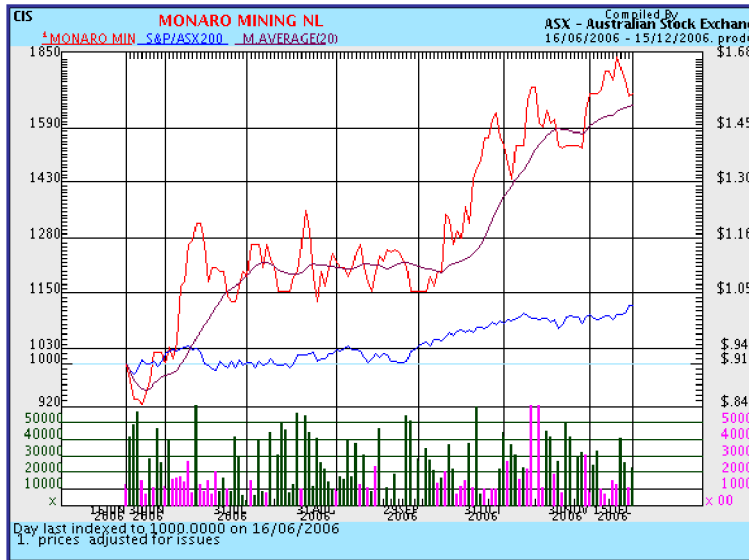


Uraniumletter INTERNATIONAL

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Special Situation - December 2006 Update

www.monaromining.com.au



Monaro Mining (A\$ 1.66)

ASX	: MRO
Frankfurt Stock Exchange	: M2H
H+L prices (12 months)	: A\$ 1.66 - 0.68
Net shares issued	: 22.9 million
Fully diluted	: 38 million
Market Capitalization	: A\$ 38 million

Next price target: A\$ 2.50

Company profile

Monaro is an Australian based international exploration and development company now focused on uranium and gold prospects in the Kyrgyz Republic as well as uranium prospects in Western Australia, the Northern Territory and Queensland, Australia. Moreover, the Company continues to advance its Lachlan Fold Belt licences in New South Wales covering base metals, gold and other minerals.

In January 2006, Monaro officially completed the acquisition of uranium and gold projects in the Kyrgyz Republic, where it holds the largest package of 100% owned uranium exploration licences. The uranium licences cover the spectrum from grass roots prospects to historical uranium sites, with CIS reserves recorded on several of the licences.

The licences acquired by Monaro contain CIS reserves of approximately 2,000 tonnes (4.4 million pounds) of U₃O₈ in C1 + C2 and + P 1 categories (non NI 43-101 compliant). Advanced exploration conducted by Soviet geologists took place but drilling was limited.

Exploration work on the Company's most prospective licences is ongoing, with the Company gearing up for a major drilling program on the Sogul licence in January 2007. Geological mapping together with radiometric surveying and trench sampling have confirmed the presence of extensive uranium mineralisation which was the subject of previous drilling campaigns by Soviet geological expeditions. In addition, work on a number of other uranium and gold prospects is on-going.

In September 2006, Monaro signed a binding Heads of Agreement with Hapsburg Exploration Pty Ltd covering 9 exploration licence applications in Western Australia, the Northern Territory and Queensland, covering over 3,700 km². The objective is to identify large systems offering potential for ore bodies in excess of 30,000 tonnes of contained uranium. Monaro can earn up to 75% interest on completion of feasibility studies.

Kyrgyzstan

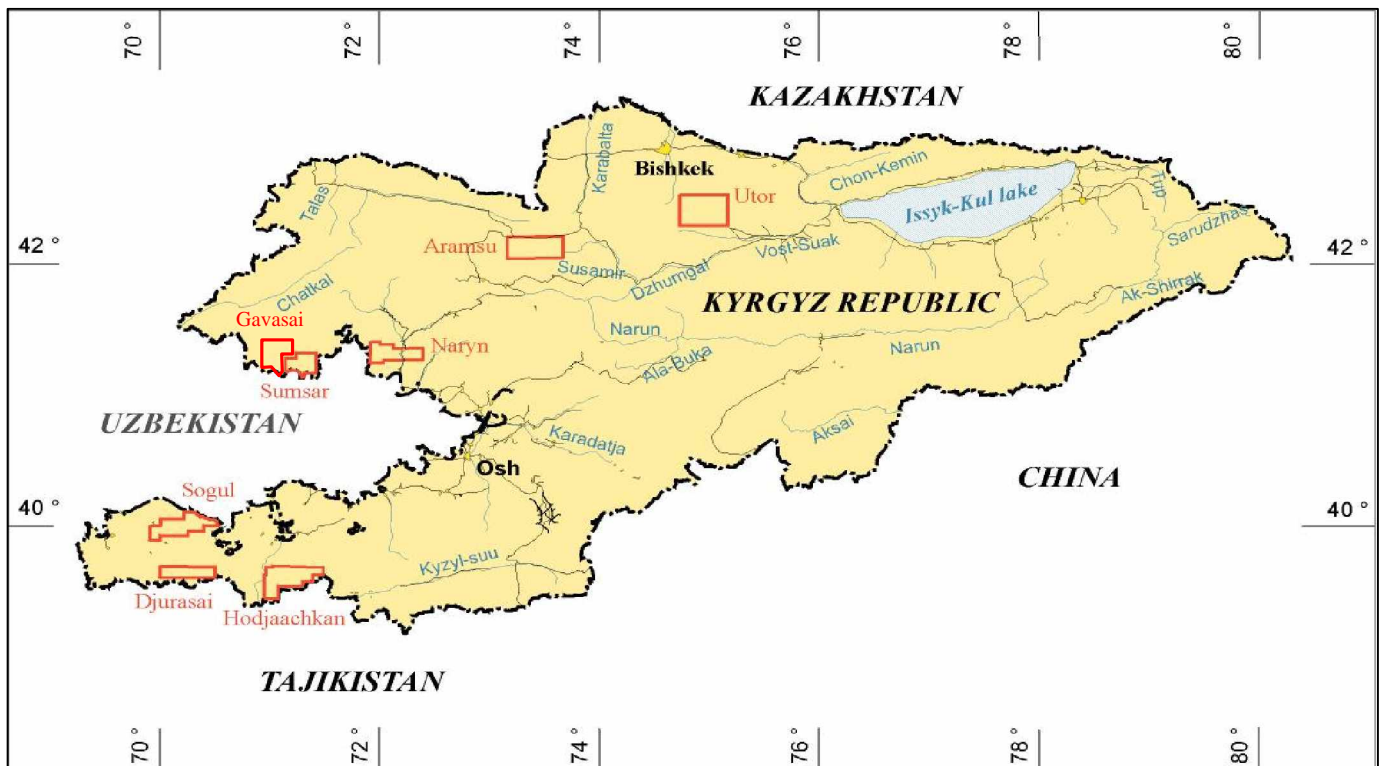


The Kyrgyz Republic has a tradition of uranium mining up until the 1970s with three mines producing 3,500 tonnes of U_3O_8 . It has similar geology to neighbouring Kazakhstan and Uzbekistan, two prominent uranium producing countries. The Shu-Sarysu and Sudaraya uranium deposits in South Kazakhstan have total resources of 1.13 million tonnes of U_3O_8 estimated to equal 20% of known global recoverable resources.

The Government of the Kyrgyz Republic is favourable disposed towards uranium mining, as is evidenced by its involvement in the Kara Balta processing facility, which recovers yellow cake transported from Kazakhstan. The country is traditionally the most "free-market"- oriented of the former Soviet Union Central Asian republics and has less strong environmental legislation and regulation than Australia or Canada.

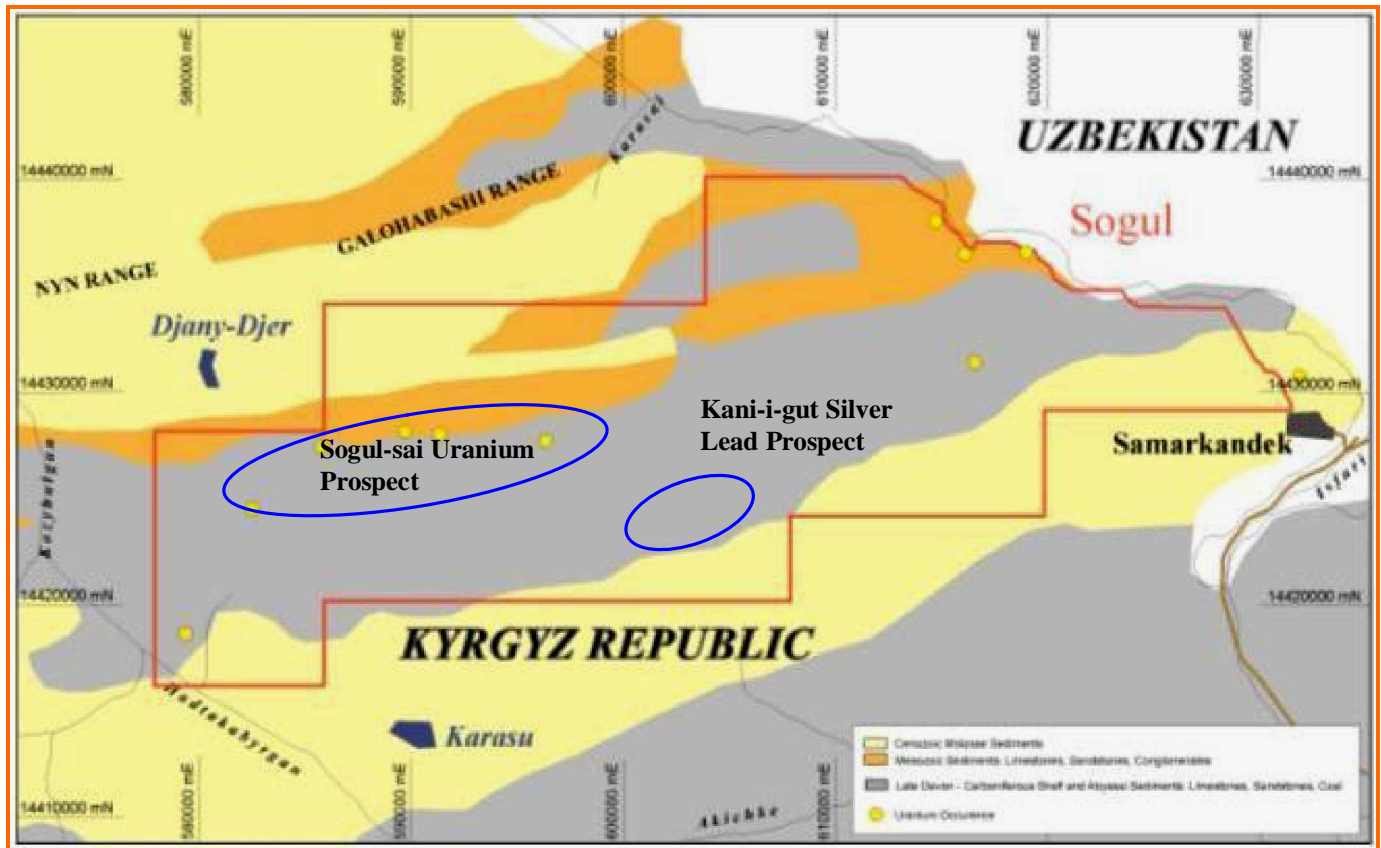
Overview of Projects

The location of the Company's licences is illustrated in the following map of the Kyrgyz Republic.



Ø Sogul Licence

Sogul hosts mineralization similar to that of neighbouring deposits in Uzbekistan e.g. Koscheka, Djantuar, Rudnoe, Altyntau. Mineralization is hosted in black shales typically containing pitchblende and uranyl-vanadate phosphates. Average grades vary from 0.06% to 0.132% of U_3O_8 and the mineralization includes anomalous amounts of molybdenum, vanadium and gold. The main prospects on the Sogul licence are illustrated below.



Key historical work on the Sogul Uranium prospect was undertaken during the 1980's up to 1992 by the Leninabad GKX (Oplanchuk 1983) and a technical-economic appraisal by Sredneazeatskaya in 1992. These reports have remained elusive but the scale of the work program (>5000m trenching, minimum 15 evaluation holes), suggests C₁ and C₂ resources would have been estimated and submitted for State approval.

In light of regional data obtained and work carried out on the project during 2006 by MRO geologists, significant occurrences and indications of uranium and other metals are apparent.

In the September Quarter, detailed mapping and radiometric surveying was completed on the central part of the Sogul-sai Project. This work has now revealed the presence of 9 mineralised zones within Silurian Strata and occupying an area of 1,500 by 400 m. The strike length of each of these pods varies from 150 m to 700 m and occurs over widths of between 10 m and 45 m.

During the December Quarter, mapping and surveying together with channel sampling across the 9 mineralised bodies was completed. The results of this work have enabled a comprehensive drilling program to be formulated, with a commencement planned for early January, 2007. The drilling program has been formulated to:

- § Drill test identified zones of uranium mineralisation at depth;
- Validate that the type and nature of the mineralisation outlined by the Soviets is real by "twinning" existing drill holes;
- Correlate the results of surface investigations in 3D and establish a firm geological model; and
- Investigate the consistency of mineralization with the view to deciding whether there is a basis to continue evaluation which may lead to the definition of a resource.

A two phase drilling program has been proposed, with the first phase totalling approximately 1500 metres. Should results from this phase prove positive, drilling would be continued and provision has been made for an additional 1000 metres.

At Kani-i-gut, an advanced silver-lead-zinc occurrence was tested during the 1950s and again during 1989-1992 by Government agencies. Testwork included the sampling of underground workings, as well as drilling. Mineralization associated with metasomalised Carboniferous limestone deposits was intersected, which included silver grades ranging from 5.9 oz - 9.1 oz/t, lead grades from 1.75 - 3.62%. In-situ values of silver grades alone represent US\$ 100 - \$ 150 per tonne at current metal prices. Significant tonnages of mineralization appear to have been delineated, and should future exploration (including extensive drilling) demonstrate adequate volumes of mineralization, there is a potential for a profitable mine at current metal prices.

Ø **Aramsu Licence**

Aramsu is a small high-grade resource (average grade 0.167% U₃O₈). The primary ore body consists of breccia-hosted mineralization at a granite sediment contact. Pitchblende, pyrite and galena are the primary minerals. The Aramsu Prospect has C1 and C2 (CIS) reserves of 325 tonnes U₃O₈, but only a small portion of the licence has been explored to date.

Exploration archives including the main report of the Susamyr Expedition were checked for further useful regional data. On a local level, a number of drill hole logs for the Central Aramsu deposit have been found, including 5 out of 12 surface holes and 30 of 62 underground holes. The uranium content in drill core from this program (completed in 1962) was largely assessed by gamma logging.

In the September Quarter, a geophysical orientation survey covering the Central Aramsu deposit was carried out by local contractors utilising magnetometry and IP geophysical technique. This work indicated that there was a tentative relationship between resistivity and uranium mineralization at depth (below the lowest adit level)

A field program is now being planned for the next field season.

Ø **Utor Licence**

At Utor, uranium mineralization is found in hydrothermally altered sandstone beds up to 20 metres thick, over a 10 km strike length, analogous to Kazakhstan ore bodies. Reported assays generally average around 0.08% U₃O₈, with some exceptional zones yielding values of between 1 and 2.15% U₃O₈.

Historic data indicates that this licence could generate in-situ-leach target types and P 1 and P2 resources have been delineated. However, further work is required to upgrade these occurrences to an acceptable standard. In general terms, the prospective geological environment in this licence area is similar to that found in the Aramsu Licence.

Given that access is limited during the winter months, further interpretation and acquisition of the regional and prospect data is continuing with the view to outlining targets for test work in the next field season.

Ø **Naryn and Sumsar Licences – North Fergana**

Naryn covers the most prospective part of the Northern Fergana uranium province. Underground mining was conducted in the late 1960s/early 1970s, but in-situ-leaching was not employed at the time but could now be an opportunity. The Naryn licence contains several deposits with a total recorded C1(CIS) reserve of 491.5 tonnes U₃O₈. Extensive sandy limestone beds host pitchblende and uranium vanadate along a 27 km long strike length with better grades in organic rich sections - generally 0.05-0.096% U₃O₈.

A neighboring mine produced 3,362 tonnes U₃O₈ at an average grade of 0.089%.

Sumsar shows similar structures and mineralization to the west of Naryn with the potential for sandy-limestone hosted uranium deposits. Beds demonstrate high porosity and permeability, which is important for in-situ leaching. Assays of 0.77% to 0.165% U₃O₈ have been recorded. Limited mining took place in the 1950s, but production records are limited.

Sumsar has several prospects, including Shakoptar, which features carnotite mineralization in widths of up to 2.5 metres with assays up to 0.1% across a series of lenses; Cohonkal, which features hydrothermally altered porphyries up to 10 metres in width, with assays up to 0.09% U₃O₈; Tenga, which has mineralization associated with intrusive; and Yangak-Sa, where the mineralization is associated with granites.

During the September and December Quarters, efforts were made to assess a range of historic drill hole data and quotes have been sought from a number of specialist minerals consultants regarding the incorporation of this and other data into a mineral systems package. The purpose of this work will be to establish a 3D structural/geological framework with the view to uranium target generation.

Ø **Hodjakaan and Durasai Licences – South Fergana**

These two licences are prospective for black shale hosting, Carlin-style gold mineralization enriched in uranium. In the September and December Quarters, interpretation and acquisition of regional data was ongoing.

To put Monaro's projects in perspective with a number of Australian projects, the following table has been produced to highlight relative uranium grades and gold equivalent values.

ppm	= %/tonne	= lb/tonne	In-Ground Value US\$/lb			Resource Reported		Gold Equiv. gpt
			40	50	60	Company	Project	
Value Per Tonne of Ore A\$ at Various Grades								
300	0.030%	0.66	33.48	41.85	50.22	Arafura	Nolan's Bore	2.4
350	0.035%	0.77	39.06	48.82	58.59	Aldershot	Turee Ck	2.8
500	0.050%	1.10	55.80	69.75	83.70	PepinNini	Crockers Well	4.1
700	0.070%	1.54	78.12	97.65	117.17	Redport	Lake Maitland	5.7
720	0.072%	1.59	80.35	100.44	120.52	Paladin	Langer Heinrich	5.9
770	0.077%	1.70	85.93	107.41	128.89	Monaro	Sumsar	6.3
800	0.080%	1.76	89.28	111.59	133.91	Paladin	Manyingee	6.5
900	0.090%	1.98	100.44	125.54	150.65	Monaro	Naryn	7.3
920	0.092%	2.03	102.67	128.33	154.00	Paladin	Kayelekera	7.5
1050	0.105%	2.31	117.17	146.47	175.76	Agincourt	Centipede	8.5
1400	0.140%	3.09	156.23	195.29	234.35	Summit	Valhalla	11.4
1450	0.145%	3.20	161.81	202.27	242.72	Glengarry	Oasis	11.8
1500	0.150%	3.31	167.39	209.24	251.09	Summit	Andersons	12.2
1650	0.165%	3.64	184.13	230.16	276.20	Monaro	Aramsu	13.4
2500	0.250%	5.51	278.99	348.73	418.48	ERA	Ranger	13.6
Exchange Rate 0.790			Gold Price 640 US\$/oz					

Other Kyrgyz Properties

Ø **Djal - Kokildak Gold Property**

The Djal-Kokildak Gold project was discovered in 1982/83 and is a promising gold prospect located within the Sumsar licence and within a highly prospective gold region on the edge of the Chatkal Valley. An excluded area contains the Bozymchack gold deposit, which reputedly contains almost 40 tonnes of gold (2 x P1) in skarn-porphry copper-gold setting. Six zones of gold mineralization have been delineated at Djal-Kokildak where strike lengths of prospective zones are generally around 200 metres with widths of up to 5 metres. Encouraging trench grades from 1.5 g/t to 10 g/t averaging 3 g/t gold have been documented in a number of exploration reports. Prior exploration comprised channel sampling, trenching and excavation of test shafts. Based on similar style of deposits, the potential exists for 200-300 m vertical extensions. The initial target is 500,000 ounces of gold and the prospect is amenable to an early drilling program.

During the December Quarter planning for further exploration work on this prospect gathered pace and it is anticipated that a grid based geochemical survey will be actioned in the next quarter with the view to delineating drill targets.



Australia Licences

In September 2006, Monaro signed a binding Heads of Agreement with Hapsburg Exploration Pty Ltd covering 9 exploration licence applications in Western Australia, the Northern Territory and Queensland.

These were strategically selected for their uranium prospectivity, based on conceptual geological analysis. The target types are principally focused on unconformity (Narbalek, Ranger, Kintyre) and IOCG (Olympic Dam) styles of uranium deposits.

The objective is to identify large systems offering potential for ore bodies in excess of 30,000 tonnes of contained uranium.

The principal terms of the agreement include: a cash payments of A\$100,000, and the issue of shares and options in Monaro, including A\$100,000 worth of shares and 500,000 options exercisable at A\$ 1.20, with an expiry date four years henceforth.

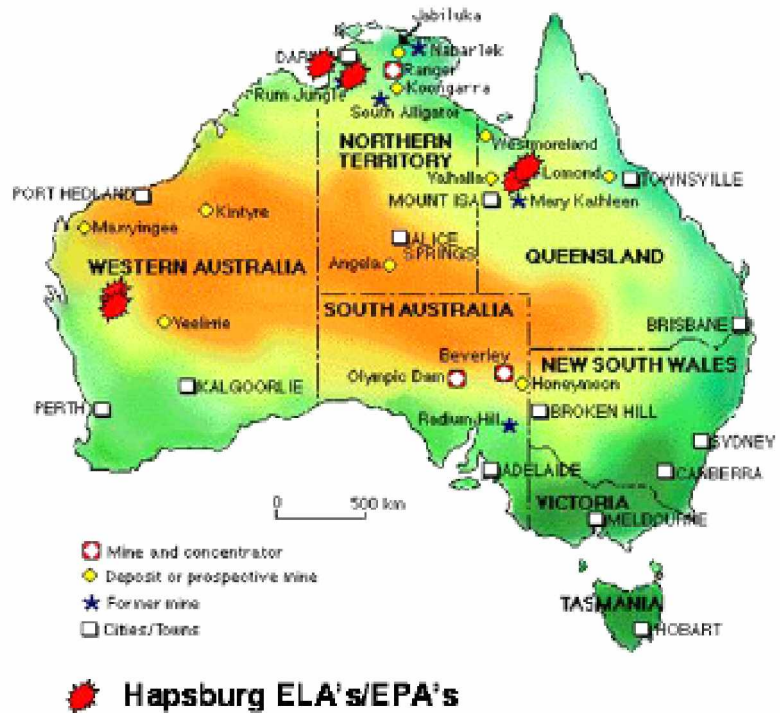


Diagram 1. Generalized Location of Licence Applications

These payments and issues will be completed upon the granting of the licences, expected to occur within several months. The Hapsburg JV gives Monaro the right to progressively earn the following interests in the licences: 35% interest after the expenditure of A\$1.5 million; 51% upon the determination of an inferred resource of 5,000 tonnes of contained uranium (U_3O_8); 75% upon the completion of a feasibility study.

Hapsburg is a private exploration company founded in May 2006 by experienced geologists with the specific strategy of identifying ground holdings prospective for economic gold and uranium mineralization in Australia. The principal share holders and operators include Mohan Varkey (MSc), who has 36 years of uranium/gold exploration and mining experience and was a senior exploration geologist for Urangesellschaft, CRA and Idemitsu. He is credited with the discovery of the Nabarlek Uranium deposit and was a member of the discovery teams responsible for the Cigar Lake Uranium deposit in Canada and the Ernest Henry Copper/Gold deposit in Queensland.

Lee Spencer (MSc) has 30 years of experience in exploration and mining in the Asia Pacific region and is currently a director of BDI Mining, an AIM listed company that is successfully mining diamonds in Kalimantan and considering the development of a one million ounce gold deposit on Woodlark Island, PNG.

David Bennett (BSe) has 34 years of exploration and mining experience with companies that include Minatome, Mobal Energy Minerals and Urangesellschaft. Monaro is fortunate to have secured access to the expertise of the Hapsburg team, a proven ore finding team. This is considered to represent a major benefit to the Company, particularly given the chronic shortage of technical personnel with relevant uranium experience. A brief description of the projects is outlined below.

The Compass Creek and Fog Bay Projects are located in the Northern Territory. At Compass Creek, exploration will be directed at gold/uranium mineralization at the granite-sediment interface, whereas at Fog Bay, the exploration target is unconformity controlled vein-type uranium/gold mineralization. The overlying Depot Creek Sandstone provides the classic unconformity model.

The Red Bull I, Mount Brown and Fort Bowen Projects are 3 contiguous licence areas focused on the Millungera area in Queensland. The regional aeromagnetic data indicates a magnetic low, which could represent a granitic intrusion. The areas covered by the EPA's are interpreted as Archean basement highs and are considered prospective for gold and uranium at the Archean unconformity and/or granite contacts.

The Coor-de-Wandy Hill, Granite Hills, Yalbra Hills and Collins Springs tenements in Western Australia are located entirely within the Gascoyne Basin and target Proterozoic metasediments of the Mt James Formation, which are intruded by Proterozoic late-stage granitoids coincident with major structures.

New South Wales (NSW) Projects, Australia

Notwithstanding the acquisition of the uranium and gold prospects in the Kyrgyz Republic, and its recent Australian uranium exploration initiative, Monaro continues to advance its Lachlan Fold Belt licences in NSW. The prospectivity of the region is evidenced by the Lake George Mine at Captains Flat, which produced 406,418 tonnes of ore, 243,851 tonnes of lead, 27,230 tonnes of copper, 236.4 tonnes of silver and 220,000 ounces of gold from 4 million tonnes of ore. Recorded grades were approximately 10% zinc, 6% lead, 0.7% copper, 56 g/t silver and 1.7 g/t gold.

In addition, there are numerous other locations on the licences that have demonstrated economic assay results. The outcropping and near surface potential of the licences has been well explored over the years, but there is still very good potential for mineralization at depth.

Thirteen target projects have been identified including: Lake George Mine "Deepes", Vanderbilt Hill and Jerangle, where previous explorers have returned high-grade copper and zinc drill intercepts.

In August 2006, Monaro and Ironbank Gold Ltd. executed a Heads of Agreement covering the Captains Flat Project. The agreement will enable Ironbank Gold to earn a 75% interest in the Project subject to meeting amongst other conditions, all expenditure commitments for the next 2 years and the completion of a positive feasibility study. Ironbank Gold will manage all exploration activities. A drilling program is planned to commence on this project in mid-January, 2007 targeting previously drill-identified zinc and copper mineralisation at the Jerangle Prospect.

Corporate / Finance

On December 8, 2006, Monaro announced the placement of 2.0 million ordinary shares at A\$ 1.50 per share for gross proceeds of A\$ 3.0 million.

The funds will be used to accelerate the evaluation of the advanced uranium projects in the Kyrgyz Republic, with a view to establish JORC compliant resources ahead of economic evaluations.

Funds will also be used to commence exploration on the portfolio of nine uranium targeted exploration licenses in Australia when they are granted.

Monaro has sufficient funds to accelerate activity and provide positive results ahead of the conversion date of the July 2007 options exercisable at A\$ 1.20, which could bring another A\$ 6 million.

Investment recommendation:

After having focused initially on uranium and gold prospects in the Kyrgyz Republic, Monaro has taken a strategic position within the Australia uranium industry through an agreement with Hapsburg Exploration Pty. The Kyrgyz Republic has a tradition of uranium mining up until the 1970s with three mines producing 3,500 tonnes of U₃O₈. It has similar geology to neighbouring Kazakhstan and Uzbekistan, two prominent uranium-producing countries.

Monaro holds the largest package of 100% owned uranium exploration licences in the Kyrgyz Republic which contain Russian reserves of approximately 2,000 tonnes (4.4 million pounds) U₃O₈ in C1 + C2 and P1 categories (non NI 43-101 compliant).

Exploration work on the Company's most prospective licences is ongoing, including preparation for a major drilling program on the Sogul-sai Uranium prospect in January, 2007, commencement of a major soil geochemical survey on the Djal-Kokildak Gold Project and the on-going desktop and field assessment of the other Kyrgyz licences.

Whilst Monaro is disappointed with the delays in the Kyrgyz Republic concerning the access to historical drill reports and the frustration in securing a suitable drilling contractor, the Company is nevertheless forging ahead with an expanded and aggressive program for 2007. Based on the existing exploration data generated by Monaro and previously by the Soviets, the possibility is there to confirm and extend existing uranium reserves of 2,000 tonnes.

Then, Monaro has embarked up on an exciting relationship with the Hapsburg JV. This gives the Company great blue sky appeal with the possibility of discovering significant new uranium orebodies over the next few years in Australia.

In New South Wales, Australia, Monaro continues to advance its prospective Lachlan Fold Belt licences, where previous explorers have returned high-grade copper and zinc intercepts. The Company has executed a Heads of Agreement with Ironbank Gold, covering the Captains Flat Project and a drilling program is to be commenced on this project in early January, 2007.

Having advanced 50% in value since our first recommendation in June 2006, at a current net market capitalization of just A\$ 38 million, including a cash balance of more than A\$ 2 million, we still consider the shares of Monaro strongly undervalued.

Our next price objective is: A\$ 2.50.