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MONARCH ACQUIRES DAVYHURST GOLD MINE

Monarch Resources Limited (ASX: **MRS**) today announced that it had secured a core exploration and development asset in Western Australia's Northeastern Goldfields after reaching agreement to acquire the **Davyhurst Gold Project** from Croesus Mining NL (ASX: **CRS**) for $5 million.

The Davyhurst Project, which is located 120km north-west of Kalgoorlie, comprises an 841km^2 tenement package and currently includes an 808,000 ounce gold resource inventory, a 1.2mtpa CIL gold processing facility and associated infrastructure, and numerous high-quality, prospective exploration targets.

The Davyhurst Project is located within the Davyhurst-Mt Ida greenstone belt, which hosts the Zuleika Shear and Ida Fault – structures which reportedly control in excess of 10 million ounces of gold endowment. Historically, the Davyhurst field has produced some 1.15 million ounces since 1897.

Monarch's Managing Director, John Davis, said the Davyhurst acquisition represented an opportunity to secure control of a richly endowed gold field, established infrastructure and a very highly prospective regional tenement package.

"Different styles of mineralisation are evident over 60km of strike and 10km across strike in sub-parallel shears and structures within the project area," Davis said. "Our view is that the focus of exploration historically has been on the extension of known historical workings and close to open pits, with limited attention on the extensive regional potential."

"We believe there is significant potential to delineate a substantial resource base, particularly at depth," he added. "This is supported by the major gold-bearing structures which transect the project area, covering some 60km of strike, and the surficial cover which masks the surface expression of mineralisation."

"With approximately 80% of drill holes completed to date less than 50 metres in depth and with continuous mineralisation known at the Lights of Israel underground mine location, we believe there is significant potential for further new discoveries."

The terms of the acquisition include a $100,000 deposit, a $2.45 million payment on completion of the agreement (subject to completion of due diligence) and a $2.45 million payment following transfer of the tenements to Monarch.

BOARD CHANGES

Monarch also today announced that Michael Kiernan will assume the role of non-executive Chairman at the Company's upcoming Annual General Meeting, with the current Chairman, Colin Smith, stepping down so as to focus and assist with the comprehensive exploration program proposed to be undertaken in the New Year.

John Davis joined Monarch earlier this year as Managing Director, having previously assisted the Company on a geological consulting basis with generating new projects. The other directors are senior mining industry executive, David Macoboy and finance executive, Phil Botsis.

The exploration and development of the Davyhurst Project will become Monarch's principal focus, alongside continued exploration of its other assets, which include the Lake Johnston Project, located 540 km east of Perth adjacent to LionOre Mining International Ltd's Emily Ann and Maggie Hays Nickel Operations.

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BACKGROUND ON THE DAVYHURST PROJECT

The Davyhurst Gold Project assets include a significant land holding of 68 granted tenements consisting of 13 Exploration Licences, 36 Mining Leases and 19 Prospecting Licences, contiguous over 841 sq km. The 1.2 million tonne per annum processing plant was commissioned by Croesus in 2001 and ran continuously until October 2005 and is currently being decommissioned to be placed on care and maintenance. Additional infrastructure includes a modern village and administration units, all serviced by the main Western Australian power grid.

Between 2001 and 2005 the Davyhurst project produced 387,000 ounces of gold from open pit and underground mining. At least 6 lines of mineralisation are associated with extensive along strike shears, including over 12 km of the Zuleika Shear. Strong depth extent is also evident, including the Lights of Israel underground mine, still open 1 km down plunge. Historical production from the project area since 1897 is approximately 1.15 million ounces of gold.

Different styles of gold mineralisation are evident over 60 km of strike and 10 km across strike in sub-parallel shears and structures within the project area, with immediate further exploration potential identified as follows:

- **Sunraysia Prospect** where a resource containing 64,000 ounces (including 205,000 tonnes at 7.3 g/t Au) has been recently identified and remains open at depth and along strike.
- **Lady Bountiful** where drill testing is required to confirm and extend the currently defined open pit potential and possibility of high grade underground positions.
- **Lights of Israel** plunge extensions where drill testing is required to confirm continuation of the high grade shoot which could allow further development of this significant mineralised system.
- **Callion-Glasson** where surface geochemical anomalies and recent encouraging drill results, including 1 metre at 91 g/t Au and 13 metres at 8.11 g/t Au suggests potential along strike where there is no previous drilling.
- **Regional exploration** in areas of favourable geology, structure and anomalism which have received limited attention in the past.

A significant database of exploration information is available, and with only 2% of the drill holes deeper than 100 metres and 78% less than 50 metres, Monarch believes the area is under-explored. Three major regional structures, the Mt Ida fault, Zuleika Shear and Kunanalling Shear, which are associated with significant ounces of gold discovered in the district, trend through the project area. The Ida Fault and Zuleika Shear have a strong spatial association with the gold deposits at Davyhurst and are considered to be a major control on gold mineralisation.

Nickel rights within the project have been assigned to ASX-listed Nickel Australia Ltd (ASX: NKL) on defined tenements, under a separate agreement with Croesus, which gives Nickel Australia the rights to any nickel produced from those leases and with a royalty payable to Croesus.

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