MONARCH GOLD
MINING COMPANY LIMITED
(Subject to Deed of Company Arrangement)

Level 1
23 Ventnor Ave
West Perth WA 6005
Telephone : (08) 9481 6422
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17 September 2008

Bryan Hughes, Chris Mundy
Pitcher Partners

Response to ASX Query

We refer to your email dated 9 September 2008 and associated ASX facsimile dated 5 September 2008, in respect of loans provided by Territory Resources Limited (**Territory**) and respond to the questions set out in that letter as follows:

1. During the quarter ending 31 March 2008, Monarch Gold Mining Company Limited (Deed Administrators Appointed) (**Monarch**) received $15 million in loans from Territory.
2. Refer to item 1 above.
3. The loans consisted of the following:
   - $2 Million on 4 January 2008
   - $1 Million on 17 January 2008
   - $2 Million on 28 January 2008
   - $4 Million on 31 January 2008
   - $5 Million on 15 February 2008
   - $1 Million on 26 March 2008
4. The key terms of the loan agreements are:
   - Short term working capital loans repayable at various dates
   - The loans bear interest at the prevailing Commonwealth Bank overdraft rate for amounts equal to each Principal (as published from time to time) plus a margin of 1.5% calculated in respect to the aggregate of the Principal plus interest accrued as at the repayment date. Interest is calculated on a daily basis and is to be paid in full on the repayment date.
   - All loans provide Territory Resources the opportunity to request a reasonable security. On 14 February 2008 Monarch granted a fixed charge over the property known as the Minjar Gold Project. Monarch notes that it does not, and has never had either legal or beneficial interest in the property known as the Minjar Gold Project.
5. No.
6. Not Applicable
7. The Board considered that the loans (both individually and collectively) were not material in the context of Monarch, and were not transactions that a reasonable person would expect to have a material effect on the price or value of Monarch's securities.

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The board took various factors into account in making this determination. These included: The amounts and terms of the various loans; the percentage that the loans represented to the market capitalisation and total assets of the company; the loans were made in the ordinary course of business and on commercial terms; and that until 25 June 2008 the board determined that, having carefully reviewed cash flows prepared by Monarch's management, that the loans would be repaid in the short term (i.e. the forthcoming 12 months) from operating surpluses generated from Monarch's mining operations.

The total loan amount was monitored by the board on a continuous basis and at no time until 25 June 2008 was the Board aware of any matters of a material nature that had arisen in relation to the loans or Monarch's ability to repay them other than as set out above.

Monarch confirms that it has at all times complied with its continuous disclosure obligations under Listing Rule 3.1.

Yours sincerely,

Ian Huitson
Operations Director

ASX
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FAXED

5 September 2008

Bryan Hughes
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By Facsimile: 9322 1262

Dear Bryan and Chris

MONARCH GOLD MINING COMMPANY LIMITED (ADMINISTRATORS APPOINTED) (RECEIVERS AND MANAGERS APPOINTED) ("Monarch")

ASX Limited ("ASX") directs this query letter to you as the Administrators of Monarch.

ASX refers to the announcement by Monarch dated 30 April 2008 titled "Quarterly Activities Report and Cashflow Report" (the "Announcement"). The Announcement shows cash inflow from financing activities of $15 million as proceeds from borrowings (year to date total of $29.5 million).

As the Announcement was released prior to your appointment as the Administrators of Monarch, ASX hereby request your assistance in answering the questions listed below.

Continuous Disclosure

ASX listing rule 3.1 requires an entity to disclose immediately to the ASX any information that it is aware of concerning itself that a reasonable person would expect to have a material effect on the price or value of its securities.

On 29 February 2008, ASX issued *Companies Update 02/08* reminding listed entities of their obligations under listing rule 3.1. *Companies Update 02/08* states that:

> *"Where a listed entity has in place or enters into new material financing arrangements or alters existing material financing arrangements which include terms that may be activated upon the occurrence of certain events (particularly those beyond the control of the entity, such as market events), disclosure may be required under listing rule 3.1 at the time that any such term is activated or becomes likely to be activated. The disclosure required may include the nature and terms of the arrangements, the trigger event, and any other material information such as any impact that triggering of the term may have on the entity's relationship with its bankers, or financial position or financial performance. It may also be appropriate in some circumstances for the entity to request a trading halt if the entity is unable to immediately release the information".*

We wish to draw your attention to the definition of "aware" in Chapter 19 of the listing rules which states that:

> *"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity".*

Furthermore, paragraph 18 of *Guidance Note 8 -"Continuous Disclosure"* states:

> *"Once a director or executive becomes aware of information, he or she must immediately consider whether that information should be given to the ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."*

The exceptions to this requirement are set out in listing rule 3.1A provided each of the following are satisfied:

> *"3.1A.1 A reasonable person would not expect the information to be disclosed.*
>
> *3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
>
> *3.1A.3 One or more of the following applies:*
>
> - *It would be a breach of the law to disclose the information.*
> - *The information concerns an incomplete proposal or negotiation.*
> - *The information comprises matters of supposition or insufficiently definite to warrant disclosure.*
> - *The information is generated for internal management purposes of the entity.*
> - *The information is a trade secret."*

Having regard to listing rule 3.1, *Guidance Note 8 -"Continuous Disclosure"* and *Companies Update 02/08*, ASX requires the Company to respond to the following questions.

1. Of the $15 million proceeds from borrowing (year to date total of $29.5 million), please confirm whether any of these monies were provided by Territory Resources Limited ("Territory")?
2. If the answer to Question 1 is "Yes", please confirm the total amount of borrowed from Territory.
3. If the answer to Question 1 is "Yes", please provide the date(s) and the amount of money borrowed from Territory on each of those dates.
4. If the answer to Question 1 is "Yes", what are the key terms and conditions of such borrowings?
5. If the answer to Question 1 is "Yes", did the Company consider that the borrowings from Territory were material to the Company?
6. If the answer to Question 5 is "Yes", please explain why the information was not released to the market at the time such borrowings were granted by Territory?
7. If the answer to Question 5 is "No", please provide the basis on which the Company did not consider it being material.

Unless the information is required to be immediately released under listing rule 3.1, the response to this letter is required by no later than **5.00pm W.S.T on Friday, 12 September 2008.**

Please note the ASX reserves its right under listing rule 18.7 to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

Please also note the Company's response should be sent to me either by email to nicholas.ong@asx.com.au or by facsimile to (08) 9221 2020. It should not be sent to Company Announcements Office.

The ASX reserves all its rights and remedies in relation to this matter.

If you have any concerns regarding the contents of this letter, please contact me on (08) 9224 0017.

Thank you.

Yours faithfully

Nicholas Ong
Principal Adviser, Issuers