

Frequently Asked Questions



Administrators' Update To Shareholders

Monarch Gold Mining Company Ltd (Receivers & Managers Appointed)
(Subject to Deed of Company Arrangement) ("the Company")

ACN 100 038 266

ASX code: MON ("Monarch")

23 June 2009

The status of the sale of Monarch

The Company has executed a Recapitalisation Deed with Stirling Resources Limited (ACN 009 659 054) and Stirling Gold Pty Ltd (ACN 134 037 513) (collectively "Stirling") which will see fresh funds invested into the Monarch Group. The face value of the transaction is estimated at \$59.1M.

The continuing strength of gold and the positive outlook for this commodity return the Group's key projects to viability. Funds will be invested to recommence operations and to meet the creditor claims in the Monarch Group. In this regard it is estimated creditors will receive 100 cents in the dollar over a period of 12 months following settlement. A summary of the estimated return to creditors is set out below.

	Monarch Group unsecured creditors (excluding Mt Ida creditors)	Mt Ida unsecured creditors	Territory Resources Ltd	Priority Employee Creditors
Share Consideration	40%	40%	-	-
Cash Consideration				
Settlement	15%	30%	11.5%	100%
4 months	15%	15%	-	-
8 months	15%	15%	-	-
12 months	15%	-	-	-
Other – max. 24 months	-	-	88.5%	-
Total	100%	100%	100%	100%

Stirling has a detailed strategy to ensure the ongoing solvency of the Monarch Group. In this regard Stirling has arranged a \$15M commercial bond with its major shareholder to provide the necessary equity funding to Monarch. Pursuant to the Recapitalisation Deed, approximately \$11M will be applied to the consideration requirements upon settlement and the balance of approximately \$4M will be available to support the working capital requirements of the Monarch Group until production commences.

Stirling has developed a detailed re-implementation plan prepared with the assistance of independent experts in relation to the Mt Ida operation and anticipates recommencing these operations within a 6 to 9 month period following settlement. Based on the independent expert assessment, Stirling anticipates generating a significant positive cash flow position from the Mt Ida operations, which will be used to meet the deferred cash consideration requirements pursuant to the Recapitalisation Deed.

The recommencement of ongoing operations at Davyhurst in current, significantly more favourable conditions will also start to produce a positive cash flow, commencing in the 3-6 month period following settlement.

It is anticipated that up to an additional \$15M will be raised over the 6 to 9 month period following settlement to further develop and increase the asset base at Monarch. Stirling has a proven track record of raising funds and accordingly has the capacity to meet the ongoing funding requirements in respect of the deferred consideration in the event of any shortfall of the cash required from the Mt Ida operation.

Creditors of each of the companies in the Monarch Group will meet on 30 June 2009 to vote in relation to the Recapitalisation Deed. If the requisite approval is gained from creditors it is anticipated a shareholders' meeting will be convened in early August 2009 to consider the proposed share restructure under the Recapitalisation Deed. I note that approval from both creditors and shareholders is a pre-requisite to the completion of the deal. If the requisite approval is gained, it is anticipated settlement will occur in August 2009 and the Company will be re-listed on the ASX shortly thereafter.

A summary of the Recapitalisation Deed is annexed to this announcement.

Who can I contact for more information?

For further information as to your rights as a shareholder please see the Deed Administrator's previous update to shareholders.

The Deed Administrators will continue to provide further updates by way of announcements to the ASX.

Any urgent queries should be directed to Pitcher Partners in Perth.

BRYAN HUGHES
DEED ADMINISTRATOR

Pitcher the difference

Melbourne
Telephone +61 3 8610 5000
partners@pitcher.com.au

Sydney
Telephone +61 2 9221 2099
partners@pitcher-nsw.com.au

Perth
Telephone +61 8 9322 2022
partners@pitcher-wa.com.au

Adelaide
Telephone +61 8 8179 2800
partners@pitcher-sa.com.au

Brisbane
Telephone +61 7 3222 8444
partners@pitcher-qld.com.au

www.pitcher.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Pitcher Partners, including Johnston Rorke, is an association of independent firms | An independent member of Baker Tilly International.

Material terms of recapitalisation deed

Stirling Resources Ltd and the Monarch group of companies (Monarch Group)

1. Monarch Gold Mining Company Ltd (subject to DOCA) (**Monarch**) will make the following share issues:
 - a. 300m shares to Stirling Gold Pty Ltd (**Stirling Gold**) at an issue price of \$0.05 per share and 100m free attaching 3 year \$0.05 options for a total consideration of \$15m.
 - b. 35m shares to Crawley Investments Pty Ltd in satisfaction of a \$1.75m debt owed by Monarch to Crawley Investments Pty Ltd.
 - c. 208.832m shares to the Monarch Group creditors' trusts at a deemed issue price of \$0.05 per share. The trustee will sell the shares over a 12 month period and pay the net proceeds to creditors of the Monarch Group (other than Territory Resources Ltd (**Territory**)).
2. Monarch will make the following payments to creditor trusts for the following creditors:
 - a. Creditors of the Monarch Group (other than Mt Ida Gold Pty Ltd and Mt Ida Gold Operations Pty Ltd (together **Mt Ida**)) will be paid \$6.630m at completion, and 3 equal payments of \$3.341m within 4, 8 and 12 months from completion (these payments being secured by a charge over the Monarch Group other than Davyhurst Gold Pty Ltd and Siberia Mining Corporation Pty Ltd). Creditors will also receive the proceeds from the sale of Monarch shares issued under paragraph 1(c) above.
 - b. Creditors of Mt Ida will be paid \$1.202m at completion and 2 equal payments of \$0.574m within 4 and 8 months from completion. Creditors will also receive the proceeds from the sale of Monarch shares issued under paragraph 1(c) above.
 - c. Territory will be paid \$2.961m at completion. Monarch will also assign its claims arising from the sale of Minjar Gold Pty Ltd to the Territory Trust, and within 24 months from completion pay the shortfall so that Territory receives 100c in the dollar on its claim (these payments being secured by a charge over Davyhurst Gold Pty Ltd and Siberia Mining Corporation Pty Ltd).

The funds will be distributed to creditors according to the principles applicable to liquidations with employees to be paid their full entitlements at completion.
3. The recapitalisation is conditional upon the following occurring by 31 August 2009:
 - a. (**Creditor approval**) The deed of company arrangement of each member of the Monarch Group (other than Mount Magnet Gold Pty Ltd (in liquidation)) is varied in accordance with the terms of the recapitalisation deed.
 - b. (**Shareholder approval**) Monarch's shareholders approve the issue of securities under the recapitalisation.

- For personal use only
- c. **(Territory)** Territory becomes bound by the varied deeds of company arrangement.
 4. The deed contains the usual pre-completion and completion obligations.
 5. Stirling Resources Ltd guarantees the obligations of Stirling Gold and (post completion), Monarch.
 6. The deed of company arrangement of each member of the Monarch Group (other than Mount Magnet Gold Pty Ltd (in liquidation) is varied so that upon completion of the recapitalisation, the Monarch Group are released from all creditors' claims arising prior to administration (excluding inter-company loans); those claims being exchanged for claims against the creditors' trusts. Upon satisfaction of all of Monarch's obligations under the recapitalisation, Monarch's directors will also be released from all claims.