



MONARCH RESOURCES LIMITED

62 Colin Street West Perth,
Western Australia 6005
Telephone: 61-8 9321 3633
Facsimile: 61-8 9321 3644

6 November 2002



Manager Announcements
Company Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

FACSIMILE: 1300 300 021
(26 PAGES)

Dear Sir/Madam

NOTICE OF MEEING AND FINANCIAL REPORT

Please find enclosed copies of the notice of annual general meeting and financial report of Monarch Resources Limited for the period ended 30 June 2002, which have been despatched to shareholders.

Yours faithfully


FRANK CAMPAGNA
Company Secretary

AUSTRALIAN STOCK EXCHANGE



MRS000004



MONARCH RESOURCES LIMITED

62 Colin Street West Perth,
Western Australia 6005
Telephone: 61-8 9321 3633
Facsimile: 61-8 9321 3644

6 November 2002

Dear Shareholder

On behalf of the Board of Directors of Monarch Resources Limited, I am pleased to welcome you as a shareholder of the Company.

As you are aware, the Company's shares listed on the Australian Stock Exchange on Tuesday, 29 October, under the trading code MRS.

Enclosed is the notice for our inaugural annual general meeting of shareholders, which is to be held at 10.30 a.m. on 12 December 2002 at the Celtic Club, 48 Ord Street, West Perth, Western Australia.

Enclosed is the financial report of the Company for the period to 30 June 2002. These financial statements relate to the period before the initial public offering and the listing of the Company and are therefore not reflective of the Company's current financial position. They are required to be distributed to shareholders as year end accounts. The capital raising and float took place after this year end period.

For the record, the Company currently has \$2.35 million in cash reserves, after the float and following settlement to acquire the Lake Johnston tenement portfolio and payment of expenses of the prospectus. We have commenced a comprehensive review of all geological data on the Lake Johnston tenements and will soon be embarking on targeted exploration programmes on the tenement areas.

I hope that you can attend the annual general meeting and I look forward to meeting you then.

Yours sincerely

MICHAEL KIERNAN
Director

MONARCH RESOURCES LIMITED

ABN 69 100 038 266



NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date and time of meeting

12 December 2002 at 10.30 a.m.

Place of meeting

Celtic Club
48 Ord Street
West Perth, Western Australia

MONARCH RESOURCES LIMITED

ABN 69 100 038 266

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Monarch Resources Limited ("Company") will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Thursday, 12 December 2002 at 10.30 a.m.

The explanatory memorandum and proxy form accompanying this notice of meeting are incorporated in and comprise part of this notice of meeting.

AGENDA**ORDINARY BUSINESS**

To receive and consider the annual financial report of the Company and the reports of the directors and auditors for the financial period ended 30 June 2002.

To consider and if thought fit to pass, with or without amendment, the following resolutions as ordinary resolutions.

1. Re-election of Colin Smith as a director

"That Mr Colin Lindsay Smith, being a director of the Company, retires in accordance with Clause 11.12 of the Constitution of the Company and Listing Rule 14.4 of the Listing Rules of Australian Stock Exchange Limited and being eligible for re-election, be hereby re-elected as a director of the Company."

2. Re-election of Michael Kiernan as a director

"That Mr Michael Laurence Kiernan, being a director of the Company, retires in accordance with Clause 11.12 of the Constitution of the Company and Listing Rule 14.4 of the Listing Rules of Australian Stock Exchange Limited and being eligible for re-election, be hereby re-elected as a director of the Company."

3. Re-election of David Macoboy as a director

"That Mr David Michael Macoboy, being a director of the Company, retires in accordance with Clause 11.12 of the Constitution of the Company and Listing Rule 14.4 of the Listing Rules of Australian Stock Exchange Limited and being eligible for re-election, be hereby re-elected as a director of the Company."

4. Re-appointment of Ernst & Young as auditors

"That pursuant to Section 327 of the Corporations Act and for all other purposes, Ernst & Young be re-appointed as auditors of the Company."

By order of the Board

Frank Campagna
Company Secretary

Perth, Western Australia
4 November 2002

NOTES

A member of the Company who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote for the member at the meeting. A proxy need not be a member of the Company.

A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the proxy instructions on that form.

In accordance with Regulation 7.11.37 of the Corporations Regulations, the directors have determined that the identity of those entitled to attend and vote at the meeting is to be taken to be those persons who held shares in the Company as at 10.30 a.m. on 10 December 2002.

MONARCH RESOURCES LIMITED**ABN 69 100 038 266****EXPLANATORY MEMORANDUM**

This explanatory memorandum has been prepared for the information of shareholders of Monarch Resources Limited ("Company") in connection with the business to be considered at the forthcoming annual general meeting of the Company and should be read in conjunction with the accompanying notice of meeting.

ANNUAL FINANCIAL REPORT

The financial report of the Company for the period from the date of incorporation on 26 March 2002 to 30 June 2002 (including the financial statements, directors' report and auditor's report) was distributed to shareholders along with this notice of meeting.

Time will be allowed during the annual general meeting for consideration by shareholders of the financial report and the associated directors' and auditor's reports.

RE-ELECTION OF DIRECTORS (RESOLUTIONS 1 TO 3)

Mr Colin Smith, Mr Michael Kiernan and Mr David Macoboy were all appointed as the founding directors upon incorporation of the Company on 26 March 2002.

In accordance with Clause 11.12 of the Company's constitution and Listing Rule 14.4 of the Listing Rules of Australian Stock Exchange Limited, any director appointed to fill a casual vacancy or as an additional director holds office until the next general meeting and is then eligible for re-election.

Messrs Smith, Kiernan and Macoboy therefore retire at the forthcoming annual general meeting in accordance with the Constitution and being eligible, have each offered themselves for re-election at the meeting.

RE-APPOINTMENT OF ERNST & YOUNG AS AUDITORS (RESOLUTION 4)

The firm of Arthur Andersen was appointed as the first auditors of the Company in April 2002. Arthur Andersen subsequently resigned as auditors following a merger with Ernst & Young. The Directors therefore appointed Ernst & Young to fill the vacancy in the office of auditor. Under the Corporations Act, an auditor appointed by the Directors' to fill a casual vacancy holds office until the next annual general meeting.

Accordingly, in accordance with Section 327(5)(b) of the Corporations Act, the approval of the appointment of Ernst & Young as auditor of the Company is sought.

A copy of the nomination is attached to this explanatory statement in accordance with Section 328(3) of the Corporations Act. Ernst & Young have consented in writing to their appointment as auditor to the Company.

SHAREHOLDER'S NOMINATION OF AUDITOR

Company Secretary
Monarch Resources Limited
62 Colin Street
WEST PERTH WA 6005

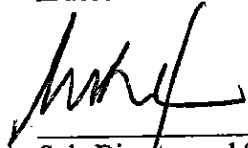
Dear Sir

We, Crawley Investments Pty Ltd, being a member of Monarch Resources Limited, hereby nominate Ernst & Young, Chartered Accountants, of 152 St. George's Terrace, Perth, Western Australia for appointment as auditor at the annual general meeting of shareholders of Monarch Resources Limited to be held at 10.30 a.m. on 12 December 2002.

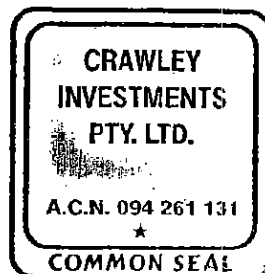
The appointment of Ernst & Young is due to the office of auditor becoming vacant by virtue of the resignation of Messrs Arthur Andersen (Perth) as auditor of the Company.

Please distribute copies of this notice of nomination as required by Section 328(3) of the Corporations Act.

Executed by)
CRAWLEY INVESTMENTS PTY LTD)
ACN 094 261 131)
in accordance with the Corporations Act:)



Sole Director and Sole Secretary



Dated this 4th day of November 2002

MONARCH RESOURCES LIMITED**ABN 69 100 038 266****PROXY FORM**

Company Secretary
 Monarch Resources Limited
 62 Colin Street
 West Perth Western Australia 6005

FACSIMILE: (08) 9321 3644

I/We _____
 being a member of Monarch Resources Limited,

holding _____ shares in the capital of the Company,

hereby appoint _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote on my/our behalf at the annual general meeting of the Company to be held on Thursday, 12 December 2002 at the Celtic Club, 48 Ord Street, West Perth, Western Australia, and at any adjournment thereof. If no voting directions are given, the Chairman will vote in favour of each resolution.

Instructions on voting

	FOR	AGAINST	ABSTAIN
Resolution 1 Re-election of Colin Smith as a director	☐	☐	☐
Resolution 2 Re-election of Michael Kiernan as a director	☐	☐	☐
Resolution 3 Re-election of David Macoboy as a director	☐	☐	☐
Resolution 4 Re-appointment of Ernst & Young as auditors	☐	☐	☐

OR

If you do not wish to direct your proxy how to vote, please place a mark in this box.

☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he/she has an interest in the outcome of the resolution and votes cast by him/her other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote in favour of each resolution.

Signed this _____ day of _____ 2002

Individuals and joint holders to sign:**Companies to sign (affix common seal if applicable):**

Signature _____

 Director, or sole director and sole secretary
 (please delete as applicable)

Signature _____

Director or Company Secretary _____

VOTING BY PROXY

1. A member of the Company entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member) to attend and vote on his/her behalf.
2. If the member is entitled to cast two or more votes at the meeting, they may appoint two proxies. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, then each proxy may exercise half of the votes.
3. The proxy form must be received at the Company's registered office at 62 Colin Street, West Perth, Western Australia, 6005, or by facsimile on (08) 9321 3644 and in both cases, not less than 48 hours before the time of the holding of the meeting.
5. In the case of joint holders of a share in the Company the vote of the senior who tenders a vote, whether in person or by proxy, attorney or representative, must be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the register.
6. An instrument appointing a proxy must be in writing under the hand of the appointor or of the appointor's attorney, duly authorised in writing or, if the appointor is a corporation, under seal.
7. A copy of the power of attorney must be lodged for any proxy appointed under a power of attorney.
8. A proxy for a corporation must be appointed under the common seal of the corporation or signed in accordance with the requirements of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company; or
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary, that director.

For the Company to rely on the assumptions set out in sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

9. If no voting instructions are marked on the proxy form then the proxy may vote as he/she thinks fit or may abstain from voting.

If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the shareholder's behalf on a poll and the shares the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned and the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the meeting which do not contain a direction how to vote will be used to support each of the resolutions proposed in the notice of meeting.



MONARCH RESOURCES LIMITED

ABN 69 100 038 266

FINANCIAL REPORT

**FOR THE PERIOD FROM THE DATE OF
INCORPORATION TO 30 JUNE 2002**

MONARCH RESOURCES LIMITED**ABN 69 100 038 266****CORPORATE DIRECTORY****BOARD OF DIRECTORS**

Colin L Smith
Michael L Kiernan
David M Macoboy

COMPANY SECRETARY

Frank J Campagna

REGISTERED OFFICE

62 Colin Street
West Perth WA 6005

Telephone: (61 8) 9321 3633
Facsimile: (61 8) 9321 3644
E-mail: admin@mrl.com.au
Web-site: www.mrl.net.au

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2
45 St George's Terrace
Perth WA 6000

Telephone: (61 8) 9323 2000
Facsimile: (61 8) 9323 2033
E-mail: perth.services@computershare.com.au
Web-site: www.computershare.com.au

AUDITORS

Ernst & Young
Chartered Accountants

SOLICITORS

Steinepreis Paganin

BANKERS

Bank of Western Australia Limited

Monarch Resources Limited ("Company") is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

62 Colin Street
West Perth
Western Australia 6005

A description of the nature of the Company's operations and principal activities is included in the attached Directors' Report. Monarch Resources Limited has no direct employees.

MONARCH RESOURCES LIMITED**DIRECTORS' REPORT**

The Directors of Monarch Resources Limited ("Company") provide hereunder their report as to the results and state of affairs of the Company for the period from the date of incorporation of the Company on 26 March 2002 to 30 June 2002.

DIRECTORS

The names of the Directors of the Company in office during the course of the financial period and up to the date of this report are as follows:

Colin L Smith	(appointed on 26 March 2002)
Michael L Kiernan	(appointed on 26 March 2002)
David M Macoboy	(appointed on 26 March 2002)

Unless indicated otherwise, all Directors held their position as a Director throughout the entire financial period and up to the date of this report.

PRINCIPAL ACTIVITIES

The Company was registered on 26 March 2002. Since incorporation the Company raised initial equity capital and entered into an agreement to acquire prospective mining tenements in Western Australia.

During the period, the Company commenced the preparation of a prospectus for an initial public offering and made application for its securities to be listed for quotation on Australian Stock Exchange Limited ("ASX").

RESULTS OF OPERATIONS

The net loss of the Company for the period from 26 March 2002 to 30 June 2002 after income tax was \$14,638.

REVIEW OF OPERATIONS

During the financial period, the Company raised \$223,000 in seed capital. The Company investigated several investment opportunities and subsequently entered into an agreement to acquire mining tenements located in the Lake Johnston region of Western Australia.

The Company commenced the preparation of a prospectus for an initial public offering and made application for its securities to be listed for quotation on the ASX.

DIVIDENDS

No amounts were paid by way of dividend since the date of registration of the Company. The Directors do not recommend the payment of a dividend.

OPTIONS GRANTED OVER UNISSUED SHARES

At the date of this report, there are no ordinary fully paid shares which are subject to options.

SIGNIFICANT CHANGES

- (a) The Company raised \$223,000 in seed capital during the financial period, by the issue of 25,000,000 ordinary fully paid shares.
- (b) The Company entered into an agreement with Bullion Minerals Limited ("Bullion") to acquire Bullion's 100% interest in Rainbush Investments Pty Ltd, its 80% interest in Delvale Investments Pty Ltd (both of which hold tenements in the Lake Johnston greenstone belt), tenements owned 100% by Bullion and its 80% interest in tenements in the Lake Johnston Joint Venture. Under the terms of the agreement, the Company will or has paid Bullion the following amounts:
 - \$50,000 on execution of the agreement;
 - \$250,000 on or before 29 October 2002;
 - \$250,000 on or before 31 December 2002;

MONARCH RESOURCES LIMITED

- the issue of 3,500,000 fully paid shares in the Company at an issue price of 20 cents per share on the date that the Company obtains approval from the ASX for the quotation of the Company's securities on the official list of the ASX. In the event that the approval by the ASX for quotation of the Company's securities is not received before 31 December 2002, the Company must pay \$700,000 in cash to Bullion on or before 31 December 2003; and
- a 1% gross royalty on all gold production and a 1% net smelter royalty on all base metal production.

Conditions relating to the agreement, including the approval of shareholders of Bullion, had not been satisfied as at balance date. All conditions to the agreement were satisfied subsequent to the end of the financial period.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Significant events which have occurred subsequent to the end of the financial period are contained in Note 21 to the financial report.

LIKELY DEVELOPMENTS

The Company will undertake exploration and evaluation programmes on the Lake Johnston mining tenements as outlined in the prospectus issued by the Company and dated 9 August 2002. The Company may also evaluate other prospective resources projects in which the Company may participate.

In the opinion of the Directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the Company and the expected results of those operations in subsequent years.

INFORMATION ON DIRECTORS

DIRECTORS	QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES	SHARES BENEFICIALLY HELD
Colin L Smith Chairman	Dip. Mining, WASM, FAusIMM Mr Smith is an independent minerals consultant with over 40 years experience, including extensive general management, corporate and directorial experience in the iron ore, gold, lead-zinc and uranium industries, primarily in Australia and Ghana. Mr Smith is currently Chairman of Consolidated Minerals Limited.	1,100,000 shares
Michael L Kiernan Non-Executive Director	B.Bus. Mr Kiernan has over 25 years experience in the transport, processing and mining contracting industries. He has been involved with all the major manganese projects of the East Pilbara. His experience includes gold, iron ore, nickel, barytes and tin projects. He has held executive positions with Australia's major transport and mining contractors and is currently Managing Director of Consolidated Minerals Limited.	13,030,002 shares
David M Macoboy Non-Executive Director	B.Ec, B.Comm, CPA Mr Macoboy is a certified practising accountant with degrees in both economics and commerce. He has extensive experience in banking, finance and general management in a range of industries having held senior positions in banking, investment banking, media and mining companies. Mr Macoboy is currently Finance Director for Consolidated Minerals Limited.	1,100,000 shares

The Company has entered into indemnity agreements with each of the Directors and officers of the Company. Under the agreements, the Company will indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as officers of the Company or any related entities.

No remuneration was paid during the financial period to any Directors or executive officers of the Company.

MONARCH RESOURCES LIMITED**MEETINGS OF DIRECTORS**

The number of meetings of the Board of Directors of the Company held during the period ended 30 June 2002, and the number of meetings attended by each Director are as follows:

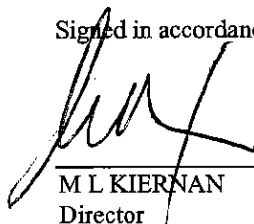
	Number held whilst in office	Number attended
C L Smith	2	2
M L Kiernan	2	2
D M Macoboy	2	2

The Company does not have a separate audit committee. The Directors believe that the Company is not currently of a size nor are its affairs of such complexity to warrant the establishment of a separate audit committee. Accordingly, all matters capable of delegation to an audit committee are considered by the full Board of Directors.

ENVIRONMENTAL REGULATIONS

The proposed exploration operations of the Company will be subject to environmental regulation. These obligations are regulated under both Australian state and federal law. Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified by any government agency during the period ended 30 June 2002.

Signed in accordance with a resolution of the Directors.



M L KIERNAN
Director

Perth, Western Australia
24 October 2002

MONARCH RESOURCES LIMITED**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD 26 MARCH 2002 TO 30 JUNE 2002**

	NOTE	PERIOD ENDED 30.06.02 \$
Revenues from ordinary activities	2	1,056
Expenses from ordinary activities	3	<u>15,694</u>
Loss from ordinary activities before income tax expense		14,638
Income tax expense	4	<u>-</u>
Net loss attributable to members of Monarch Resources Limited		14,638
Total revenues, expenses and valuation adjustments attributable to members of Monarch Resources Limited recognised directly in equity		-
Total changes in equity other than those resulting from transactions with owners as owners		<u><u>14,638</u></u>
Earning per share		
- basic loss per share (cents per share)	20	(0.01)
- diluted loss per share (cents per share)	20	(0.01)

The accompanying notes form part of this statement of financial performance.

MONARCH RESOURCES LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002**

	NOTE	30.06.02
		\$
CURRENT ASSETS		
Cash assets	5	172,569
Receivables	6	1,489
Prepayments	7	<u>22,373</u>
TOTAL CURRENT ASSETS		<u>196,431</u>
NON-CURRENT ASSETS		
Deferred exploration expenditure	8	<u>50,000</u>
TOTAL NON-CURRENT ASSETS		<u>50,000</u>
TOTAL ASSETS		<u>246,431</u>
CURRENT LIABILITIES		
Payables	9	<u>38,067</u>
TOTAL CURRENT LIABILITIES		<u>38,067</u>
TOTAL LIABILITIES		<u>38,067</u>
NET ASSETS		<u>208,364</u>
EQUITY		
Contributed equity	10	223,002
Accumulated losses	12	<u>(14,638)</u>
TOTAL EQUITY		<u>208,364</u>

The accompanying notes form part of this statement of financial position.

MONARCH RESOURCES LIMITED**STATEMENT OF CASH FLOWS
FOR THE PERIOD 26 MARCH 2002 TO 30 JUNE 2002**

	NOTE	PERIOD ENDED 30.06.02 \$
Cash flows from operating activities		
Payments to suppliers and employees		(1,489)
Interest received		<u>1,056</u>
Net cash outflow from operating activities	19	<u>(433)</u>
Cash flows from investing activities		
Payments for acquisition of mineral tenements		<u>(50,000)</u>
Net cash inflow from investing activities		<u>(50,000)</u>
Cash flows from financing activities		
Proceeds from issues of shares		<u>223,002</u>
Net cash inflow from financing activities		<u>223,002</u>
Net increase in cash held		172,569
Cash at the beginning of the financial period		<u>-</u>
Cash at the end of the financial period	5	<u><u>172,569</u></u>

The accompanying notes form part of this statement of cash flows.

MONARCH RESOURCES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2002****1. STATEMENT OF ACCOUNTING POLICIES****1.1 BASIS OF PREPARATION OF THE FINANCIAL REPORT**

This financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accrual basis and is based on historical cost and does not take into account changing money values or, except where stated, current valuations of non-current assets.

Cost is based on the fair values of the consideration given in exchange for assets.

The Company was registered on 26 March 2002. This financial report is for the period from the date of registration of the Company to 30 June 2002.

1.2 COMPARATIVE INFORMATION

No comparative information is available for the previous financial period as the Company was registered on 26 March 2002.

1.3 INCOME TAX

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit or loss (after allowing for permanent differences). The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

1.4 DEFERRED EXPLORATION EXPENDITURE

Exploration and evaluation expenditure is accumulated separately for each area of interest and is capitalised on the following basis:

- (a) each area of interest is considered separately when deciding whether and to what extent to carry forward or write off exploration and evaluation costs,
- (b) exploration and evaluation costs related to an area of interest are carried forward provided that rights to tenure of the area of interest are current and provided further that one of the following conditions are met:
 - such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, or
 - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

1.5 RECOVERABLE AMOUNT

Where the carrying value of an individual non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The directors periodically review the carrying values of non-current assets and in determining recoverable amount, the expected net cash flows are not discounted to their present values.

1.6 FINANCIAL INSTRUMENTS*Financial instruments included in equity*

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders. Dividend entitlements are recognised as an appropriation of profit in the period to which they relate.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

MONARCH RESOURCES LIMITED*Financial instruments included in liabilities*

Loans payable are recorded as liabilities and are recognised at the amount of the net proceeds received. Interest is recognised as an expense in the period to which it relates. Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Financial instruments included in assets

Trade and other debtors are initially recorded at the amount of contracted proceeds.

1.8 EARNINGS PER SHARE

Basic earnings per share is determined by dividing net operating results after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to potential ordinary shares.

1.7 CASH

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

	PERIOD ENDED 30.06.02 \$
2. OPERATING REVENUE	
Interest received – other corporations	1,056
	<u>1,056</u>
3. PROFIT AND LOSS ITEMS	
Loss from ordinary activities is after charging the following expenses:	
Formation expenses	1,200
Legal fees	5,583
Audit fees	5,000
Corporate advisory fees	2,485
Other	1,426
	<u>15,694</u>
4. INCOME TAX	
The prima facie tax payable on the loss from ordinary activities is reconciled to the income tax provision in the accounts as follows:	
Loss from ordinary activities	<u>(14,638)</u>
Prima facie tax benefit at 30%	4,391
Tax effect of permanent differences:	
Non-deductible expenses	(1,500)
Non-deductible capital items	(2,035)
Current period tax loss not brought to account due to uncertainty of recoupment	<u>(856)</u>
Income tax expense	<u>-</u>
The directors estimate that the potential future income tax benefit in respect of tax losses not brought to account at an income tax rate of 30% is:	<u>856</u>

MONARCH RESOURCES LIMITED

The potential benefit of tax losses has not been brought to account in this financial report as realisation of the benefit cannot be regarded as being virtually certain.

The potential future income tax benefit will be obtainable by the Company only if:

- (a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions for the loss to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by income tax law; and
- (c) no changes in income tax legislation adversely affects the Company in realising the benefit of the deduction for the loss.

	30.06.02
	\$
CURRENT ASSETS	
5. CASH ASSETS	
Cash at bank	172,567
Cash on hand	<u>2</u>
	<u>172,569</u>
6. RECEIVABLES	
Sundry debtors	1,489
	<u>1,489</u>
7. PREPAYMENTS	
Deferred share issue expenses	<u>22,373</u>
	<u>22,373</u>

Deferred share issue expenses represent costs incurred in relation to the preparation of a prospectus for an initial public offering of shares. The capital raising was successfully concluded subsequent to the end of the financial period and consequently these costs will be transferred to contributed equity as a reduction in the share proceeds received (Refer Note 21).

NON-CURRENT ASSETS

8. DEFERRED EXPLORATION EXPENDITURE	
At cost:	
Opening balance	-
Acquisition costs	<u>50,000</u>
Closing balance	<u>50,000</u>

Acquisition costs represent the first instalment paid for the purchase by the Company of mineral tenements located in the Lake Johnston region of Western Australia (Refer Note 15(a)).

In accordance with the Company's policy on deferred expenditure, the Directors have reviewed the carrying value of mineral exploration tenements as at 30 June 2002.

The recoverability of the mineral exploration tenements carried forward is dependent upon:

- (a) the continuance of the Company's rights to tenure of the areas of interest; and
- (b) the results of future exploration; and
- (c) the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively by their sale.

MONARCH RESOURCES LIMITED**30.06.02****\$****CURRENT LIABILITIES****9. PAYABLES**

Sundry creditors and accruals

38,06738,067**10. CONTRIBUTED EQUITY**

(a) Share capital

25,000,002 ordinary fully paid shares

223,002223,002

(b) Movements in ordinary share capital

Shares**\$**

Issue of shares on incorporation of Company

2

2

Issue of shares for working capital at 0.001 cents each – 9 April 2002

23,000,000

23,000

Issue of shares for working capital at 10 cents each – 30 April 2002

2,000,000200,000

Balance 30 June 2002

25,000,002223,002

Ordinary shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

30.06.02**\$****11. EQUITY**

Total equity at the beginning of the financial period

-

Total changes in equity recognised in the statement of financial performance

(14,638)

Transactions with owners as owners:

Contributions of equity, net of transaction costs

223,002

Total equity at the end of the financial period

208,364**12. ACCUMULATED LOSSES**

Accumulated losses at the beginning of the period

-

Net loss

14,638

Accumulated losses at the end of the period

14,638**13. REMUNERATION OF DIRECTORS**

Amounts paid or due and payable to Directors from the Company and related parties in connection with the management of the Company

-

Information on transactions with Directors and director-related entities is contained in Note 17(b).

14. REMUNERATION OF AUDITORS

Amounts paid or due and payable to the auditors for auditing the financial report

5,0005,000

MONARCH RESOURCES LIMITED**15. EXPENDITURE COMMITMENTS**

- (a) Under the terms of a conditional agreement for the purchase of mineral tenements located in the Lake Johnston region of Western Australia, the Company must pay the following amounts to Bullion Mineral Limited:

- \$250,000 on or before 29 October 2002;
- \$250,000 on or before 31 December 2002;
- the issue of 3,500,000 fully paid shares in the Company at an issue price of 20 cents per share on the date that the Company obtains approval from the ASX for the quotation of the Company's securities on the official list of the ASX. In the event that the approval by the ASX for quotation of the Company's securities is not received before 31 December 2002, the Company must pay \$700,000 in cash to Bullion on or before 31 December 2003; and
- a 1% royalty on all gold production and a 1% net smelter return on all base metal production on the tenements.

Bullion Minerals Limited will retain a registered mortgage over the tenements until the purchase consideration has been paid in full. Upon settlement, stamp duty of approximately \$25,000 will be incurred by the Company.

Conditions relating to the agreement, including the approval of shareholders of Bullion Minerals Limited, had not been satisfied as at balance date. All conditions to the agreement were satisfied subsequent to the end of the financial period (Refer Note 21).

- (b) Under the terms of tenement licences held by the Company, minimum annual expenditure obligations of \$565,000 may be required to be expended during the forthcoming financial year in order for the tenements to maintain a status of good standing. This expenditure may be incurred by the Company or its joint venture partners and may be subject to variation from time to time in accordance with Department of Mineral and Petroleum Resources regulations.

16. SEGMENT INFORMATION

The Company operates predominantly in one business and geographical segment, being mineral exploration in Western Australia, and all of the assets of the Company are deployed for these purposes. The Company's primary segmentation is its business segmentation.

17. RELATED PARTIES**(a) DIRECTORS**

The names of persons who were Directors of the Company at any time during the financial period are as follows:

C L Smith	(appointed on 26 March 2002)
M L Kiernan	(appointed on 26 March 2002)
D M Macoboy	(appointed on 26 March 2002)

(b) RELATED PARTY TRANSACTIONS

Directors and director-related entities

During the financial period, each of the Directors subscribed for shares, either directly or indirectly, in the Company.

Interests in the securities of the Company held by Directors and their director-related entities as at 30 June 2002 are as follows:

	Fully paid shares
C L Smith	1,000,000
M L Kiernan	13,000,002
D M Macoboy	1,000,000

MONARCH RESOURCES LIMITED

18. FINANCIAL INSTRUMENTS

(a) Credit risk exposure

Credit risk relates to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The exposure of the Company to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of the assets as indicated in the statement of financial position.

(b) Net fair values

The fair values of all financial assets and liabilities approximate their carrying values as indicated in the statement of financial position.

(c) Interest rate risk exposure

Interest rate risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The exposure of the Company to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below.

30 June 2002

	Note	Floating interest rate \$	Fixed interest maturing in: 1 year or less \$	Over 1 year to 5 years \$	Non-interest bearing \$	Total \$
<i>Financial assets</i>						
Cash assets	5	172,567	-	-	2	172,569
Receivables	6	-	-	-	1,489	1,489
		<u>172,567</u>	<u>-</u>	<u>-</u>	<u>1,491</u>	<u>174,058</u>
Weighted average interest rate		3.6%	-	-		
<i>Financial liabilities</i>						
Payables	9	-	-	-	38,067	38,067
		<u>-</u>	<u>-</u>	<u>-</u>	<u>38,067</u>	<u>38,067</u>
Weighted average interest rate		-	-	-		
Net financial assets/(liabilities)		<u>172,567</u>	<u>-</u>	<u>-</u>	<u>(36,576)</u>	<u>135,991</u>

19. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX

	PERIOD ENDED 30.06.02 \$
Net cash outflow from operating activities	(433)
Changes in operating assets and liabilities	
Increase in sundry debtors	1,489
Increase in deferred share issue expenses	22,373
Increase in payables	<u>(38,067)</u>
Operating loss after income tax	<u>(14,638)</u>

MONARCH RESOURCES LIMITED**30.06.02****\$****20. EARNINGS PER SHARE**

Weighted average number of ordinary shares on issue used
in the calculation of basic and diluted earnings per share

20,916,669

Loss used in the calculation of basic and diluted earnings per share

14,638

There are no dilutive potential ordinary shares.

The following movements in ordinary shares occurred subsequent to balance date:

- 13,932,500 shares were issued at 20 cents each pursuant to a prospectus dated 9 August 2002.
- 3,500,000 shares were issued as part consideration for the purchase of mining tenements.

21. SUBSEQUENT EVENTS

- (a) The Company issued a prospectus on 9 August 2002 for an initial public offering of up to 15,000,000 shares at an issue price of 20 cents each to raise up to \$3,000,000. The offer closed on 18 October 2002 with applications received for a total of \$2,786,500, being an amount in excess of the minimum subscription of \$2,750,000. A total of 13,932,500 shares were allotted and issued on 21 October 2002 pursuant to applications received under the prospectus.
- (b) On 23 October 2002, all conditions precedent were satisfied and settlement occurred on the agreement to purchase the Lake Johnston tenements from Bullion Minerals Limited. As part of the settlement, a purchase instalment of \$250,000 was paid by the Company.

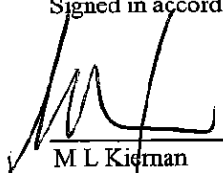
MONARCH RESOURCES LIMITED**DECLARATION BY DIRECTORS**

The Board of Directors of Monarch Resources Limited declares that:

- (a) the financial statements and associated notes comply with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) the financial statements and associated notes give a true and fair view of the financial position as at 30 June 2002 and performance of the Company for the financial period ended on that date;
- (c) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The financial report has been made out in accordance with accounting standards and the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.



M L Kiernan
Director

Perth, Western Australia
24 October 2002



■ Central Park
152 St Georges Terrace
Perth WA 6000
Australia

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

INDEPENDENT AUDIT REPORT

To the members of Monarch Resources Limited:

Scope

We have audited the financial report of Monarch Resources Limited for the period 26 March 2002 to 30 June 2002, as set out on pages 5 to 15, including the Directors' Declaration. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

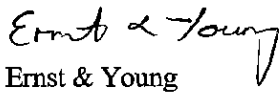
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

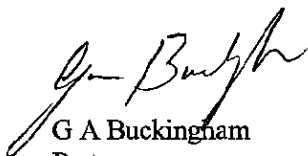
The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Monarch Resources Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2002 and its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.


Ernst & Young


G A Buckingham
Partner
Perth

Date: 24 October 2002