



31 May 2004

ASX ANNOUNCEMENT

RIGHTS ISSUE SUPPLEMENTARY PROSPECTUS

Monto Minerals has today lodged the attached supplementary prospectus with ASIC. This supplementary prospectus contains new information received since preparation of the Prospectus which may increase the company's projected expenditure. The supplementary prospectus is to be read as part of the Rights Issue Prospectus dated 17 May 2004 in respect of a 1 for 10 non-renounceable rights issue of shares at 7 cents to raise up to approximately \$1.925 million. The record date was 25 May 2004 and the issue will close on 16 June 2004.

The Rights Issue Prospectus and the Supplementary Prospectus will both be mailed today to all shareholders.

By Order of the Board

A handwritten signature in black ink, appearing to read "Peter J Slaughter", written over a white background.

PETER J SLAUGHTER
Executive Chairman

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SUPPLEMENTARY PROSPECTUS

This is a supplementary prospectus dated 31 May 2004 ("Supplementary Prospectus"), and is intended to be read with the prospectus issued by Monto Minerals Limited ("Monto Minerals") dated 17 May 2004 in relation to a 1 for 10 non-renounceable rights issue at 7 cents per New Share ("Prospectus").

This Supplementary Prospectus was lodged with ASIC on 31 May 2004. Neither ASIC nor ASX takes any responsibility for the contents of this Supplementary Prospectus. Terms used in this Supplementary Prospectus have the same meaning as defined in the Prospectus.

Use of Funds and Minimum Subscription

The Company has incurred additional expenses in preparation of this Supplementary Prospectus. The Total Expenses in the Use of Funds table in Section 2.1 will increase by approximately \$7,600 after taking into account additional legal costs, printing costs and consequential increases in handling fees and credit card fees and the amount payable to John Holland.

As a result, the Company has decided to change the Minimum Subscription formula in section 2.1. The starting sum of \$1.790 million in the formula will now increase by \$7,000 to \$1.797 million to cover these additional costs.

The examples of the Minimum Subscription calculations set out in section 2.1 of the Prospectus will consequentially increase by \$7,000 to \$897,000 and \$1.297 million respectively.

Compensation Agreement

Monto Minerals has previously entered into a Compensation Agreement with Mrs Roseanne Campbell, who owns the land on which Mining Lease 80044 (Goondicum Crater Lease) is located. Under the Compensation Agreement, certain compensation has been paid and remains to be paid in connection with the disturbance to the land due to the Mining Lease and related matters.

The final amount of compensation which is payable under the Compensation Agreement is approximately \$148,000 ("Compensation Payment"). The Company has received an indication on behalf of Mrs Campbell that the Compensation Payment may be payable as a result of the construction of the Trial Plant. The Company has not yet received confirmation of whether this is in fact Mrs Campbell's position. Monto Minerals believes that the Compensation Payment is not payable until after commencement of construction of the main commercial plant.

However, the Company is committed to maintaining its good relationship with Mrs Campbell. It will seek to confirm that Mrs Campbell agrees with its understanding that the Compensation Payment is not currently due. If that is not the case, it will seek to negotiate a mutually acceptable outcome in relation to the timing of the Compensation Payment and the manner in which it will be paid. For example, the Company may seek Mrs Campbell's agreement to defer some or all of the cash payment until a later time, to receive Shares in lieu of some or all of the cash payment, or to a combination of those things.

However, if only the Minimum Subscription is raised and the Compensation Payment is in fact payable immediately in cash, the Company will have to raise further funds, defer some of the project and administration expenses described in section 2 of the Prospectus, or do a combination of those things. If it defers project and administration expenses in those circumstances, it will need to raise further funds to enable it to undertake all of the activities described in section 2 of the Prospectus and to continue operations until the decision to proceed to the BFS stage is made.

Section 2.2 of the Prospectus sets out the proposed use of funds if the Company raises between \$1.790 million (now increased to \$1.797 million) and \$2 million from the Issue, placements and any Other Funds. If all or part of the Compensation Payment is payable in cash in these circumstances, the Company will use the balance towards payment of the due amount before it operates the Trial Plant and feldspar washing plant for an additional period. Depending on how much is raised above \$1.797 million, the Company may still need to raise additional funds or defer activities.

Costs of the Issue

It is assumed that handling fees will be paid on one half of the funds raised from the Issue, and that credit card fees will be paid on one third of the funds raised from the Issue, which was the basis on which the amounts were calculated in the section 2.8.10 of the Prospectus.

Interests of, and payments or benefits to, advisers and experts

Corrs Chambers Westgarth will receive approximately \$118,000 (excluding GST and disbursements) from the Company for the provision of legal services to the Company in relation to the Prospectus and the Supplementary Prospectus.

Consents

BDO Kendalls have given and have not withdrawn their consent to the inclusion in the Prospectus as supplemented by this Supplementary Prospectus of their independent review report and the financial statements to which it relates, in the form and context in which they are included in section 7.3 of the Prospectus.

Corrs Chambers Westgarth have given and have not withdrawn their consent to be named in the Prospectus as supplemented by this Supplementary Prospectus as the Company's solicitors in the form and context in which they are named.

The Directors have given their consent to the lodgement of this Supplementary Prospectus with ASIC and have not withdrawn their consent prior to lodgement.