MONARCH RESOURCES LIMITED

ABN 69 100 038 266

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2002

MONARCH RESOURCES LIMITED

ABN 69 100 038 266

CORPORATE DIRECTORY

BOARD OF DIRECTORS
Colin L Smith (Chairman)
Michael L Kiernan
David M Macoboy
Phillip P Botsis

COMPANY SECRETARY
Frank J Campagna

REGISTERED OFFICE
62 Colin Street
West Perth WA 6005

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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

SOLICITORS
Bank of Western Australia Limited

STOCK EXCHANGE LISTING
Shares in Monarch Resources Limited are
quoted on Australian Stock Exchange Limited.
ASX code: MRS

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MONARCH RESOURCES LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors of Monarch Resources Limited ("Monarch" or "parent entity") present their report on the results and state of affairs of the consolidated entity (consisting of Monarch and its controlled entities) for the half year ended 31 December 2002.

DIRECTORS
The names of the Directors of Monarch in office during the course of the financial period and at the date of this report are as follows:

Colin Lindsay Smith
Michael Laurence Kiernan
David Michael Macoboy
Phillip Peter Botsis (appointed on 3 February 2003)

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

RESULTS OF OPERATIONS
The net loss of the consolidated entity after provision for income tax was $87,621.

REVIEW OF OPERATIONS
Monarch was incorporated on 26 March 2002. A prospectus was issued 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.

Monarch's shares commenced trading on the Australian Stock Exchange on 29 October 2002 under trading code MRS.

The purchase of the Lake Johnston project areas (comprising a total of 24 mining tenements) from Bullion Minerals Limited ("Bullion") was completed in October 2002. The purchase consideration comprised $575,000 cash, payable in instalments, the issue of 3,500,000 shares to Bullion and a 1% production royalty on the tenements. Payment of the final cash instalment of $250,000 was made to Bullion in December 2002.

Following completion of the initial public offering, a detailed review of all geological, geochemical and geophysical data on the Lake Johnston project areas was undertaken by specialist geological consultants. The purpose of the review was to assist in finalising exploration programmes and strategies for the 2003 exploration field season.

In December 2002, Monarch acquired 22 million shares in the listed oil and gas explorer, Anzoil NL ("Anzoil"), which represents a strategic 19.7% investment in Anzoil. Anzoil is listed on the Australian Stock Exchange and its principal activities are oil and gas exploration in Australia and overseas. A director of Monarch, Mr David Macoboy, was appointed to the Board of Anzoil on 17 December 2002.

EVENTS SUBSEQUENT TO THE END OF THE HALF YEAR
Significant events which have occurred subsequent to the end of the half year are contained in Note 9 to the financial report.

Signed in accordance with a resolution of the directors.

M L Kiernan
Director

Perth, Western Australia
12 March 2003

MONARCH RESOURCES LIMITED
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CONDENSED STATEMENT OF FINANCIAL PERFORMANCE FOR THE HALF YEAR ENDED 31 DECEMBER 2002

	NOTE	CONSOLIDATED 31.12.02 $
Revenue from ordinary activities		26,377
Total revenue		26,377
Consulting fees		30,801
Legal fees		16,363
Provision for diminution in investments		43,384
Other expenses from ordinary activities		23,450
Loss from ordinary activities before income tax expense		(87,621)
Income tax expense		-
Net loss attributable to members of Monarch Resources Limited		(87,621)
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		(87,621)
		Cents
Basic earnings/(loss) per share	6	(0.28)
Diluted earnings/(loss) per share	6	(0.28)

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

MONARCH RESOURCES LIMITED
AND CONTROLLED ENTITIES

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2002

	NOTE	CONSOLIDATED 31.12.02 $	30.06.02 $
CURRENT ASSETS			
Cash assets		1,236,770	172,569
Receivables		18,970	1,489
Other financial assets		685,005	-
Prepayments		12,500	22,373
TOTAL CURRENT ASSETS		1,953,245	196,431
NON-CURRENT ASSETS			
Deferred exploration expenditure		1,410,889	50,000
TOTAL NON-CURRENT ASSETS		1,410,889	50,000
TOTAL ASSETS		3,364,134	246,431
CURRENT LIABILITIES			
Payables		71,487	38,067
TOTAL CURRENT LIABILITIES		71,487	38,067
TOTAL LIABILITIES		71,487	38,067
NET ASSETS		3,292,647	208,364
EQUITY			
Contributed equity	2	3,352,606	223,002
Accumulated losses	3	(102,259)	(14,638)
TOTAL PARENT ENTITY INTEREST		3,250,347	208,364
Outside equity interests		42,300	-
TOTAL EQUITY		3,292,647	208,364

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

MONARCH RESOURCES LIMITED
AND CONTROLLED ENTITIES

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2002

	CONSOLIDATED 31.12.02 $
Cash flows from operating activities	
Payments to suppliers and employees	(65,128)
Interest received	26,377
Net cash outflow from operating activities	(38,751)
Cash flows from investing activities	
Payments for exploration expenditure	(32,611)
Payments for purchase of mining tenements	(550,652)
Payments for share investments	(728,389)
Net cash outflow from investing activities	(1,311,652)
Cash flows from financing activities	
Proceeds from issues of shares	2,786,500
Payments for share issue expenses	(381,896)
Proceeds from borrowings	10,000
Net cash inflow from financing activities	2,414,604
Net increase in cash held	1,064,201
Cash at the beginning of the financial period	172,569
Cash at the end of the financial period	1,236,770

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2002

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half year financial report is to be read in conjunction with the 30 June 2002 annual financial report and any public announcements made by Monarch Resources Limited and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The half year financial report has been prepared on the basis of historical costs 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. Accounting policies adopted are consistent with those applied in the 30 June 2002 annual financial report, except as specifically noted.

The half year financial report does not include full note disclosure of the type that would be normally included in an annual financial report.

Comparative information

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

	CONSOLIDATED 31.12.02 $	30.06.02 $
2. CONTRIBUTED EQUITY		
(a) Share capital		
42,557,502 (30.06.02: 25,000,002) ordinary fully paid shares	3,352,606	223,002
	3,352,606	223,002
(b) Movements in ordinary share capital	**Shares**	**$**
Opening balance 1 July 2002	25,000,002	223,002
Initial public offering	13,932,500	2,786,500
Issue of shares for purchase of mining tenements	3,500,000	700,000
Issue of shares to consultant	125,000	25,000
Less share issue expenses	-	(381,896)
Balance 31 December 2002	42,557,502	3,352,606

	CONSOLIDATED 31.12.02 $
3. ACCUMULATED LOSSES	
Accumulated losses at the beginning of the half year	14,638
Net loss attributable to members of the parent entity	87,621
Accumulated losses at the end of the half year	102,259

	CONSOLIDATED 31.12.02 $
4. TOTAL EQUITY RECONCILIATION	
Total equity at the beginning of the half year	208,364
Total changes in equity recognised in the statement of financial performance	(87,621)
Transactions with owners as owners:	
Contributions of equity, net of transaction costs	3,129,604
Total changes in outside equity interests	42,300
Total equity at the end of the half year	3,292,647

5. SEGMENT INFORMATION

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

	CONSOLIDATED 31.12.02 $
6. EARNINGS PER SHARE	
Weighted average number of ordinary shares on issue used in the calculation of basic earnings/(loss) per share	31,713,086
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings/(loss) per share	31,713,086

7. ACQUISITION OF CONTROLLED ENTITIES

The following controlled entities were acquired during the period:

Name	Date acquired	Consolidated entity's interest	Consideration $
Rainbush Investments Pty Ltd	24 October 2002	100.0%	560,000
Delvale Investments Pty Ltd	24 October 2002	80.0%	169,200

8. CONTINGENT LIABILITIES

There have been no changes in any contingent liabilities of the consolidated entity since 30 June 2002.

9. SUBSEQUENT EVENTS

A total of 21,278,750 options over fully paid shares were issued on 21 February 2003 pursuant to a non-renounceable rights issue of options. Under the terms of the rights issue, shareholders were offered one option for every two shares held, at a subscription price of 0.5 cents per option. The options are exercisable into fully paid shares at an exercise price of 20 cents each on or before 31 July 2006. The rights issue raised $106,393 before costs of the issue.

DECLARATION BY DIRECTORS

In the opinion of the Directors of Monarch Resources Limited:

1. the financial statements and notes, set out on pages 3 to 7, are in accordance with the Corporations Act 2001, including:

    (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2002 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

    (b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

M L Kiernan
Managing Director

Perth, Western Australia
12 March 2003

MONARCH RESOURCES LIMITED
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INDEPENDENT REVIEW REPORT

To the members of Monarch Resources Limited:

Scope

We have reviewed the financial report of Monarch Resources Limited for the half-year ended 31 December 2002, set out on pages 3 to 8, including the Directors' Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Monarch Resources Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the disclosing entity's personnel and analytical review procedures applied to financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement

As a result of our review, we have not become aware of any matter that makes us believe that the half-year financial report of Monarch Resources Limited is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting", and the Corporations Regulations 2001;

(b) other mandatory professional reporting requirements in Australia.

Ernst & Young

G A Buckingham
Partner
Perth, Western Australia
12 March 2003