



**QUARTERLY ACTIVITIES REPORT  
FOR THE QUARTER ENDED 31 DECEMBER 2003**

**Summary of the quarter**

The following is a summary of the exploration and corporate activities of Monarch Resources Limited for the quarter ended 31 December 2003.

- Ground geophysical surveys, consisting of almost 350 stations of time domain electromagnetics (TEM) and 34 line kilometres of pole-dipole induced polarisation (IP), were completed at **Mt Day**, which covers a northern strike extension of the Emily Ann host horizon. The surveys outlined a new bedrock conductor - **T1 North** - located around 800 metres north-west of the **T1** anomaly. **T1** was also defined in greater detail. In the coming quarter, RC drilling will test both **T1** and **T1 North**.
- More than 100 stations of 200 metre loop TEM at **Round Top Hill**, completed over nickel-anomalous ultramafic targets **T2** and **T3**, indicated no bedrock conductors.
- Following completion of a botanical survey at **Mt Gordon**, over 13 km of access tracks and grid lines have been installed or re-cleared. This work was in preparation for infill RAB drilling of the two most promising gold-anomalous bedrock target zones in the coming quarter. The RAB drilling programme commenced in mid-January and has now been completed. Within the prospect area, located about 50 km south-east of Mt Day, 5 target zones have been identified. Previous RAB drilling has returned assays of up to 1 metre at 1.7 g/t gold within broader areas of lower-grade gold anomalism in one of the zones to be tested.
- Images from recently acquired airborne magnetic data covering **Londonderry East** were used to interpret bedrock geology and structure and formulate a RAB drilling programme to test for gold in concealed bedrock areas having geological settings analogous to the nearby Bayleys, Three Mile Hill and Tindals gold deposits. This RAB programme will commence in the coming quarter.
- Geoscientific data over 11 prospecting licences recently granted at **Yerilla** have been analysed. In order to determine whether to exercise its option, Monarch will site a critical check RC hole in the coming quarter. This hole will twin previous RC hole KSC1034, which recorded assays of 10 metres @ 9.29 g/t gold from 89 metres, using a 1.0 g/t gold cut-off. Drilling problems with KSC1034 may possibly have led to sample contamination.
- Monarch and Bullion Minerals Limited have jointly entered into an option agreement over the **Republican nickel project** located within the Kambalda-Higginsville area in the Eastern Goldfields of Western Australia. The project lies approximately 45 km south-east of Kambalda and is considered prospective for nickel and gold mineralisation.



## EXPLORATION ACTIVITIES

Monarch holds interests in a portfolio of mining tenements located within Western Australia. Five projects are situated in the geologically prospective Lake Johnston area, located 540 kilometres east of Perth and three projects are located in the Eastern Goldfields, near major historical gold mining centres.

Monarch's primary exploration targets are nickel and gold.

### Lake Johnston project

The Lake Johnston project comprises 5 geographical exploration areas:

<i>Northern Tenements</i>	<i>Southern Tenements</i>
Mt Day	Mt Gordon
Round Top Hill	Lake Hope
Plover Rock	

### ***Mt Day (Northern Tenements)***

Initially, nickel exploration has been focused on 3 high priority nickel targets in the Northern Tenement areas, of which the major target is located at Mt Day.

A moving loop TEM surveying programme using Smartem V was completed over 3 km strike length of greenstone stratigraphy hosting the Emily Ann and Maggie Hays sulphide nickel deposits. The southern end of Mt Day lies 5 km north of Emily Ann. The surveys consisted of:

- detailed 100 metre and 200 metre loop follow-up of the previously defined TEM response; and
- reconnaissance 200 metre loops covering 2 km of the northern extension of a previous TEM survey.

At Target 1 (T1), 86 stations of detailed 200 metre moving coil-in-loop and 128 stations of 100 metre moving coil-in-loops were completed. The data from this TEM anomaly display some difficult characteristics due to negative near-surface transients, which were found afterwards to make the data uninterpretable. Quite extensive previous drill information suggests that there are multiple bedrock conductors, that these conductors are size-limited or that the predicted dips are quite different from those previously interpreted. The failure of previous drilling to intersect a conductor is thought to have arisen from modelling which has not corrected for these features. More TEM data will be collected over T1 in the coming quarter to pin down possible multiple conductors, prior to RC drilling.

North of the T1 anomaly, 11 lines totalling 129 stations were read using reconnaissance-style TEM coverage with 200 metre loops. Single loop anomalies were detected on two adjacent lines, about 750 metres north-west of, but apparently distinct from, T1. This new anomaly - T1 North - was followed up with 24 100 metre loops. From these data a bedrock conductor >100 metres deep was interpreted. Both T1 and T1 North will be drilled by RC in the coming quarter.

During the quarter, an IP survey, using a pole-dipole array and totalling 34 line km was completed over 5 km of strike centred on T1. Although anomalous response was defined over much of the length of the survey area, the best and shallowest responses appear to coincide with the T1 TEM response. No additional significant targets were derived from the IP survey than those outlined by the TEM.



### ***Round Top Hill (Northern Tenements)***

Moving loop TEM (adjoining 200 metres loops) was completed on target areas Target 2 (T2) and Target 3 (T3), situated 10-15 km south-west of Mt Day within nickel-anomalous ultramafic rock types.

A total of 68 loops were read at T2 and 36 loops at T3. No bedrock conductors were detected, with readings dominated by strong surficial or overburden-type response. Despite this response, the depth of detection of the system was reasonable, usually in the range of plus 600 metres. No further work is planned pending the outcome of RC drilling at Mt Day.

### ***Mt Gordon (Southern Tenements)***

The Mt Gordon tenements, located around 50 km south-east of Mt Day, occupy a broad belt of mafic and ultramafic greenstones intruded by small granite stocks. Combined interpretation of soil geochemistry, drilling and geology has identified a number of possible styles of gold target zones in the area. It also appears that a gold-bearing alteration system was active at Mt Gordon. The two best-defined target zones - Anomaly C and Anomaly D - have been previously RAB drilled to return up to 1.7 g/t gold over 1 metre.

During the quarter, a botanical survey of the target area was completed to satisfy the Department of Conservation and Land Management of the minimal impact of proposed exploration activities, which will comprise infilling with close-spaced RAB drilling. Approval to explore Mt Gordon was obtained following the end of the quarter.

Over 13 km of access tracks and grid lines have since been installed or re-cleared. RAB drilling, which will consist of infilling Anomalies C and D, each with around 50 close-spaced holes, commenced in mid-January and has now been completed.

Three lower priority target zones, outlined by anomalous gold soil geochemistry, lie along structural trends several kilometres to the west and north of Anomalies C and D. The results of the RAB drilling will be used to develop RC drill targets.

### ***Londonderry project***

The prospect area, comprising 6 prospecting licences and covering an area of approximately 10 square km, is located 10 km south of Coolgardie in Western Australia. The main target is hardrock gold mineralisation analogous to that found at the major Bayleys, Three Mile Hill and Tindals Gold Mines. Scout drilling in the mid-1990's returned anomalous gold values from deep leads, although these leads are now not considered a viable target type.

During the quarter, several images from multi-client digital airborne geophysical data, encompassing the entire prospect area and beyond, were processed. These images were used to produce a geological and structural interpretation to help identify concealed features known to be associated fundamentally with the local emplacement of gold mineralisation.

A programme of RAB drilling to bedrock is being planned for next quarter to test the area.



### **Yerilla project**

Monarch holds an option to acquire 11 prospecting licences of approximately 18.5 square km, located just to the east of the old Yerilla mining centre, some 150 km north-northeast of Kalgoorlie in Western Australia.

The Yerilla prospect is targeted for its gold potential. Best gold assay results from previous drilling in the 1990's included 17 metres at 5.7 g/t, 3 metres at 2.5 g/t, 4 metres at 2.1 g/t and 2 metres at 3.2 g/t from three areas. Bedrock, concealed by transported overburden in these anomalous areas, consists of sediments and mafic rocks.

Geological and geochemical data have been analysed. In order to determine whether to exercise the option, Monarch will site a critical check RC hole in the coming quarter. This hole will twin the previous RC hole KSC1034, which recorded assays of 10 metres @ 9.29 g/t gold from 89 metres, using a 1.0 g/t cut-off. It is possible that drilling problems with KSC1034 may have led to sample contamination and enrichment.

### **Republican nickel project**

In November 2003, Monarch and Bullion Minerals Limited (Bullion) entered into an option agreement over the Republican nickel project located in the Kambalda-Higginsville area in the Eastern Goldfields of Western Australia, and which is considered prospective for gold and nickel mineralisation.

The project lies approximately 45 km south-east of Kambalda, and consists of exploration licence 15/661. The tenement occurs to the west of the regionally significant Boulder Lefroy Fault, and covers felsic volcanic and sedimentary rocks of the Black Flag Group, overlain by mafic and ultramafic rocks of the Kalgoorlie Group. The Kalgoorlie Group includes stratigraphy interpreted as equivalent to the Kambalda Komatiite, the host lithology of the majority of nickel sulphide deposits within the Kambalda-Widgiemooltha area.

Under the terms of the option agreement, Monarch and Bullion have jointly acquired an exclusive option from the grantors to explore the tenement for all minerals until 30 June 2004 for the sum of \$40,000. Monarch and Bullion may then elect to extend the option to 31 December 2005 by payment of a further \$40,000. The option may be exercised at any time during the option period for the sum of \$312,500 in cash and \$312,500 in shares in Monarch and/or Bullion. The grantors will retain a 1% gross royalty on all minerals mined and milled from the tenement.

## **CORPORATE ACTIVITIES**

During the quarter, Monarch subscribed for an additional 250,000 shares in Anzoil NL (Anzoil) pursuant to a share purchase plan. Monarch's shareholding in Anzoil at the end of the quarter comprised 24.25 million shares representing 17.7% of Anzoil's issued share capital.

Subsequent to the end of the quarter, Monarch has sold a portion of its shareholding in Anzoil. An unsecured loan of \$100,000 is repayable by Anzoil in the coming quarter.

The second annual general meeting of shareholders of Monarch was held on 26 November 2003. All resolutions proposed were passed without amendment.



During the quarter, 312,500 listed options in Monarch were exercised into fully paid shares. The issued share capital of Monarch at the end of the quarter comprised 42,870,002 shares and 20,966,250 options.

***Michael Kiernan***

Director

*So far as it relates to ore and mineralisation, this report is based on information compiled by Mr Rodney Overton, who is a Fellow of the Australian Institute of Geoscientists and who has had more than five years relevant experience in the field of activity being reported on. This report accurately reflects the information compiled by Mr Overton. Mr Overton has consented to the inclusion of this information in the form and context in which it appears in this report.*

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# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

**Monarch Resources Limited**

ACN or ARBN

**100 038 266**

Quarter ended ("current quarter")

**31 December 2003**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(179)	(323)
(b) development	-	-
(c) production	-	-
(d) administration	(113)	(197)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other: net cash flow from goods and services tax	(3)	(1)
<b>Net operating cash flows</b>	<b>(292)</b>	<b>(512)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(24)	(60)
(b) equity investments	(5)	(55)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	15	90
(c) other fixed assets	-	-
1.10 Loans to other entities	-	(100)
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(14)</b>	<b>(125)</b>
1.13 Total operating and investing cash flows (carried forward)	(306)	(637)

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13 Total operating and investing cash flows (brought forward)	(306)	(637)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	63	63
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other	-	-
<b>Net financing cash flows</b>	<b>63</b>	<b>63</b>
<b>Net increase/(decrease) in cash held</b>		
1.20 Cash at beginning of quarter/year to date	450	781
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 <b>Cash at end of quarter (Note 1)</b>	<b>207</b>	<b>207</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	43
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments to directors and director-related entities for directors fees and the provision of technical advisory and management services to the consolidated entity.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
Total	200

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	135	90
5.2 Deposits at call	72	360
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	207	450

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased	Republican nickel project E15/661	-	-

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference *securities</b> (description) Redeemable convertible preference shares				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b> Fully paid shares	42,870,002	22,870,002		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	312,500	312,500	20 cents	20 cents
7.5 <b>*Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor) Options over fully paid shares	20,966,250	20,966,250	Exercise price 20 cents	Expiry date 31.07.06
7.8 Issued during quarter Options over fully paid shares				
7.9 Exercised during quarter	312,500	312,500	20 cents	31.07.06
7.10 Expired during quarter Options over fully paid shares				
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (totals only)				

## Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
2. This statement does ~~not~~ ~~(delete one)~~ give a true and fair view of the matters disclosed.

Sign here: *Frank Campagna*  
(Director/Company Secretary)

Date: 27 January 2004

Print name: FRANK CAMPAGNA

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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