

**MONARO MINING NL**

**ABN 99 073 155 781**

**HALF YEAR FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**



# MONARO MINING NL AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

The Directors of Monaro Mining NL ("Monaro" or "Consolidated Entity" or "Company") submit herewith the Interim financial report for the half-year ended 31 December 2009.

### Directors

The names of directors of the Company in office during or since the end of the half-year are:

Jim Malone	-	Executive Chairman (Appointed 30 July 2008)
Greg Barns	-	Non-Executive Director (Appointed 30 July 2008)
Michael Duncan	-	Executive Director (Appointed 30 July 2008)
Denis Geldard	-	Executive Director (Appointed 29 January 2010)
Mart Rampe	-	Executive Director (Resigned 20 November 2009)

All directors held office from the start of the financial year to the date of this report unless otherwise stated.

### Operating results

The consolidated loss after tax for the reporting period was \$4,917,030 (half-year ended 31 December 2008: loss of \$17,534,775).

### Review of operations

Monaro Mining NL has made significant progress in refocusing and repositioning the company over the past six months. As all shareholders would no doubt recall, Monaro Mining NL and Uranium King Limited merged at the peak of the uranium bull market in 2007/2008. The reasons for merger at the time were based on solid fundamentals. Monaro had cash and a number of grass roots uranium assets in exotic locations and was being encouraged by the market to pursue these assets and Uranium King had two brown fields, near production assets in the stable jurisdiction of the USA. Most people associated with the industry understood that the bull market would not last and rationalisation made sense. Unfortunately our logic was not rewarded as we were savaged by the declining uranium market and the global financial crisis. Our company was not alone in being savaged by the markets and global financial crisis at this time. In fact, a number of the uranium companies that existed during the "boom" of 2006/07 are no longer with us or have had to re-invent themselves but certainly all of the benefits of the merger that we envisaged and had hoped for no longer existed by the time the merger was finalised and we were forced to make some tough decisions on the future direction of the Company.

The Board decided that we would focus the Company on its more advanced uranium projects in the USA and divest all other assets. This process has not been easy and has been taking place over the past eight months in a difficult climate. At the same time we took the decision to relocate the Australian office from Sydney to Perth and downsize our Australian based management team in order to reduce overheads. I am pleased to report that this process has in the main been completed.

We will be finalising our transformation in April when we will hold a shareholders' meeting to approve a change of the name of the company from Monaro Mining NL to Australian-American Mining Corporation NL (this will be changed to Ltd after 31 May 2010) and will be known as AusAmerican. This is an exercise in increasing our appeal to the lucrative North American market and is an easy and inexpensive process and will better reflect our focus. A shareholders letter from the Chairman will be released in the week beginning 22nd March and will explain in more detail the efforts that are being taken to reinvent the company focusing on the vast North American investor market.



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Once this rationalisation has been completed (expected this half) we will be primarily focused on the following projects:

1. Rio Puerco (MRO 100%) uranium located in New Mexico.
2. Apex/Lowboy (MRO 100%) uranium located in Nevada.
3. Apache Basin (MRO 100%, in JV with Vale North America, reducing to 40%).
4. Bernard Gold project (MRO 90%, in JV with Cristol Enterprises LLC ("Cristol"), MRO reducing to 49%).

## 1 EXPLORATION OVERVIEW

The Company's exploration activities have continued to increase in the first half of the 2009/10 financial year, resulting in a number of significant developments for the Company. Of most significance has been the upgrading of the uranium mineral resource at the Rio Puerco deposit in New Mexico, USA. This is based on an intensive program of drill hole re-evaluation and interpretation, resulting in a 250% increase in the JORC inferred uranium mineral resource.

The following sections provide further detail on the Company's projects.

### 1.1 BERNARD GOLD PROJECT (MRO REDUCING TO 49%)

As recently announced, Monaro has received encouraging assay results from the initial exploration drilling program (1076m (3530 feet) of drilling was completed) - at the Bernard Gold Project located in Arizona. These results have enabled the Company's joint venture partner Cristol Enterprises LLC ("Cristol") to immediately commit to a second stage drilling program.

The exploration program is being funded by Cristol under the terms of a A\$5.3M farm-in agreement with Monaro's wholly owned subsidiary Uranium Company of Arizona LLC ("UCA"). Cristol is an exploration company based in St.Louis, USA and specializes in the discovery and development of mineral projects exhibiting significant resource potential.

The Bernard Gold Project is testing for gold mineralization associated with the Rawhide detachment fault. A structurally complex package of sediments and intrusives of variable age occur within this "detachment system". The low angle detachment fault separates red bed and limestone bearing "Upper Plate" rocks from the typically gneiss bearing "Lower Plate" rocks. Numerous sub-parallel structures within the detachment system hosts gold and copper bearing breccias. Historic activity (prospect pits, open cuts, adits, and shafts) is located in or near these breccia zones. The Bernard Vein, an intermittently outcropping gold bearing structure with 850m of strike length is a significant prospect within the claim block.

The Copperstone Mine, 70kms south west of the Bernard claim block and currently operated by American Bonanza Corporation is located in a similar geological setting. This mine has produced 500,000 oz of Au at an average grade of 3.8 g/t Au. American Bonanza Corporation has defined a total (indicated and inferred) gold resource of 401,000 oz Au. Monaro Mining's management and consulting geologists believe that the Bernard claims are prospective for deposits of this size and tenor.

### PROPOSED DRILLING PROGRAM

Due the success of this initial drilling programme, a second stage drill campaign has been formulated. This will include one vertical and five inclined core holes to further test the strike length of the Bernard vein system and will entail approximately 1,450 feet (442m) of core drilling. Hole lengths will range from 100 feet to 550 feet (30-168 m). One drill hole (using larger diameter core barrels) will twin Drill Hole C1 with a view to evaluating the true extent and tenor of the gold mineralisation that was observed in that drill hole. Permitting has been completed and the program will commenced in March 2010 and is expected to take four weeks to complete, with assay results being available by in May, 2010. (In addition to this a further three holes will be drilled making stage two a nine hole programme. These holes were added to the programme following the successful completion and study of a Geophysical seismic and magnetic study we had completed on the Bernard project recently and announced by Monaro on 15<sup>th</sup> March 2010).

### JOINT VENTURE STAKES MORE PROSPECTIVE LAND

Given the significance of the results to date, Buckskin has undertaken to peg further ground surrounding the original claim block. This reflects both joint venture parties confidence in the project and the prospectively of the region to become a significant gold project.



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### JOINT VENTURE AGREEMENT

Cristol has been greatly encouraged by the results to date and as a consequence, have agreed to commit to the next stage of drilling. This will entail the expenditure of US\$700,000 and will bring the total committed expenditure on this project to over US\$1 million. Upon the completion of this second stage expenditure, Cristol will be entitled to a 20% interest in the project.

In an amendment to the original agreement, the Company has agreed to give Cristol the right to earn 51% equity in the project by spending an additional US\$200,000. Under the previous arrangement, Cristol was obliged to spend US\$5.1 million to earn a 49% interest. Cristol is now required to spend US\$5.3 million to earn a 51% interest in the project. Monaro will however, retain operational control.

At the same time, Buckskin Mountain Mining Company LLC ("Buckskin") has been incorporated, with the express purpose of housing the Bernard Gold project; as was foreseen in the original Heads of Agreement.

### 1.2 URANIUM PROJECTS

#### 1.2.1 Rio Puerco Uranium Project: New Mexico, USA (Monaro 100%)

The Independent resource upgrade of the Rio Puerco uranium project located in New Mexico announced in October 2009 demonstrated a 250% increase in the inferred JORC resource to 11.4 million pounds at 900 ppm using a 300 ppm cut off. Considerable upside exists on this project as the current JORC resource has been calculated on only one claim block representing 7% of Monaro's total land holding in the Rio Puerco area. The report indicated that exploration target for the Rio Puerco project was significant with multiple targets options defined near the mine site as well as regionally.

Monaro technical staff are currently reviewing all geological data and the resource model with a view of identifying the best targets to continue to upgrade the resource in size as well as to verifying a number of the old drilling and increase the JORC category of the resource from inferred to indicated and measured. Permitting is taking place and it is expected drilling will commence at Rio in the second quarter of the calendar year.

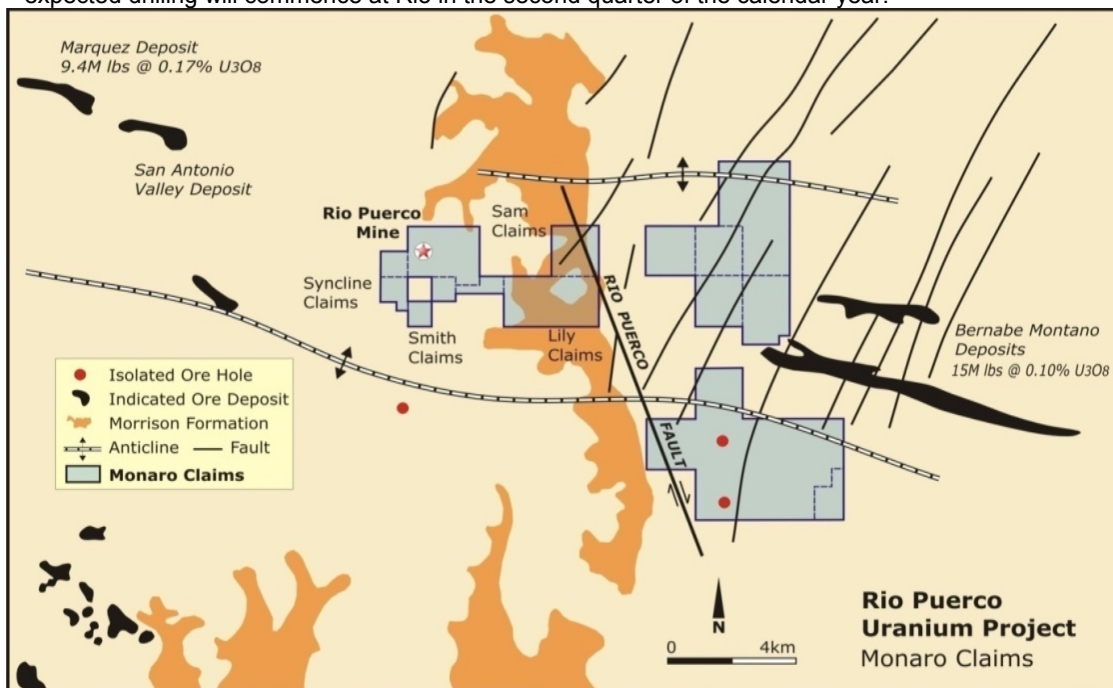


FIGURE 1: LOCATION OF MONAROS CLAIMS AT THE RIO PUERCO PROJECT



# MONARO MINING NL AND CONTROLLED ENTITIES

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### ABOUT THE RIO PUERCO URANIUM PROJECT, NEW MEXICO, USA.

A detailed, independent review of the Rio Puerco mine data-set concluded in October 2009 resulted in a significant increase in the project's uranium "inferred" resource inventory. This re-evaluation, which was initiated to update the previous estimate (4.5 million pounds at 0.12% U<sub>3</sub>O<sub>8</sub>), has seen the JORC "Inferred" mineral resource inventory increased some 250% to 11.4 million lbs. The following table outlines resource estimates based on several differing eU<sub>3</sub>O<sub>8</sub> cut-off grades.

Cut Off Grade*	Tonnes	Average Grade	Tonnes	Lbs
% eU <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub> Ore	% eU <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub>
0.03	5,994,968	0.09	5,154	11,362,640
0.05	3,584,925	0.12	4,214	9,290,481
0.10	1,298,081	0.27	3,464	5,778,493

This resource upgrade was based on the evaluation of 764 drill holes and using a block modelling program and validated using the cross sectional method. Confirmatory drilling will now be required to validate the historical drilling, define the disequilibrium and assess the potential for other metals such as molybdenum and vanadium. The project is considered to hold potential for either conventional underground or in-situ leach (ISL) mining. The Company believes that confirmatory drilling has the potential to convert the resource into a "measured" category relatively quickly.

A distinct advantage of the Rio Puerco project is that there is significant mining infrastructure already in place, including a 260 metre, 4 metre diameter concrete lined shaft and multiple drives. This work was completed by Kerr McGee in the 1970's for the purposes of mine development and bulk metallurgical sampling and processing. This infrastructure will save the Company millions of dollars in mine development costs, should it be found that conventional mining is the preferred method of extraction.

As part of the re-evaluation study, the potential to increase the extent of uranium resources was also assessed as the host uranium formation extends across to other nearby claims held by the Company. Previous drilling by the Company and other published data, indicates that further work is warranted to test for potential extensions.

The Rio Puerco mine area is secured by 32 claims over Sections 18 (Betty Claims) and Section 24 (Syncline Claims). The company also holds a number of claims to the east and west of the prospect, the positions of which are outlined in Figure 1.

That the Company's Rio Puerco uranium project is located in one of the world's greatest uranium provinces is unquestioned. The Grants Mineral Belt has produced approximately 340M lbs of uranium and is set to resume its mantle of a premier world producing region. The Company's deposit is located only 55 kms east of the Mt Taylor uranium deposit and 65 kms from the Roca Honda uranium deposit. The Mt Taylor uranium mine has produced approximately 8 Mlbs of U<sub>3</sub>O<sub>8</sub> before it was shut down in the late 1980's. This deposit is now owned by Rio Grande Resources Corporation and a recent Company release indicates that this deposit now contains over 100 M lbs of U<sub>3</sub>O<sub>8</sub> with an average grade of 0.15% to over 2.0%. The deposit is currently being evaluated for development as an in-situ leach operation. The Roca Honda deposit is owned by Strathmore Minerals Corporation and based on their published company information, contains approximately 33M lbs of U<sub>3</sub>O<sub>8</sub> with grades varying from 0.17% to 0.23%

Previous exploration reports indicate that the Rio Puerco deposit was discovered in 1968 on Section 24, when uranium mineralisation was intersected by drilling to a depth of 254.5m. Between 1970 and 1980, Kerr-McGee reportedly spent US\$17.5million in proving up and developing a resource of approximately 7 million pounds U<sub>3</sub>O<sub>8</sub> on land in and around the Rio Puerco mine. A total of 815 holes were drilled for 183,604m on Section 18 and 271 holes for 55,259m were drilled on Section 24 (Figure 2). These two sections contain the bulk of the Rio Puerco Resource





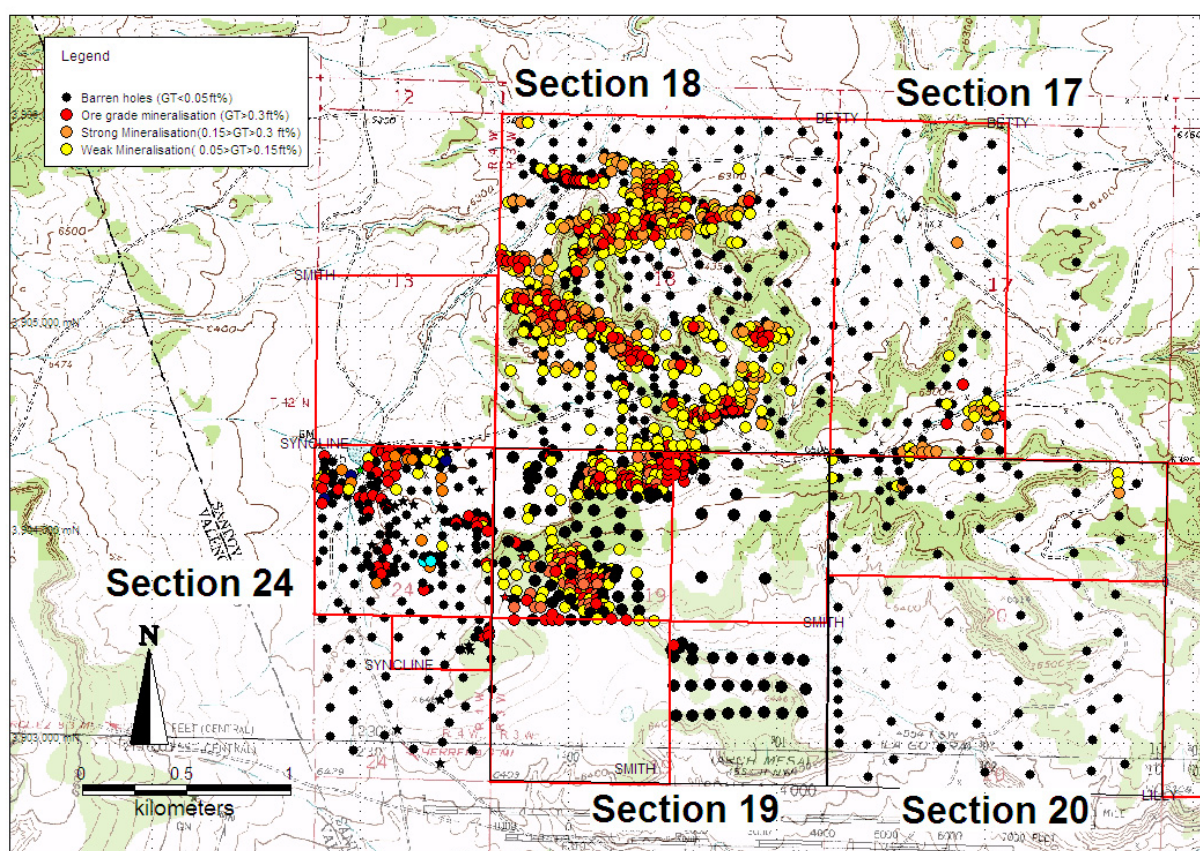
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which has been previously reported by Monaro to contain 1.93 million tonnes of ore with an average grade of 0.12% U3O8 (4.6million pounds contained U3O8 ).

The surface geology at Rio Puerco is dominated by the Upper Cretaceous Mancos Shale, which is flat-lying and deeply dissected. The Mancos Shale consists of a series of shale and sandstone beds. Underlying the Mancos Shale is the Lower-Upper Cretaceous Dakota Sandstone and the Upper Jurassic Morrison Formation, which actually outcrop outside of Sections 18 and 24. In descending order, the Morrison Formation comprises of:

- The Jackpile Sandstone Member.
- The Brushy Basin (mudstone) Member with lenses of sandstone.
- The Westwater Canyon Member comprising the 'A', 'B', 'C' and 'D' sandstone horizons and interbedded with variable thickness shale beds.



**FIGURE 2: HISTORICAL DRILLING CARRIED OUT BY KERR MCGEE OVER SECTIONS 18 AND 24 AND ADJACENT CLAIMS.**

From the down hole wireline logs it appears that most of the uranium mineralisation occurs within the Westwater Canyon Member near or at the contact between sandstone and shale units. Aerial photo interpretation indicates that the structure around the project area is generally flat-lying or gently warped along E-W and N-S oriented fold axes. The folds are tighter locally and deflect into major N-S striking faults (e.g. Rio Puerco Fault).

Mineralisation at Rio Puerco is postulated to be of the Peneconcordant sandstone hosted type, characteristic of the Grants Uranium District. These deposits are irregular in shape, are roughly tabular and usually elongated. They range from a few metres in width and length to several tens to hundreds of metres long and occur within humate rich sandstone. The uranium is sourced from nearby volcanics as well as from the devitrification of tuff deposited within the sandstones. The uranium is concentrated within humic acid percolating through the aquifer from the surface, to be eventually trapped by changes in lithofacies or structures and converted to humate during diagenesis and changes in groundwater salinity.



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The dominant ore mineral is reported to be Coffinite which is associated with the humate found within the sandstone layers. Uraninite and uranium-organic complexes associated with the humate is not uncommon. The humate is also enriched in a number of other metals including vanadium, selenium and molybdenum. However, none of these elements appear to have received any attention by past explorers. The ore deposits are in general lenticular, tabular masses of interstitial humate and uranium minerals that are roughly parallel to the bedding and generally elongated in the direction of sediment transport of the host rock. Although two general types of deposits are recognized in the area, the Rio Puerco Deposit is believed to be a primary deposit.

Based on the re-evaluation, the Rio Puerco ore body appears to extend into adjacent sections 17, 19, and 20 (see Figure 2), with a number of historical drill holes apparently striking ore grade mineralisation. Whilst summary results of drilling have been reported, drill logs to support the data have yet to be found. As a consequence previous reporting of resources within these areas can only be considered as exploration targets.

It is considered that these nearby exploration targets can in total, range from 400,000 tonnes to 800,000 tonnes with grades varying between 0.05% to 0.20% U<sub>3</sub>O<sub>8</sub>. This is equivalent to approximately 1.3 to 2.6 million lbs of U<sub>3</sub>O<sub>8</sub>. It should be noted that in this case, the potential quantity and grade is conceptual in nature, and that there is insufficient exploration data to define a mineral resource and that it is uncertain if further exploration will result in the determination of a mineral resource. A drilling program to test the extensions of mineralisation in the adjacent claims has been formulated.

In order to advance the definition of the deposit and upgrade the JORC category to a higher level, a drilling program focused predominantly within Section 18 (See Figure 2) has been recommended. The objectives of the program have been defined as follows:

- Completion of a series of diamond drill holes next to recorded high, medium and low grade holes. The results from this drilling will aid in better determining the grade distribution as well as testing for variance in disequilibrium with grade.
- A series of percussion or mud rotary drill holes have been recommended for selected locations to "twin" existing holes and confirm the grade using down hole gamma ray, and gamma-ray spectrometry.
- A number of drill holes have been recommended to close off mineralisation.
- Obtain samples for metallurgical purposes even though the bulk sample was processed with satisfactory recoveries in the 90+% range.

In addition to the above specific recommendations, a number of other tasks have been recommended, viz:

- Surrounding water wells to be tested for tracer mineralisation.
- Undertake field spectroscopy studies of all available and future core samples to identify alteration haloes around the ore bodies.

Conduct soil and vegetation sampling and analysis for traces of various metals which may assist in the delineating of vectors to mineralisation.

### 1.2.2 Apache Basin Joint Venture: Arizona, USA (Monaro reducing to 40%)

The Company's joint venture partner in the Apache Basin uranium project, Vale Exploration Canada Inc. ("VEC"), a wholly owned subsidiary of Vale S.A. ("Vale"), has exercised its option under the conditions of its letter agreement with Monaro's wholly owned subsidiary Uranium Corporation Arizona LLC ("UCA"), to move to become the Operator of the project. Under the terms of the letter agreement, Vale is required to spend US\$3.25M (by way of option payments) to earn a 60% interest in a number of claims covered by the joint venture's "Area of Influence" – see Figure 3. Thereafter, further expenditure will be pro-rata to each party's respective interests.



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FIGURE 3: LOCATION OF APACHE BASIN PROJECT

The prospectivity of the project area is based on the Unconformity model and its similarities with the Canadian Athabasca Basin, one of the world's premier uranium provinces. Well-developed uranium mineralisation occurs in the Dripping Springs Quartzite, which is the upper target zone and is associated with well-developed structural controls which are expressed as strong linear radiometric anomalies consistent in placement with the known mineralization and structural trends. Based on the currently available information, the project is highly attractive on a conceptual basis as it represents a significant regional "play" with the possibility of yielding multiple targets. The Company is confident that this potential will unfold during the coming months as a drilling program is planned for early/mid 2010 to test a number of newly defined uranium anomalies.

### 1.2.3 Apex-Lowboy Uranium: Nevada, USA (Monaro 100%)

A review of the Apex Lowboy geological model is ongoing by Monaro's US based consultant geologist David Boyer, chief geologist John Petersen and Executive Director Denis Geldard. A number of drilling targets have been identified and Monaro is targeting an additional 5 million pounds U308 to add to the current 950,000 JORC inferred resource. This exploration target includes the 500,000 pounds identified in the geological assessment performed in February 2009. Additional drilling permits are in the process of being obtained and drilling should commence in April 2010.

In addition to the exploration target the regional potential of the Apex-Lowboy project is largely untapped. The Apex-Lowboy contact zone contains approximately 12 km of strike length with a number of mineralized zones previously identified. Paleo channel potential is considered to be high. The uraniumiferous highlands are likely to have been leached and redistributed uranium mineralisation into adjacent sedimentary basins.

The Apex Lowboy uranium project is located in the state of Nevada and is owned 100% by Monaro. A scoping study performed on the project in July 2007 indicated that a profitable, low cost heap leach open cut mining operation at this project would be financially robust.





# MONARO MINING NL AND CONTROLLED ENTITIES

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

### 2. CORPORATE

The following corporate events occurred during the half year:

1. The company raised \$3 million in October with sophisticated investors. The company currently has 136.7 million fully paid shares on issue.
2. The company relocated its Australian office to Perth.
3. As a result of this move the Company appointed Martin Stein to replace Anne Adaley as Company Secretary.
4. Mart Rampe resigned as a Director and consultant to the company.
5. US based Operations Manager Denis Geldard was appointed a Director of the company.
6. Jim Malone was appointed Executive Chairman.
7. Murdock Capital was appointed US based advisors.

### 3. FUTURE DEVELOPMENTS

Now totally focused on the US gold and uranium operations, the Company's targets for the next half is to:

1. Complete seismic and magnetic survey at its 90% owned Bernard gold project during February 2010.
2. Commence drilling its 90% owned Bernard gold project in March 2010.
3. Finalize its geological modelling and interpretation of the Apex Lowboy uranium project.
4. Finalize drilling permits at Apex- Lowboy with drilling to commence on this project in March 2010.
5. Commence Radon soil testing at Apex/Lowboy in April.
6. Commence Radon soil testing at Rio Puerco in April/May.
7. Continue the mining and environmental permitting for the Apex/Lowboy project.
8. Commence drilling the Rio Puerco uranium project in the second quarter of the calendar year.
9. Finalize negotiations with parties in the USA about corporate activity involving the acquisition of one or more significant uranium projects in the USA.
10. Finalise the sale of the Kyrgyz assets and Australian assets.
11. Re-invigorate the ADR programme and focus marketing on the USA investors and markets.



# MONARO MINING NL AND CONTROLLED ENTITIES

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### Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporation Act 2001* is set out on page 11 for the half-year ended 31 December 2009 which forms part of this report.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors:

Jim Malone

**Executive Chairman**

Perth, 16 March 2010

### COMPETENT PERSON

The review of exploration activities and results contained in this report is based on information compiled by Mr. D Geldard, Executive Director of Monaro Mining N.L. Mr. Geldard is a Member of the Australasian Institute of Mining and Metallurgy. The technical disclosure in report has been reviewed by David S. Boyer M.Sc., PG. Mr. Boyer a Licensed Geologist registered in the State of Washington. No.2400. and a member of the Society of Economic Geology and Arizona Geological Society. He has significant experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

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**Auditor's Independence Declaration  
To The Directors of Monaro Mining NL**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Monaro Mining NL for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J W Vibert  
Director - Audit and Assurance Services

Perth, 16 March 2010

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# MONARO MINING NL AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

		CONSOLIDATED ENTITY	
	NOTE	31 DECEMBER 2009 \$	31 DECEMBER 2008 \$
<b>CONTINUING OPERATIONS</b>			
Interest Income		2,194	7,488
Other income		96,961	-
Foreign exchange gain/(loss)		(428,159)	230,429
Depreciation and amortisation		(9,403)	-
Insurance		(65,994)	(29,991)
Occupancy & administration expense		(89,417)	(59,272)
Project expenditure		(659,590)	(878,947)
Corporate advisory services		-	(104,015)
Salary, wages, professional fees		(518,952)	(451,747)
Travel		(24,394)	(28,498)
<b>Loss before income tax</b>		<b>(1,696,754)</b>	<b>(1,314,553)</b>
Income tax expense		-	-
<b>Loss from continuing operations</b>		<b>(1,696,754)</b>	<b>(1,314,553)</b>
<b>Loss from discontinued operations</b>		<b>(3,220,276)</b>	<b>(16,220,222)</b>
<b>Loss for the period attributable to members of Monaro Mining NL</b>		<b>(4,917,030)</b>	<b>(17,534,775)</b>
<b>Other Comprehensive Income</b>			
Foreign currency translation		(441,993)	1,023,073
<b>Total comprehensive income attributable to members of Monaro Mining NL</b>		<b>(5,359,023)</b>	<b>(16,511,702)</b>
<b>EARNINGS/(LOSS) PER SHARE:</b>			
Basic earnings/(loss)per share (cents per share)		(4.24)	(29.3)
Diluted earnings/(loss) per share (cents per share)		(4.24)	(29.3)
<b>Continuing operations</b>			
Basic earnings/(loss)per share (cents per share)		(1.5)	(2.2)
Diluted earnings/(loss) per share (cents per share)		(1.5)	(2.2)
<b>Discontinued operations</b>			
Basic earnings/(loss)per share (cents per share)		(2.74)	(27.1)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



# MONARO MINING NL AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	CONSOLIDATED	
	31 DECEMBER 2009 \$	30 JUNE 2009 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,967,173	1,692,580
Trade and other receivables	65,012	37,318
Joint venture loan receivable	150,008	-
Other	49,387	40,144
<b>TOTAL CURRENT ASSETS</b>	<b>2,231,580</b>	<b>1,770,042</b>
<b>NON-CURRENT ASSETS</b>		
Other financial assets	50,000	50,000
Property, plant and equipment	308,889	351,139
Mineral properties	7,369,420	10,529,314
Intangibles	10,188	10,922
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7,738,497</b>	<b>10,941,375</b>
<b>TOTAL ASSETS</b>	<b>9,970,077</b>	<b>12,711,417</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	332,940	572,487
Provisions	24,016	19,914
Financial liabilities	33,790	10,611
<b>TOTAL CURRENT LIABILITIES</b>	<b>390,746</b>	<b>603,012</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	205,623	197,190
Financial liabilities	-	28,484
Deferred Tax liability	771,756	771,756
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>977,379</b>	<b>997,430</b>
<b>TOTAL LIABILITIES</b>	<b>1,368,125</b>	<b>1,600,442</b>
<b>NET ASSETS</b>	<b>8,601,952</b>	<b>11,110,975</b>
<b>EQUITY</b>		
Issued capital	41,812,174	38,962,174
Reserves	1,420,887	1,862,880
Accumulated losses	(34,631,109)	(29,714,079)
<b>TOTAL EQUITY</b>	<b>8,601,952</b>	<b>11,110,975</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.





# MONARO MINING NL AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	SHARE CAPITAL	OPTIONS RESERVE	FOREIGN CURRENCY TRANSLATION	ACCUMULATED LOSSES	TOTAL
<b>Consolidated entity</b>					
Balance at 1 July 2008	16,443,240	1,323,985	(89,659)	(10,219,708)	7,457,858
Total comprehensive income	-	-	1,023,073	(17,534,775)	(16,511,702)
Transactions with owners in their capacity as owners:					
Shares issued during the period	21,524,999	-	-	-	21,524,999
Options granted	-	240,236	-	-	240,236
<b>Balance at 31 December 2008</b>	<b>37,968,239</b>	<b>1,564,221</b>	<b>933,414</b>	<b>(27,754,483)</b>	<b>12,711,391</b>
Balance at 1 July 2009	38,962,174	1,571,581	291,299	(29,714,079)	11,110,975
Total comprehensive income	-	-	(441,993)	(4,917,030)	(5,359,023)
Transactions with owners in their capacity as owners:					
Shares issued during the period	2,850,000	-	-	-	2,850,000
Options granted	-	-	-	-	-
<b>Balance at 31 December 2009</b>	<b>41,812,174</b>	<b>1,571,581</b>	<b>(150,694)</b>	<b>(34,631,109)</b>	<b>8,601,952</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



# MONARO MINING NL AND CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	CONSOLIDATED	
	31 DECEMBER 2009	31 DECEMBER 2008
NOTE	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	-
Payments to suppliers and exploration	(2,323,987)	(3,774,825)
<b>Net cash (used in) operating activities</b>	<b>(2,323,987)</b>	<b>(3,774,825)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	11,041	124,856
Interest paid	(1,788)	-
Proceeds from sale of property, plant equipment	12,000	-
Contributions from joint venture	217,000	-
Payments for joint venture operations	(478,691)	-
Payment for property, plant equipment and intangibles	-	(11,034)
Cash inflow from acquisition of subsidiary (net of directly attributable costs)	-	2,135,637
<b>Net cash (used in) / provided by investing activities</b>	<b>(240,438)</b>	<b>2,249,459</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and other equity securities	3,000,000	-
Repayment of borrowings	(5,306)	(5,306)
Payment for share issue costs	(150,000)	-
<b>Net cash provided by / (used in) financing activities</b>	<b>2,844,694</b>	<b>(5,306)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>280,269</b>	<b>(1,530,672)</b>
Cash and cash and cash equivalents at the beginning of the year	1,692,580	4,039,908
Effects of exchange rates on cash and cash equivalents	(5,676)	(264,116)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,967,173</b>	<b>2,245,120</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

### 1. Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Monaro Mining NL during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report.

Except where indicated otherwise, all amounts are presented in Australian dollars.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

#### **Accounting Standards not previously Applied**

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

#### *Presentation of Financial Statements*

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit and loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard;
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items. There have been no changes in accounting policy or material reclassifications which require a third statement of financial position.

#### *Operating Segments*

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.



## 2. Going concern

The financial report has been prepared on the basis of a going concern. The exploration projects currently undertaken by the Consolidated Group will require additional capital. The Company will be seeking to raise fresh capital in the form of equity to fund development and working capital, the outcome of which is currently materially uncertain.

The Company's ability to continue as a going concern is contingent upon successfully raising additional capital. If additional funds are not raised, the going concern basis may not be appropriate with the result that the Consolidated Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

## 3. Reporting basis and conventions

The half-year report has been prepared on an accrual basis and is based on historical costs, except where applicable, for the revaluation of mineral sales and certain financial instruments. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the year ended 30 June 2009, unless otherwise described herein.

## 4. Dividends

There have been no dividends paid or declared in the period or in the previous reporting period.

## 5. Operating segments

### **Segment Information**

#### **Identification of reportable segments**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company's principal activity at this point of time is mineral exploration.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

#### **Basis of accounting for purposes of reporting by operating segments**

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

#### *Comparative information*

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.



# MONARO MINING NL AND CONTROLLED ENTITIES

## (i) Segment performance

During the six months ended 31 December 2009 the Group's principal activity is mineral exploration. The group operates in Australia, United States of America, Niger, Kyrgyz and Estonia. Offices are maintained in Australia, the USA where operations comprise the operations of Uranium King Corporation and Kyrgyz where operations comprise the operations of Zona Noblus LLC. Segment results are classified in accordance with their economic characteristics regardless of legal Entity ownership. The continuing segment includes USA operations. The discontinuing segment includes Australia and Kyrgyz operations.

2009	CONTINUING \$	DISCONTINUING \$	TOTAL \$
<b>Revenue</b>			
Interest income	2,194	8,847	11,041
Joint venture revenue	90,395	-	90,395
Other	6,566	-	6,566
<b>Total segment revenue</b>	<b>99,155</b>	<b>8,847</b>	<b>108,002</b>
<b>Segment result</b>	<b>(1,696,754)</b>	<b>(3,220,276)</b>	<b>(4,917,030)</b>
<b>2008</b>	<b>CONTINUING \$</b>	<b>DISCONTINUING \$</b>	<b>TOTAL \$</b>
<b>Revenue</b>			
Interest income	7,488	114,422	121,910
<b>Total segment revenue</b>	<b>7,488</b>	<b>114,422</b>	<b>121,910</b>
<b>Segment result</b>	<b>(1,314,553)</b>	<b>(16,220,222)</b>	<b>(17,534,775)</b>

## (ii) Major customers

Due to the nature of its current operations, the Company does not provide products and services.





## 6. Contingent liabilities and contingent assets

### i) Contracts for services of key management personnel

Details of service contracts with executives have been included in the Remuneration Report section of the Directors' Report in the 2009 Financial Statements. In the event that service contracts are terminated early the Company may become liable for payments in lieu of notice.

There is a written contract with the Executive Director Mr Denis Geldard. In the event that the contract is terminated early then the Company will be liable for three months salary or approximately \$73,946.

There is a written contract with the previous Executive Director Mr Mart Rampe. Mr Mart Rampe provided notification that he was terminating the written contract on 18 December 2009. As a result, the Company has agreed to provide Mr Mart Rampe with a termination payment consisting of \$28,144 in addition to issuing Harvest Exploration Pty Ltd, a company associated with Mr Mart Rampe, 250,000 unescrowed ordinary fully paid shares at \$0.068 per share.

	CONSOLIDATED	
	31 DECEMBER 2009	31 DECEMBER 2008
	\$	\$
Contingent liabilities	45,144	-
Contingent assets	-	-

ii) Pursuant to an Agreement to acquire uranium and gold exploration licences in the Kyrgyz Republic settled on 30 January 2006 a further 2,000,000 fully paid ordinary shares will be issued upon the grant of a mining licence and all mining, environmental and export approvals for a uranium mining operation on one of the projects. The Company applied for and was granted a waiver from Listing Rule 7.3.2 as the shares would not be issued within three months of the General Meeting of Shareholders but will be issued no later than 36 months after the date of the meeting.

iii) The Rio Puerco, Apex, Lowboy and Church Rocks projects areas carry a yellow cake royalty, to a maximum equivalent of a 5% on a claim by claim basis. In all cases the royalty does not exceed 5% over any project.

iv) Jim Malone, Mike Duncan, Directors of Monaro Mining NL, Uranium King Pty Ltd, and subsidiary companies of Monaro Mining NL domiciled in the USA were defendants in a rescission action brought by Dean Coleman, a shareholder in Monaro's largest shareholder, METCO. This action sought to rescind the transaction between METCO and UKL. This action was filed in the Supreme Court of New Mexico and was dismissed on 8 January 2009 against UKL and METCO. An Appeal has been filed against the Dismissal of the Coleman case by Ms Ostrochovsky. Preliminary legal advice received by the Company is that the Appeal is without merit.

v) Jim Malone, Mike Duncan and a range of other parties are defendants in a RICO action brought by persons purporting to be minority shareholders in METCO. The United States Court of Appeals 10th Circuit issued an Order on 22 February 2010 affirming the decision of the United States District Court in New Mexico last year to dismiss the claims brought by the minority shareholders of METCO.

## 7. Impairment of capitalised exploration and evaluation

The Group conducts impairment testing on an annual basis unless indicators of impairment are present at reporting date based on criteria under AASB 6 'Exploration for and Evaluation of Mineral Resources' and AASB 136 'Impairment of Assets'.

The carrying value of mineral properties has been assessed and it was determined that all non-USA based capitalised exploration and evaluation expenditure is impaired. This has resulted in an impairment charge for the six months to 31 December 2009 of \$2,829,313 (December 2008 \$13,501,131).



## 8. Events subsequent to the reporting period

On 8 January 2010, the Company issued 2,750,000 Performance Rights as incentive for the future efforts of directors, employees and consultants of the Company pursuant to a Performance Rights Plan that was approved at the 2009 Annual General Meeting of the Company on 30 November 2009. The 2,750,000 Performance Rights have expiry dates of 30 November 2010 and were issued as follows:

- 275,000 if the fully paid ordinary shares in the Company have a volume weighted average price of 20 cents for a period of greater than 20 consecutive trading days between 1 December 2009 and 30 November 2010.
- 550,000 if the fully paid ordinary shares in the Company have a volume weighted average price of 30 cents for a period of greater than 20 consecutive trading days between 1 December 2009 and 30 November 2010.
- 550,000 if the fully paid ordinary shares in the Company have a volume weighted average price of 40 cents for a period of greater than 20 consecutive trading days between 1 December 2009 and 30 November 2010.
- 1,375,000 if the fully paid ordinary shares in the Company have a volume weighted average price of 50 cents for a period of greater than 20 consecutive trading days between 1 December 2009 and 30 November 2010.

## DIRECTOR'S DECLARATION

The Directors declare that:

1. The financial statements and notes, as set out on pages 12 to 20, are in accordance with the Corporations Act 2001, including:
  - a. comply with Accounting Standards AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in dark ink, appearing to read 'Jim Malone', with a long horizontal stroke extending to the right.

Jim Malone

Executive Chairman

16 March 2010



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## **Independent Auditor's Review Report To the Members of Monaro Mining NL.**

We have reviewed the accompanying half-year financial report of Monaro Mining NL. ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Monaro Mining NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance

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with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Monaro Mining NL is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

### **Significant uncertainty regarding continuation as a going concern**

Without qualification to the conclusion expressed above, we draw attention to Note 2 to the financial statements. The matters described in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

*Grant Thornton Audit Pty Ltd*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J W Vibert  
Director – Audit and Assurance Services

Perth, 16 March 2010