MONITOR ENERGY LIMITED

ABN 25 009 121 644

HALF-YEAR FINANCIAL REPORT

FOR HALF-YEAR ENDED

31 DECEMBER 2010

CORPORATE DIRECTORY

DIRECTORS

Scott Spencer (Non-Executive Chairman)
Mark Gwynne (Executive Director)
Paul Kelly (Non-Executive Director)

COMPANY SECRETARY

Stephen Brockhurst

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West Perth WA 6005

PRINCIPAL OFFICE

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SHARE REGISTRY

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Telephone: +61 8 9389 8033

AUDITORS

Stantons International
Level 1
1 Havelock Street
West Perth WA 6005

AUSTRALIAN SECURITIES EXCHANGE

Monitor Energy Limited shares (MHL) and options (MHLO) are listed on the Australian Securities Exchange.

The Directors of Monitor Energy Limited and its subsidiaries (together the "Consolidated Entity" or "Group") present their report for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

Scott Spencer – Non-Executive Chairman
Mark Gwynne – Executive Director
Paul Kelly – Non-Executive Director (Appointed 22 February 2011)
Jon Roestenburg – Managing Director (Resigned 22 February 2011)

REVIEW OF OPERATIONS

The net loss for the half-year attributable to members of Monitor Energy Limited was $1,171,223 (31 December 2009: loss $822,158).

Trinidad SOCA Transaction
On 22 February, 2011 Monitor Energy Limited ("MHL" or, "the Company") advised that the Trinidad SOCA Petroleum transaction was terminated due to a number of factors.

On 29 July, 2010 the Company announced a Heads of Agreement that proposed the acquisition of up to 90% of SOCA Petroleum Limited to acquire its rights in three onshore oil production projects and a drilling company in south Trinidad.

Following extensive international road shows for the SOCA transaction, the Company was advised by its corporate advisor, Komodo Capital Pty Ltd, that there was overwhelming investor preference for the transaction to proceed by way of an AIM or TSX listed vehicle. This coupled with the timing demands of the vendors meant that the Company was not in a position to proceed with the SOCA transaction and the agreement between the parties has now been terminated.

Australia: Cooper Basin
Monitor has an interest in two quality licences in the onshore Cooper Basin, which is a prolific onshore producer of oil and gas.

These two permits include:

- PEL115 (42%) including the Fury-1 oil discovery with further testing and drilling in first half 2010
- PEL 110 (20%) drilling potential second half 2010

The permits are surrounded by existing production assets and contains leads targeting in excess of 50 mmbbl oil and 450bcf gas. In addition to the leads there is also a large inventory of Prospects on both PEL 115 and PEL 110.

The Cooper Basin area has been subject to unseasonal weather for the past year and as a result of this, and the associated continuing poor ground conditions, catch-up work programs to extended testing the Fury-1 well have not been possible.

This work is expected to occur in the current quarter; however it will be timed to fit in with the work program of the Operator, Senex Energy Limited (formerly Victoria Petroleum NL*)*.

Kyrgyz Republic Oil and Gas Projects
Monitor has three licences in the Kyrgyz Republic, - two oil and gas licences in the north and an oil and gas licence in the south.

The Company has completed its non-field planning for a modest 2D seismic acquisition program on previously identified structures on its Concessions and anticipates contractual negotiations to recommence in the spring. The Company is seeking a partner to assist with the development of these projects.

Kyrgyz Republic Uranium Project
The Company holds a 22.5% (free carried of the Kashkasu II Uranium Project in central Kyrgyz Republic, with partner and operator Raisama Limited (ASX: RAI).

Under the terms of the agreement Raisama is responsible for sole funding the first A$1.5M worth of expenditure at the Project, and on the completion of certain project related milestones will make cash payments to Monitor.

On 6 December, 2010, Raisama Limited announced results of a drilling program that doubled the previously known strike extents of the mineralisation to over 2.6kms (see Raisama announcement).

Drilling also reported high grade intersections and identified multiple zones of coal and sandstone hosted uranium mineralisation, which has the potential to add significant upside to the potential of the deposit.

Raisama Limited is currently planning exploration program for the coming field season, with emphasis placed on defining strike limits to the mineralisation and defining a JORC compliant resource. Additional exploration will be undertaken to better define new targets within the tenement package.

Corporate

Board and Management Changes
On 22 February, 2011, Managing Director, Mr Jon Roestenburg, resigned from his position with the Company. The board thanks Mr Roestenburg for his tireless work for the Company in recent years and wishes him every success for the future.

Cape Lambert representative, Mr Paul Kelly, has been appointed to the board as a Non Executive Director.

Mr Kelly has more than 20 years of experience in the fields of finance, investment and banking. Mr Kelly was previously National Manager of Advertising and Sponsorship for Members Equity Bank and has held a number of senior roles with the bank over a 15 year period. Mr Kelly is also a director of Chameleon Mining NL, and International Goldfields Limited (formerly known as Corvette Resources Limited).

Capital Raising
On 13 July, 2010, the Company announced a placement under section 708 of the Corporations Act 2001 to raise $1.41 million (before costs) by placing 470 million shares at $0.003 per share.

Placement to Cape Lambert Resources Limited
On 22 February, 2011, the Company announced a placement under section 708 of the Corporations Act 2001 to raise $0.5 million (before costs) by placing 250 million shares at $0.002 per share to Cape Lambert Resources Limited (ASX: CFE) ("Cape Lambert").

Cape Lambert is a substantial shareholder of the Company (holding ~ 14.37%) and, via the Placement, has offered its support to the Company to provide funds for additional projects to be identified and satisfy the Company's immediate cash flow requirements.

Cape Lambert has a strong track record of investing in small to mid cap resources companies and applying the necessary technical and corporate resources to ensure value is created for all shareholders within a suitable time-frame.

CHANGES IN STATE OF AFFAIRS

During the half-year ended 31 December 2010 there was no significant change in the Group's state of affairs other than that referred to in the financial statements or notes thereto.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2010 is set out on page 5.

Signed in accordance with a resolution of the Directors.

____

Scott Spencer
Chairman

Perth, 15 March 2011

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Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as
Stantons International
Chartered Accountants and Consultants

15 March 2011

Board of Directors
Monitor Energy Limited
35 Richardson Street
West Perth WA 6005

Dear Sirs

RE: MONITOR ENERGY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Monitor Energy Limited.

As Audit Director for the review of the financial statements of Monitor Energy Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated 31 December 2010 $	Consolidated 31 December 2009 $
Revenue			
Interest income		**17,447**	883
Other income		**-**	614,714
		17,447	615,597
Employee benefits expense		**(284,645)**	(359,095)
Share based payments expense		**-**	(381,849)
General and administrative expense		**(70,928)**	(119,876)
Exploration expenditure expensed as incurred		**(1,196)**	(660)
Exploration expenditure written off		**(367,413)**	(79,261)
Travel expenses		**(41,432)**	(23,977)
Corporate compliance expenses		**(174,561)**	(89,688)
Depreciation expense		**(22,578)**	(26,327)
Foreign exchange gains/(losses)		**(84,955)**	(40,287)
Other expenses		**(134,907)**	(312,056)
Loss before income tax expense		**(1,165,168)**	(817,479)
Income tax expense		**(6,055)**	(4,679)
Net loss attributable to members of Monitor Energy		**(1,171,223)**	(822,158)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**40,623**	(11,006)
Income tax expense on items other comprehensive income		**-**	-
Revaluation of assets		**8,571**	63,786
Total other comprehensive income		**49,194**	52,780
Total comprehensive loss for the period		**(1,122,029)**	(769,378)
Loss attributable to:			
Owners of the parent		**(1,171,223)**	(822,158)
Non-controlling interests		**-**	-
		(1,171,223)	(822,158)
Total comprehensive loss attributable to:			
Owners of the parent		**(1,122,029)**	(769,378)
Non-controlling interests		**-**	-
		(1,122,029)	(769,378)
Basic loss per share (cents per share)		**0.03**	0.04
Diluted loss per share (cents per share)		**0.03**	0.04

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Consolidated 31 December 2010 $	Consolidated 30 June 2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	2	**383,212**	178,396
Trade and other receivables		**34,232**	397,912
Other assets		**12,406**	25,540
Total Current Assets		**429,850**	601,848
Non-Current Assets			
Plant and equipment		**97,826**	129,408
Other financial assets		**85,714**	77,143
Exploration and evaluation expenditure	3	**3,677,861**	3,290,225
Total Non-Current Assets		**3,861,401**	3,496,776
TOTAL ASSETS		**4,291,251**	4,098,624
LIABILITIES			
Current Liabilities			
Trade and other payables		**184,171**	181,438
Provisions		**57,933**	63,841
Total Current Liabilities		**242,104**	245,279
TOTAL LIABILITIES		**242,104**	245,279
Net Assets		**4,049,147**	3,853,345
EQUITY			
Issued capital	4	**21,713,746**	20,395,915
Reserves		**2,366,135**	2,316,941
Accumulated losses		**(20,030,734)**	(18,859,511)
Total Equity		**4,049,147**	3,853,345

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Issued Capital $	Accumulated Losses $	Option Reserve $	Foreign Exchange Translation Reserve $	Revaluation Reserve $	Total Equity $
Balance at 1 July 2009	15,692,149	(17,035,024)	1,694,598	201,120	-	552,843
Total comprehensive loss for the period						
Loss	-	(822,158)	-	-	-	(822,158)
Other comprehensive income						
Foreign currency translation differences	-	-	-	(11,006)	-	(11,006)
Revaluation of assets	-	-	-	-	63,786	63,786
Total comprehensive loss for the period	-	(822,158)	-	(11,006)	63,786	(769,378)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Securities issued during the period (net of transaction costs)	4,674,275	-	-	-	-	4,674,275
Share based payments	35,250	-	346,599	-	-	381,849
Total Contributions by and distributions to owners	4,709,525	-	346,599	-	-	5,056,124
Balance at 31 December 2009	**20,401,674**	**(17,857,182)**	**2,041,197**	**190,114**	**63,786**	**4,839,589**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Issued Capital	Accumulated Losses	Option Reserve	Foreign Exchange Translation Reserve	Revaluation Reserve	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2010	20,395,915	(18,859,511)	2,041,197	349,101	(73,357)	3,853,345
Total comprehensive loss for the period						
Loss	-	(1,171,223)	-	-	-	(1,171,223)
Other comprehensive income						
Foreign currency translation differences	-	-	-	40,623	-	40,623
Revaluation of assets	-	-	-	-	8,571	8,571
Total comprehensive loss for the period	-	(1,171,223)	-	40,623	8,571	(1,122,029)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Securities issued during the period (net of transaction costs)	1,317,831	-	-	-	-	1,317,831
Share based payments	-	-	-	-	-	-
Total Contributions by and distributions to owners	1,317,831	-	-	-	-	1,317,831
Balance at 31 December 2010	**21,713,746**	**(20,030,734)**	**2,041,197**	**389,724**	**(64,786)**	**4,049,147**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Consolidated 31 December 2010 $	Consolidated 31 December 2009 $
Cash flows from operating activities		
Payments to suppliers and employees	**(751,502)**	(909,041)
Interest received	**17,447**	883
Interest paid	**(1,577)**	-
Net cash (used in) operating activities	**(735,632)**	(908,158)
Cash flows from investing activities		
Exploration and evaluation expenditure	**(323,988)**	(2,689,666)
Payment for plant and equipment	**(2,815)**	(13,351)
Loans to associated entities	**-**	(31,792)
Receipt from sale of investments	**-**	150,000
Net cash (used in) investing activities	**(326,803)**	(2,584,809)
Cash flows from financing activities		
Proceeds from issue of securities	**1,410,000**	5,116,016
Share issue costs	**(92,169)**	(441,741)
Net cash provided by financing activities	**1,317,831**	4,674,275
Net increase in cash and cash equivalents	**255,396**	1,181,308
Cash and cash equivalents at beginning of half-year	**178,396**	661,658
Net foreign exchange differences	**(50,580)**	(27,986)
Cash and cash equivalents at end of half-year	**383,212**	1,814,980

The accompanying notes form part of these financial statements

1. BASIS OF PREPARATION

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 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the classification of expenditures on unrecognised assets in the statement of cash flows.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no affect on the amounts reported for the current or prior periods.

Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net loss after tax for the period ended 31 December 2010 of $1,171,223 (31 December 2009: $822,158) and experienced net cash outflows from operating activities of $735,632 (31 December 2009: $908,158. As at 31 December 2010, the consolidated entity had net assets of $4,049,147 (30 June 2010: $3,853,345).

The Directors believe that there are sufficient funds to meet the consolidated entity's working capital requirements. However, the Directors recognise that the ability of the consolidated entity to continue as a going concern and to pay their debts as and when they fall due is dependent on the ability of the consolidated entity to secure additional funding.

During the period, the consolidated entity successfully raised $1,410,000 gross of capital raising costs via the issue of ordinary fully paid shares.

Based on the above, the consolidated entity is confident that it will successfully raise additional funds to meet its financial obligation in the future period. Subsequent to 31 December 2010, the Company has raised a net of $475,000.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the consolidated entity will achieve the matters set out above. As such, the directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern.

	Consolidated 31 December 2010 $	Consolidated 30 June 2010 $

2. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank	**383,212**	178,396

(i) Non-cash financing and investing activities

There were no non-cash financing activities during the period.

3. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

Exploration and evaluation phase – at cost	**3,677,861**	3,290,225
Movement		
Balance at beginning of the period	**3,290,225**	-
Expenditure incurred	**755,049**	3,498,254
Expenditure written off	**(367,413)**	(208,029)
Balance at end of half-year	**3,677,861**	3,290,225

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to book value.

4. ISSUED CAPITAL

	31 December 2010		30 June 2010	
	No.	$	No.	$
Issued Capital				
Ordinary shares - fully paid	**4,100,671,408**	**21,712,946**	3,630,671,408	20,395,115
Converting preference shares	**2,006**	**800**	2,006	800
	4,100,673,414	**21,713,746**	3,630,673,414	20,395,915

4. ISSUED CAPITAL (Continued)

	31 December 2010		30 June 2010	
	No.	$	No.	$
Movement in ordinary shares				
Balance at the beginning of the period	**3,630,671,408**	**20,395,915**	1,557,695,704	15,691,349
Shares issued pursuant to pro rata renounceable entitlements issue on 28 October 2009	**-**	**-**	1,557,695,704	3,115,391
Shares issued to Directors as approved at AGM on 3 December 2009	**-**	**-**	14,100,000	35,250
Shares issued pursuant to exercise of options on 18 December 2009	**-**	**-**	25,000	625
Shares issued pursuant to private placement on 23 December 2009	**-**	**-**	500,000,000	2,000,000
Shares issued to consultant on 13 January 2010	**-**	**-**	1,155,000	2,887
Shares issued pursuant to private placement on 13 July 2010	**470,000,000**	**1,410,000**	-	-
Transactions costs relating to issue of shares	**-**	**(92,969)**	-	(450,387)
	4,100,671,408	**21,712,946**	3,630,671,408	20,395,115

5. SEGMENT INFORMATION

The Group 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 Group's primary segment is one business, being exploration and evaluation of mineral, gas and uranium resources.

During the half year ended 31 December 2010 the consolidated entity operated in the following Geographic Segments: Australia and Kyrgyzstan. (2009: Australia and Kyrgyzstan).

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
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 Group.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

5. SEGMENT INFORMATION (Continued)

Unallocated items
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense

(a) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	Consolidated 31 December 2010 $	**Consolidated 31 December 2009 $**
Australia	**-**	614,714
Kyrgyzstan	**-**	-
Unallocated items – interest income	**17,447**	883
Total revenue	**17,447**	615,597

(b) Loss by geographical region

Loss attributable to external customers is disclosed below, based on the location of the external customer:

Australia	**(980,506)**	(738,423)
Kyrgyzstan	**(172,941)**	(285,973)
Unallocated items	**(17,776)**	202,238
Total loss	**(1,171,223)**	(822,158)

(c) Assets by geographical region

The location of the segment assets is disclosed below by geographical location of the assets:

	Consolidated 31 December 2010 $	**Consolidated 30 June 2010 $**
Australia	**3,664,850**	4,345,545
Kyrgyzstan	**670,896**	817,287
Unallocated items	**(44,495)**	(1,064,208)
Total assets	**4,291,251**	4,098,624

	Consolidated 31 December 2010 $	Consolidated 30 June 2010 $

5. SEGMENT INFORMATION (Continued)

(d) Liabilities by geographical region

The location of the segment liabilities is disclosed below by geographical location of the assets:

Australia	**3,390,666**	3,369,517
Kyrgyzstan	**1,939,317**	3,042,076
Unallocated items	**(5,087,879)**	(6,166,314)
Total liabilities	**242,104**	245,279

7. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at 31 December 2010. There has been no change in contingent liabilities since the last annual reporting date.

8. EVENTS SUBSEQUENT TO REPORTING DATE

There are no matter or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods other than the following:

On 22 February 2011 the Company announced the termination of the SOCA Petroleum transaction (refer to ASX announcement on same date for further details).

On 22 February 2011 the Company announced a placement of 250,000,000 shares at $0.002 per share to raise $500,000 (gross of any capital raising costs, net $475,000 after capital raising costs).

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 6 to 15, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards;
    b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
    c. give a true and fair view of the financial position as at 31 December 2010 and of the performance for the half year ended on that date of the company and consolidated group;

The Chief Executive Officer and Company Secretary have each declared that:

a. the financial records of the company for the half year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
b. the financial statements and notes for the half year comply with the Accounting Standards; and
c. the financial statements and notes for the half year give a true and fair view;

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.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001

____
Scott Spencer
Chairman

Perth, 15 March 2011

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Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as
Stantons International
Chartered Accountants and Consultants

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MONITOR ENERGY LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Monitor Energy Limited, which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Monitor Energy Limited (the consolidated entity). The consolidated entity comprises both Monitor Energy Limited (the company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Monitor Energy Limited 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* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report 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 2010 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 Monitor Energy Limited, 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 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Monitor Energy Limited on 15 March 2011.

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 Monitor Energy Limited 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 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis Regarding Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter:

As referred to in Note 1 to the half year financial report, the financial statements have been prepared on a going concern basis. During the half year ended 31 December 2010 the entity had incurred a loss for the half year of $1,171,223 (2009 loss: $822,158) and had working capital of $187,746 (2009: $356,569). The ability of the entity to continue as a going concern is subject to the successful recapitalisation of the Company by way of a capital raising and/or the sale of mineral tenement interests at sufficient amounts so the Company can meet its existing and future commitments and proposed expenditures. In the event that the Board is not successful in recapitalising the Company and in raising further funds, the entity may not be able to continue as a going concern and the non-current assets may not necessarily realise book values.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
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Director

West Perth, Western Australia
15 March 2011