular summary review of job status to ensure quality control.
	Bank account administration	<ul style="list-style-type: none"> ▪ Correspondence with banks, monitoring and updating the cashbook.
	Statutory Requirements	<ul style="list-style-type: none"> ▪ Preparation and lodgement of documents other statutory requirements with ASIC. ▪ Preparing and advertising notices in The West Australian and the Gazette as required. ▪ Attendance to all statutory requirements as they arise.
	ATO	<ul style="list-style-type: none"> ▪ Finalisation of Administration tax obligations. ▪ Ongoing lodgement requirements including trade-on and DOCA BAS's. ▪ Maintaining documents and records to enable compliance with GST obligations.

Statement of remuneration

This fee estimate is based on the above listed works expected to be required, should creditors follow the Administrators' recommendation and resolve to enter into a Holding DOCA with an estimated 6 month maximum duration. Actual fees may vary depending upon work undertaken.

Should the amount incurred exceed the approved amount then further approval will be sought with creditors at that time. Fees incurred after the Holding DOCA is finalised will be sought for approval at the following meeting of creditors where, we will seek to move the Holding DOCA into a subsequent DOCA.

It is my intention to put the following resolution to creditors at the forthcoming meeting of creditors:

"That the remuneration of the Administrators or Deed Administrators and their staff for the period from 8 August 2008 to completion of the Holding DOCA be approved in the amount of \$606,993 plus GST and disbursements calculated in accordance with the Pitcher Partners scale of rates advised to creditors, in the circular to creditors dated the 11 July 2008 and billed monthly or as the Administrators or Deed Administrators sees fit."

Option 2: Liquidation

Task Area	General Description	Includes
Assets [\$508,248]	Sale of Business as a Going Concern / Asset Sales	<ul style="list-style-type: none"> ▪ Reviewing all asset realisation strategies and organise asset valuations. ▪ Co-ordinating the sale of assets. ▪ Finalising an Information Memorandum. ▪ Liaising with numerous potential interested parties (including meeting with many) and recording expressions of interest. ▪ Overseeing preparation data/due diligence room. ▪ Negotiating and monitoring the asset sales and recapitalisation / restructuring process. ▪ Approving all asset sales.
	Other	<ul style="list-style-type: none"> ▪ Assessing equity position on leased assets. ▪ Disclaiming surplus leased assets that are 'out of the money'.
Employees [\$38,873]	Employee enquiries	<ul style="list-style-type: none"> ▪ Receiving and addressing employee enquiries. ▪ Attending meetings with employees regarding the status of the Administration and their roles. ▪ Calculation of employee entitlements as required.
Creditors [\$310,350]	Unsecured creditors	<ul style="list-style-type: none"> ▪ Liaising with numerous unsecured creditors in relation to the administration / liquidation processes, their debts and updating them on the status of the administration / liquidation. ▪ Preparing and send written reports to creditors as required. ▪ Maintaining unsecured creditors list. ▪ Regular discussions and updates to Territory regarding the asset realisation process. ▪ Liaising with the committee of creditors as required.

	Secured Creditors	<ul style="list-style-type: none"> ▪ Correspondence with Société Generale regarding their fixed and floating charge. ▪ Correspondence and discussions with finance companies regarding equipment finance leases and payments. ▪ Reviewing and assessing priority claims.
	Creditors Meetings	<ul style="list-style-type: none"> ▪ Convening second meeting of creditors and any following meetings as required, including annual meetings and the final meeting of creditors. ▪ Finalising detailed report to creditors summarising the Administrators' / Liquidators' further investigations into the Company including reporting on: <ul style="list-style-type: none"> - Financial positions of the Company (if necessary); - Liquidators' financial investigations; - Actions performed to date by the Administrators / Liquidators'; - Sale of assets; and - Future actions to be taken under the liquidation. ▪ Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisements of meetings for the second meeting of creditors and following meetings. ▪ Preparation and lodgement of minutes of the second and following meeting of creditors. ▪ Responding to stakeholder's queries and questions immediately following the meetings. ▪ Preparation of detailed report for creditors following the finalisation of asset sale detailing: <ul style="list-style-type: none"> - the outcomes of the sales; - the results of any further investigations carried out.

	Shareholder enquiries	<ul style="list-style-type: none"> ▪ Preparation of updates to shareholders for lodgement on the ASX. ▪ Attending to shareholders queries.
	ROT claims	<ul style="list-style-type: none"> ▪ Reviewing and corresponding with creditor regarding Retention of Title ("ROT") claim. ▪ Separating counted stock in relation to ROT claim. ▪ Negotiations with ROT supplier. ▪ Preparation of payment vouchers to satisfy and finalise valid claim.

<p>Investigation [\$61,579]</p>	<p>Conducting Investigations</p>	<ul style="list-style-type: none"> ▪ Further review of the Company's books and records. ▪ Conducting a further review of the Company's detailed cash flows and budgets for the Administration. ▪ Corresponding with external parties, the Company's management and personnel to obtain information for the investigations. ▪ Conducting further in depth investigation into the affairs of the Company to satisfy the Administrators' statutory investigation obligations including: <ul style="list-style-type: none"> - review of financial records; - review of antecedent transactions; - preference recoveries - form a definitive view on the date of insolvency; and - determine assets available to creditors, following receipt of valuations. ▪ Investigating unreasonable director related transactions (refer to section 8.2.3 of this report) and insolvent trading and directors' defences (refer to sections 8.3 and 8.3.5 of this report). In this regard, the Administrators intend to: <ul style="list-style-type: none"> - Complete discussions with Company officers and employees about the Company history. - complete their analysis of the financial position of the Group at various times over the six months prior to the appointment of Administrators; - complete their analysis in relation to the ageing of creditors at various dates, including 10 July 2008;
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		<ul style="list-style-type: none"> - consider in detail, at various times, the position regarding the expected receipt of loan funding (and subsequent repayment) from Territory; - consider whether it is appropriate to commission expert advice in relation to Monarch's budgets and mine plans relied upon by the board; and - determine the long term viability of the Group.
Trade On [\$20,248]		<ul style="list-style-type: none"> ▪ Reviewing and process wages of staff. ▪ Preparation of Statements of Position. ▪ Preparation of purchase orders, payments and reconciliations. ▪ Maintenance of management accounting program including receipts, payments and tax related issues. ▪ Overseeing care and maintenance generally. ▪ Attending internal team meetings to ensure financial controls are adequate. ▪ Correspondence with suppliers via mail and phone. ▪ Finalising trading of the administration period. ▪ Closing all administration accounts. ▪ Attending to leasehold issues including exiting all leases not 'in the money'. ▪ Internal team meetings as required.
Dividend [\$19,810]	Dealing with Proof of Debts	<ul style="list-style-type: none"> ▪ Receipting and filing Proofs of Debts ("POD's") from creditors. ▪ Reviewing and adjudicating POD's. ▪ Liaising with creditors in regard to their POD's submitted.
	Dividend distribution	<ul style="list-style-type: none"> ▪ Calculating the dividend distribution to each creditor. ▪ Finalising and send the dividend distribution.

Administration [\$84,148]	Correspondence	<ul style="list-style-type: none"> ▪ Correspondence with directors regarding information requests. ▪ Preparing / filing all information inwards and outbound correspondence, emails, diary notes, facsimiles and other correspondence.
	Internal Meetings	<ul style="list-style-type: none"> ▪ Attending internal meetings regarding job status and required tasks, including transparent administration meetings on a weekly basis.
	File Maintenance	<ul style="list-style-type: none"> ▪ Preparation and maintenance of checklists for the conduct of the administration ▪ Preparation of summary reviews of job status to ensure quality control.
	Bank account administration	<ul style="list-style-type: none"> ▪ Correspondence with banks, monitoring and updating the cashbook.
	Statutory Requirements	<ul style="list-style-type: none"> ▪ Preparation and lodgement of documents and attending to other statutory requirements with ASIC, including the finalisation of the administration documents. ▪ Preparation of advertising notices in The West Australian and the Gazette as required. ▪ Attending to statutory requirements as they arise. ▪ Deregistering Company's name.
	ATO	<ul style="list-style-type: none"> ▪ Finalisation of administration / liquidation tax obligations. ▪ Ongoing lodgement requirements including BAS obligations. ▪ Maintaining documents and records to enable compliance with GST obligations. ▪ Deregistering for tax and GST.

Statement of remuneration

This fee estimate is based on the above listed works expected to be required should creditors resolve to put the company into liquidation. Actual fees may vary depending upon work undertaken. Should the amount incurred exceed that approved then further approval will be sought with creditors at that time.

If necessary, it is my intention to put the following resolution to creditors at the forthcoming meeting of creditors:

"That the remuneration of the Administrators or Liquidators and their staff for the period from 8 August 2008 to completion of the liquidation be approved in the amount of \$1,043,256 plus GST and disbursements calculated in accordance with the Pitcher Partners scale of rates advised to creditors, in the circular to creditors dated the 11 July 2008 and billed monthly or as the Administrators or Liquidators see fit."

Part 3. Summary of Receipts and Payments

Below is a summary of receipts and payments to and from the external administration bank account prepared as at 10 August 2008

RECEIPTS	Total (AUD)
Bank Interest	1,639.35
Return of Deposit from Harmony Gold	2,500,000.00
Pre-Appointment Refunds	450.00
Cash In hands of Administrator	1,077,104.67
	3,579,194.02
PAYMENTS	
Bank Charges	36.00
Rent Paid (Commercial)	7,008.90
Wages & Salaries	273,932.43
Employee expense claims (GST inc)	3,769.21
Employee expense claim (GST free)	1,520.50
Inter-company Loan Paid	54,900.00
GST Receivable	1,077.81
Withholding Tax (PAYG)	(85,218.48)
	257,026.37
Balances in Hand	3,322,167.65
	3,579,194.02

Part.4 Initial advice to creditors

We refer to the circular to creditors dated 11 July 2008, which attaches a schedule regarding our hourly rates and the general guide showing our qualifications and experience of staff engaged, and the role they take, in the administration. A copy of same is attached to this report and marked "A".

Part 5. Information to creditors

The IPA has published an information sheet to creditors "Approving remuneration in external administrations", which provides general information for creditors on the approval of an administrator's fees in liquidation, voluntary administration or a deed of company arrangement.

This information sheet is available from the IPA website at www.ipaa.com.au. If you cannot access the website, please contact Andrea Hansen (08) 9322 2022.

If you require any further information in relation to this remuneration report, please contact Andrea Hansen on (08) 9322 2022.

FORM 529

CORPORATIONS ACT 2001 ("the Act")

Subregulation 5.6.12(2)

**NOTICE OF SECOND MEETING OF
CREDITORS OF COMPANY UNDER ADMINISTRATION**

**MONARCH GOLD MINING COMPANY LIMITED
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED) ACN 100 038 266
("the Company")**

NOTICE is given that a meeting of the creditors of the Company will be held on Monday, 25 August 2008 at the Park Business Centre, 45 Ventnor Avenue, West Perth WA at 9:30am WST.

A G E N D A

1. To consider the report prepared by the Administrators pursuant to section 439A of the Act.
2. To consider, and if thought fit, resolve:
 - a. that the administration shall end; or
 - b. that the Company execute a Deed of Company Arrangement; or
 - c. that the Company be wound up.
3. To consider, and if thought fit, approve the remuneration of the Administrators.
4. To consider, and if thought fit, approve the future remuneration of the Administrators, Deed Administrators or Liquidators, as the case may be.
5. To consider any other business that may be lawfully brought forward.

DATED this 15th day of August 2008.



Joint and Several Administrator

FORM 532

Corporations Act 2001

ACN 100 038 266

Regulation 5.6.29

APPOINTMENT OF PROXY

**MONARCH GOLD MINING COMPANY LIMITED
(RECEIVERS AND MANAGERS APPOINTED) (ADMINISTRATORS APPOINTED)
("the Company")**

I/We ^[1] _____ of _____
a creditor of the Company, appoint ^[2] _____
or in his/her absence _____
as my/our general/special proxy to vote at the meeting of creditors to be held on Monday, 25 August
2008, or at any adjournment of that meeting. ^[3]

Dated this _____ day of August 2008

^[4]
(Signature)

(Company Seal if a Company)

*If you have appointed the **Chairman** as your special proxy you **must complete Section A** below indicating how you wish the Chairman to vote on your behalf, i.e. "for" or "against".*

Section A	Resolution	Manner of Voting (Tick the applicable option)		
		For	Against	As Proxy sees fit
Resolution 1	That the administration shall end.			
Resolution 2	That the Company execute a Deed of Company Arrangement on the terms substantially outlined in the Administrators' Report to Creditors issued pursuant to 439A of the Corporations Act 2001 and dated 15 August 2008.			
Resolution 3	That the Company be wound up.			
Resolution 4	The second meeting of creditors is adjourned for a period not exceeding 45 business days.			
Resolution 5	That the remuneration of the Administrators and their staff for the period ended 7 August 2008 in the amount of \$181,906.07 plus GST and disbursements, calculated in accordance with the Pitcher Partners' scale of rates advised to creditors in the circular to creditors dated 11 July 2008, be approved and the Administrators be authorised to draw same immediately.			

<p>Resolution 6 That the remuneration of the Administrators or Deed Administrators and their staff for the period 8 August 2008 to completion of the Holding DOCA (estimated to be 31 December 2008) be approved in the amount of \$606,993 plus GST and disbursements calculated in accordance with the Pitcher Partners' scale of rates advised to creditors in the circular to creditors dated 11 July 2008 and billed monthly as the Administrators or Deed Administrators see fit; or alternatively; That the remuneration of the Administrators or Liquidators and their staff for the period 8 August 2008 to completion of the liquidation be approved in the amount of \$1,043,256 plus GST and disbursements calculated in accordance with the Pitcher Partners' scale of rates advised to creditors, in the circular to creditors dated 11 July 2008 and billed monthly as the Administrators or Liquidators see fit..</p>			
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*If you have appointed a person other than the Chairman as your proxy you **may** complete **either** Section A above or Section B below indicating how you wish them to vote on your behalf*

This section is not to be completed if you have appointed the Chairman as your proxy (use Section A only)

Section B

(Please circle and initial)

On all matters arising

For	Against	As Proxy sees fit

CERTIFICATE OF WITNESS ^[5]

I, _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he/she attached his/her signature or mark to the instrument.

Dated this _____ day of August 2008

Signature of Witness: _____

Description: _____

Place of Residence: _____

- [1] If a firm, strike out "I" and set out the full name of the firm.
- [2] Insert the name, address and description of the person appointed.
- [3] If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.
- [4] If the creditor is a sole trader, sign in accordance with the following example: "A.B., the proprietor of the said firm." If the creditor is a partnership, sign in accordance with the following example: "A.B., a partner of the said firm." If the creditor is a company, **then the form of proxy must be under its Common Seal** or under the hand of some officer duly authorised in that capacity, and the fact that the officer is so authorised must be stated in accordance with the following example: "For the company, A.B." (duly authorised under the Seal of the Company).
- [5] **The following certificate is to be completed only where the person giving the proxy is blind or incapable of writing.**

FORM 535

Corporations Act 2001

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

To: The Administrators of Monarch Gold Mining Company Limited ACN 100 038 266
(Administrators Appointed) ("the Company"):

1. This is to state that the Company was on 10 July 2008 and still is, justly and truly indebted to _____ (full name of the creditor),
ABN: _____ for _____ dollars and _____ cents.

Particulars of the debt are:

Date	Consideration (state how the debt arose)	Amount \$ c	GST \$ c	Remarks (include details of voucher substantiating payment)
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2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: (insert particulars of all securities held. If the securities are on the property of the Company, assess the value of those securities. If any bills or other negotiable securities are held, show them in a schedule in the following form).

Date	Drawer	Acceptor	Amount \$ C	Due Date
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- *3. I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

- *3. I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

Dated
Signature
Occupation
Address
Telephone Number

* Do not complete if this proof is made by the creditor personally



PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

Level 17 140 St Georges Terrace Perth Western Australia 6000	Postal Address: PO Box 7191 Cloisters Square Western Australia 6850
Tel: 08 9322 2022 Fax: 08 9322 1262 www.pitcher.com.au partners@pitcher-wa.com.au	

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**MONARCH GOLD MINING COMPANY LIMITED ACN 100 038 266
(RECEIVERS AND MANAGERS APPOINTED)
(ADMINISTRATORS APPOINTED) (“the Company”)**

and

Davyhurst Gold Pty Ltd (Administrators Appointed) ACN 117 116 097
Minjar Gold Pty Ltd (Administrators Appointed) ACN 119 514 528
Monarch Nickel Pty Ltd (Administrators Appointed) ACN 085 971 400
Monarch Gold Pty Ltd (Administrators Appointed) ACN 080 401 716
Siberia Gold Operations Pty Ltd (Administrators Appointed) ACN 106 609 170
Siberia Mining Corporation Pty Ltd (Administrators Appointed) ACN 097 650 194
Mt Ida Gold Pty Ltd (Administrators Appointed) ACN 106 608 986
Mt Ida Gold Operations Pty Ltd (Administrators Appointed) ACN 124 706 627
Mount Magnet Gold Pty Ltd (Administrators Appointed) ACN 128 877 403
Pilbara Metals Pty Ltd (Administrators Appointed) ACN 106 609 161
Ida Gold Operations Pty Ltd (Administrators Appointed) ACN 106 609 116
(Collectively “the Group”)

Declaration of Independence, Relevant Relationships and Indemnities

Independence

We, Bryan Kevin Hughes and Christopher John Munday of Pitcher Partners have undertaken a proper assessment of the risks to our independence prior to accepting the appointment as administrators of the Group. The assessment identified no real or potential risks to our independence. We are not aware of any reasons that would prevent us from accepting the appointments.

Relevant Relationships

We, or a member of our firm, have, or have had within the preceding 24 months, a relationship with:

Name	Nature of Relationship	Reasons why not an Impediment or Conflict
Monarch Gold Mining Company	Pitcher Partners’ partner Bryan Hughes was asked to attend three	The engagement does not breach the IPA Code in respect of independence because of the brevity and limited

“The receivers purport to be appointed over the assets known as the Minjar Project, and which are legally and beneficially owned by Minjar Gold Pty Limited, a wholly owned subsidiary of Monarch [Gold Mining Company Ltd]. The administrators are investigating the purported appointment and are yet to accept it.”

Liability limited by a scheme approved under Professional Standards Legislation
*other than for the acts or omissions of financial services licensees

Limited	<p>management meetings and a board meeting in February 2008. Mr Hughes was asked to consider the management review process of the Mine Plan and Budget to ensure management were scrutinising all data adequately.</p>	<p>scope of the appointment. Nothing was disclosed to Mr Hughes in those meetings that would influence the ability of the Administrators to fully comply with the statutory and fiduciary obligations associated with the appointment; and we consider it will not influence the objectivity, impartiality or judgement of the Administrators in performing those duties. This limited scope engagement was over 3 days and we were paid \$9,107.07. Before consenting to act as Administrators we thoroughly considered whether this 3 day assignment was material or whether we would be required to review the work undertaken. We concluded it was not material and we will not be required to review the work undertaken. I should add that no report was issued.</p>
Mr Michael Kiernan – Managing Director	<p>Mr Kiernan was Chairman of Croesus Mining NL and its subsidiaries, there were five (5) subsidiary Companies being Central Norseman Gold Corporation Limited, Croesus Resources NL, Ambassador Resources Limited, Croesus Mining Services Pty Ltd and Mining Resources WA Pty Ltd, when Mr Hughes was appointed (Jointly and Severally with a former Partner of Pitcher Partners, Mr Vincent Smith) as Administrator of that Group in June 2006. The Group was subsequently successfully restructured through the Voluntary Administration process</p>	<p>This prior professional relationship with an associate of the Group does not breach the IPA code in respect of independence. It will not influence the ability of the Administrators to fully comply with the statutory and fiduciary obligations associated with the appointment; and we consider it will not influence the objectivity, impartiality or judgement of the Administrators in performing those duties. On the Appointment of Administrators, the powers of the Board of Directors are suspended and it is normal, in fact usual, that the Directors have very little input from that point forward in the outcome of those restructuring exercises. This was the case in Croesus.</p>

	with creditors approving a Deed of Company Arrangement which has now been fully effectuated.	
Mr Michael Kiernan – Managing Director	Pitcher Partners has acted as tax agents for Monarch Gold Mining Limited’s Chairman Mr Kiernan and his associated private companies and trusts since early 2007. Tax advice and structuring advice for Mr Kiernan personally has included one item of advice in relation to the tax implications of his entitlements under the employee share scheme operated by Monarch Gold Mining Limited. The annual fees associated with this are less than one percent of our total annual revenue and are therefore immaterial. A more detailed summary is annexed.	A prior professional relationship with an associate of the Group does not breach the IPA code in respect of independence. It will not influence the ability of the Administrators to fully comply with the statutory and fiduciary obligations associated with the appointment; and we consider it will not influence the objectivity, impartiality or judgement of the Administrators in performing those duties.
Monarch Gold Mining Company Limited	Pitcher Partners was contacted on 25 June 2008 to consider Monarch Gold Mining Limited’s circumstances. In that role, it undertook a financial analysis of Monarch companies and engaged in discussions with Territory Resources Limited to assess the solvency of the Company at that time. This was standard preliminary work ordinarily incurred in the lead up to an appointment	The engagement does not breach the IPA Code in respect of independence because of its limited scope, brevity and purpose of assessing solvency which has led to the decision of the board to make this appointment. It will not influence the ability of the Administrators to fully comply with the statutory and fiduciary obligations associated with the appointment; and we consider it will not influence the objectivity, impartiality or judgement of the Administrators in performing those duties.

	as Administrator. Pitcher Partners has an extensive knowledge of the Group as a result of this lead up work for which it was not, and will not, be paid.	
Mr David Humann	A summary of this relationship is annexed at C.	
Miss Danielle Huitson	Danielle is the daughter of Ian Huitson, former managing director and current Operations Manager of Monarch Gold Mining Limited. Danielle commenced in the position of office junior at Pitcher Partners in June 2008. She was recruited through an independent recruitment agency.	We do not consider Danielle's employment for such a brief period is relevant to the issue of the Administrators independence. We consider it will not influence the ability of the Administrators to fully comply with the statutory and fiduciary obligations associated with the appointment; and we consider it will not influence the objectivity, impartiality or judgement of the Administrators in performing those duties.

At the request of the Australian Securities and Investments Commission we annex the following additional information which would not normally be required to be provided to creditors as part of this disclosure:

- Annexure A A more detailed summary of tax work carried out by Pitcher Partners for Mr Kiernan and companies related to him.
- Annexure B Information pertaining to the restructuring of Consolidated Minerals Limited over a decade ago.
- Annexure C Information pertaining to the liquidation of the Barron Group of companies of which Mr David Humann was a director.

To the best of our knowledge there are no other prior professional or personal relationships that should be disclosed.

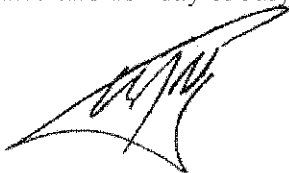
Prior Engagements for the Insolvent

Details of the two very limited scope and very brief prior engagements are detailed in the table above.

Indemnities

We have not been indemnified in relation to this administration, other than any indemnities that we may be entitled to under statute.

Dated this 21st day of July 2008



Christopher John Munday



Bryan Kevin Hughes

*Annexure A***Summary of the work performed by Pitcher Partners for entities related to Mr Michael Kiernan for inclusion in the Administrators' revised DIRRI.**

The IPA Code of Professional Conduct cl 6.6.1 deals with Immaterial Professional Relationships. It requires a Practitioner MUST disclose to creditors in the DIRRI

- The nature of the services provided in the prior professional relationship;
- The period or periods over which the services were provided;
- The fees received for those services, the unbilled time (if any) and outlays and any amounts written off; and
- An explanation why the relationship does not result in a lack of independence.

We provide below an updated DIRRI expanding on the matters already provided in our original DIRRI. Billed amounts are invoiced amounts including any outlays but exclusive of GST.

Work conducted by Pitcher Partners for Michael Kiernan –Personal Tax

1. Preparation of advice during the month of November 2005 in relation to the transferring of property from Mr Kiernan's name into a private company. Total fees billed \$1,000 plus GST and written off \$265.
2. Preparation of advice during the month of February 2006 in relation to the structure of Eligible Termination Payment from Consolidated Minerals Limited to Michael Kiernan. Total fees billed (to Consolidated Minerals Limited) were \$2,200 plus GST. Total amounts written off were \$409.
3. Preparation of advice during the month of May 2006 re. GST implications on the sale of an office and implications arising from loan settlements taking into consideration recent Federal Budget announcements. Total fees billed amounted to \$2,200 plus GST. Total amounts written off were \$439.
4. Provision of professional services during the period 15 March to 15 June 2007 in relation to Income Tax Returns for the year ended 30 June 2006. Total fees received amounted to \$1,000 plus GST. Total amounts written off, Nil.
5. Preparation of advice for period ending 12 September 2006 re. tax implications for Mr Kiernan in relation to Employee Share Scheme from Monarch Gold Mining Company Limited, Uran Limited and Mineral Resource Limited. Total fees billed amounted to \$6,500 plus GST. Total amounts written off were \$2,478.
6. Preparation of advice during the period 1 September to 31 December 2006 for advice and correspondence in relation to Executive Service Agreements and Employee Share Options. Total fees billed were \$1800 and total amounts written off were \$224.
7. Preparation of advice during the period 15 March to 15 June 2007 in relation to the review of the taxation implications associated with various employee

Annexure A

- options. Total fees billed were \$6,000 plus GST and total amounts written off were \$4,756.
8. Preparation of advice during the month of September 2007. Total fees billed amounted to \$3,000 plus GST and total written off \$850.
 9. Preparation of advice during the month of September 2007. Preparation of Financial Position for Mr Kiernan and registering him as a sophisticated investor. Total fees billed amounted to \$1,000 plus GST with \$163 written off.
 10. Professional services during the month of September 2007 including various discussions with ATO, fees billed \$950 with \$1,518 written off.
 11. Provision of professional services during the period 1 February 2008 to 31 March 2008 in relation to Income Tax Returns for the year ended 30 June 2007. Total fees received amounted to \$2,900 plus GST. Total amounts written off, Nil. Preparation of advice during the month of March 2008 re. calculation of the assessable amounts received from various Employee Share Schemes; Correspondence with Mineral Resources and Peel Exploration regarding the details of employee options and subsequent market values and calculation of capital gains on the disposal of shares
 12. Preparation of advice during the month of April and May 2008 re. Deductible Gift Recipient Status of St Lawrence Building Fund; no fees billed, write off of \$4980 as charity related.

Work conducted by Pitcher Partners for Crawley Investments Pty Ltd – a private company of Mr Kiernan.

1. Provision of professional services during the period 15 March to 15 June 2007 in relation to Income Tax Returns for the year ended 30 June 2006. Total fees received amounted to \$4,000 plus GST. Total amounts written off \$13,244.
2. Provision of professional services for period 15 June 2007 to 28 September 2007 in relation to the Preparation of Business Activity Statements for December 2006 to 30 June 2007. Total fees billed were \$5,000 plus GST with \$5,045 written off.
3. Interim fee (period 1 September to 22 November 2007) for provision of financial statements and Income Tax Returns for the year ended 30 June 2007. Total fees received amounted to \$1,600 plus GST. Total amounts written off \$3,302.
4. Provision of professional services for period 1 September 2007 to 22 November 2007 in relation to the Preparation of Business Activity Statements for September 2007. Total fees billed were \$1,800 plus GST with \$2,982 written off.
5. Final fee (period 1 February to 31 March 2008) for provision of financial statements and Income Tax Returns for the year ended 30 June 2007. Total fees received amounted to \$8,700 plus GST. Total amounts written off \$2,131.

Annexure A

Specific work conducted in respect of the year ended 30 June 2007 included:

- Correspondence with Frank Campagna and work completed in reconciling the historical share holdings of Crawley and its various cost bases;
 - Reconciling the invoices paid and monies received on behalf of Monarch Resources, India Resources and Crawley Resources Ltd;
 - Reconciling loan balances between Monarch Resources, India Resources and Crawley Investments Pty Ltd and reconciling the movement in the loan balance between Imperial Resources Pty Ltd and Crawley Investments Pty Ltd.
6. Provision of professional services for period 1 February 2008 to 31 March 2008 in relation to the Preparation of Business Activity Statements for December 2007 quarter. Total fees billed were \$1,800 plus GST with \$Nil written off.
 7. Provision of professional services for the month of April 2008 in relation to the Preparation of Business Activity Statements for March 2008 quarter. Total fees billed were \$1,800 plus GST with \$20 written off.

Work conducted by Pitcher Partners for Imperial Resources Pty Ltd – a private company of Mr Kiernan.

1. Provision of professional services during the period 15 March to 15 June 2007 in relation to Income Tax Returns for the year ended 30 June 2006. Total fees received amounted to \$1,500 plus GST. Total amounts written off Nil.
2. Provision of professional services during the period for period 1 September 2007 to 22 November 2007 in relation to Income Tax Return and Financial Statements for year ended 2007 and interim financial statements for period to 30 September 2007. Total fees received amounted to \$5,100 plus GST. Total amounts written off \$703.
3. Preparation of advice in December 2007 re. Loans to Imperial related parties (not Monarch); dividend payment to clear loans and Franking Credits available, also tax affect of realising Foreign Exchange gains. Total fees billed amounted to \$1725 plus GST with amounts written off \$366.
4. Preparation of advice during March 2008 re. Imperial Minerals Restructure, with fees totalling \$11,300 plus GST, with an amount of \$16 written off. Services provided including:
 - Meeting with Frank Campagna discussing the history of Imperial Resources Pty Ltd and the desired outcome of the restructure;
 - Considering relevant tax provisions and its potential impact on the strategy outlined;
 - Considering the potential application of applicable tax rules;
 - Addressing any stamp duty issues on the termination of Imperial agreements and share transfer forms;
 - Preparation of the memorandum outlining a possible strategy;

Annexure A

- Preparation of financial statements to the date of transfer, 21 December 2007.

In summary, as previously stated in our DIRRI issued to creditors, the above prior professional relationship with an associate of the Group (Mr Kiernan) does not breach the IPA code in respect of independence. We do not see how the provision of advice to Mr Kiernan, entirely in relation to his personal tax position and those of his private companies, will impact the Administrators role in respect of the Group. Further, it is the Administrator's view it will not influence the ability of the Administrators to fully comply with the statutory and fiduciary obligations associated with the appointment; and we consider it will not influence the objectivity, impartiality or judgement of the Administrators in performing those duties.

Annexure B

**Summary of the work performed by Pitcher Partners for entities related to
Mr Michael Kiernan for inclusion in the Administrators' revised DIRRI.**

In February 1998 Mr Hughes was the lead Partner on the reconstruction of the Valiant Consolidated Limited group of companies. The successful bidder with a recapitalisation proposal for the parent company was Mr Michael Kiernan. There are Directors on the boards of such companies as Consolidated Minerals Ltd, Midwest Corporation Ltd, Psivida Ltd, Adelphi Energy Ltd, Amcom Telecommunications Ltd, Yilgarn Mining Ltd, Yilgarn Gold Ltd, Joyce Corporation Ltd, Deep Yellow Ltd, Lach Drummond Resources Ltd who Mr Hughes enjoys exactly the same business relationship with and whom he periodically stays in touch with in the same manner as part of his marketing role as Managing Partner of Pitcher Partners.

Annexure C

**Summary of the work performed by Pitcher Partners for entities related to
Mr David Humann for inclusion in the Administrators' revised DIRRI.**

Furthermore, Pitcher Partners are the liquidators of the Barron group of companies. This appointment was in approximately in 2001. Mr David Humann, a Director of Monarch Gold Mining Company Ltd and the Monarch group companies and formerly of Territory Resources Ltd was a Director of the Barron group. We reached a confidential settlement with Mr Humann pertaining to that liquidation.