Monto Minerals

19 October 2004

ASX ANNOUNCEMENT

2004 ANNUAL REPORT

Pursuant to Listing Rule 4.7 we advise that the Company's 2004 Annual Report was dispatched to shareholders on Tuesday 19 October 2004, along with the Notice of Annual General Meeting.

Please find attached a copy of the Annual Report, Chairman's Letter to Shareholders, Notice of Annual General Meeting with Explanatory Memorandum, and Proxy Form.

By Order of the Board

GM Edwards

GARRY M EDWARDS
Company Secretary

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Milton QLD 4064 Australia
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Facsimile: 61 7 3858 6199
Email: admin@montominerals.com

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5 Newton Street
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Telephone: 61 7 4166 3500
Facsimile: 61 7 4166 3137

ACN 063 144 865

Directorate and Administration

Directorate

Executive Chairman:	Peter J Slaughter
Non-executive Deputy Chairman:	Peter G Dowling
Executive Director – CEO:	Geoffrey P Moore
Non-executive Director:	Richard I Cottee
Alternate Director:	Phillip M Wright

Administration

Company Secretary:	Garry M Edwards
Registered Office:	Level 6 303 Coronation Drive Milton Qld 4064 Telephone: (07) 3858 6100 Facsimile: (07) 3858 6199
Web Site:	www.montominerals.com
Email:	admin@montominerals.com
Share Registry:	ASX Perpetual Registrars Limited Level 22 300 Queen Street Brisbane Qld 4000 www.asxperpetual.com.au
Auditors:	BDO Kendalls Level 18 300 Queen Street Brisbane Qld 4000
Solicitors:	Corrs Chambers Westgarth Level 35 Waterfront Place 1 Eagle Street Brisbane Qld 4000
Bankers:	Commonwealth Bank 240 Queen Street Brisbane Qld 4000
Stock Exchange Listing:	Australian Stock Exchange Limited Home Branch – Brisbane ASX Code (Shares) – MOO

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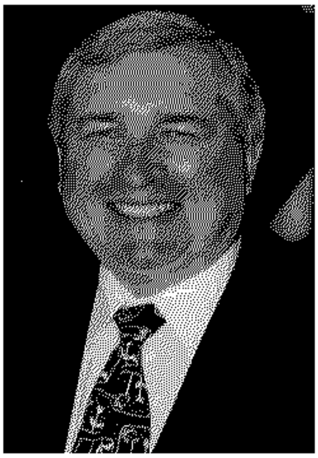
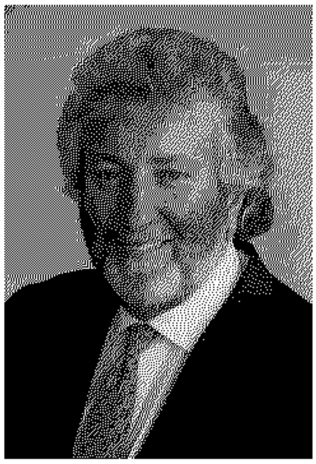
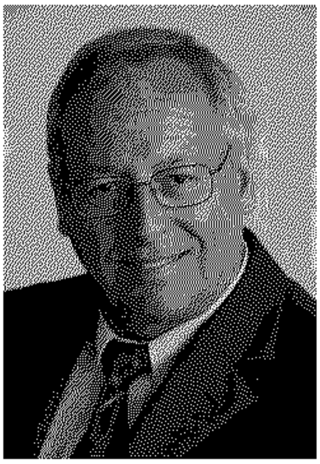
Directors and Company Secretary



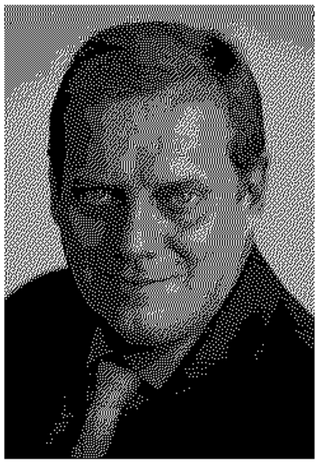
Peter J Slaughter
Executive Chairman



Peter G Dowling
Non-executive Deputy Chairman

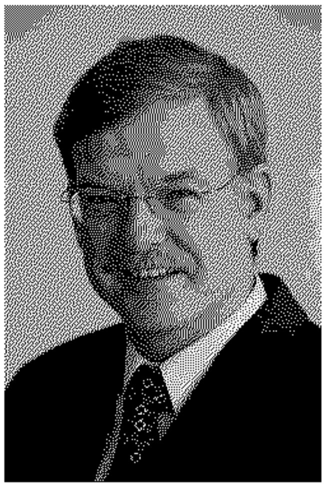


Geoffrey P Moore
Executive Director
(Appointed CEO 1 September 2003)



Richard I Cottee
Non-executive Director

Phillip M Wright
Alternate Director



Garry M Edwards
Company Secretary

Executive Chairman's and Chief Executive Officer's Report

Dear Shareholder,

We are pleased to report that during the past year your Company has made significant progress towards development of the Goondicum Industrial Minerals project.

Significant milestones during the year include:

- Design, construction and operation of both the trail processing plant at Mount Goondicum, and the feldspar washing facility at Dinmore
- Successful production of over 1500 tonnes of ilmenite, feldspar and apatite for commercial scale testing by key customers
- Raising of over $6,000,000 to fund project activities and pay down debt

Further significant developments since 30 June 2004:

- Full scale production trials using Goondicum feldspar commenced at glass manufacturer ACI's Brisbane plant
- Secured conditional Letter's of Intent to purchase 100,000 tonnes per year of ilmenite commencing in 2006.
- Agreement to supply a bulk sample of feldspar for large scale production trials by a major south east Asian glass manufacturer

By the end of September 2004 the Company had secured conditional supply commitments with customers for over 50% of the first two years production and expects to be able to make a decision, jointly with John Holland Developments and Investments Pty Ltd (JHDI), to proceed with a bankable feasibility study before the end of October 2004.

These achievements were accomplished with two full time staff and fewer than 10 part time management and professional advisers and it is appropriate to acknowledge the efforts made by all who contributed to the successes of the past year.

During the year a total $5.33 million dollars were spent on construction and operation of the trial processing plant and feldspar washing facility, and $311,000 on direct marketing activities. This was funded by issuing, through the year, a total of 107,928,690 fully paid ordinary shares to raise $6,124,885, which included cash of $5,491,740 and extinguishment of total debt of $633,145. Shares issued for cash were by way of placement and exercise of options. The increase in funding, compared with the $5 million previously forecast, was required to meet additional costs of around $500,000 for construction and operation of the processing plants, increased marketing costs, and delays to marketing revenue.

Pilot mining and construction of the trial processing plant, assisted by JHDI, was completed close to budget of $2.6 million. Total operating costs were above plan largely due to higher than expected labour costs associated with plant modifications and maintaining second hand equipment in a remote location. Successful operation of the plant has proven the simple processing route.

The feldspar washing facility which was designed, construction and operated with the assistance of Ausmin Pty Ltd at Dinmore (near Ipswich in south east Queensland), is the first plant of its kind. Significant progressive design changes were made during design and construction which led to an increase in capital expenditure to about $1.3 million compared with the original design and construction estimate of $922,000. The plant consistently operated above specification for product quality at design output levels.

These increases in expenditure were disappointing. However, the operating outcomes were positive and, given the large number of unknowns, your directors believe we have on balance moved the Company's prospects forward very significantly in the past year.

Executive Chairman's & Chief Executive Officer's Report (continued)

Operations

Pilot mining and construction of the trial processing plant at Mount Goondicum commenced in January 2004 and was completed in March under a contract with John Holland Pty Ltd. A revised marketing strategy, which focussed on supplying only strategically important customers with bulk samples, allowed total production of bulk product to be reduced compared with the original plan. Production of bulk samples concluded on schedule at the end of June 2004 and the plant remains on care and maintenance and may be restarted to provide bridging commercial production ahead of the construction of the main plant.

Many valuable lessons were learnt during the successful trial plant operations and the confidence gained has led your Board to the view that design and construction of a full scale processing plant may be possible in a shorter time than the originally envisaged 12 months, subject to the lead-time for procurement of key plant equipment. Opportunities were also identified that are expected to lead to improved mining and processing efficiencies and to reduce capital and unit operating costs in full-scale operations.

The feldspar washing plant at Dinmore, near Ipswich in southeast Queensland, has performed well and produced consistent high quality products, which exceeded customer specifications, at design throughput rates.

Marketing

Mr Hugh Babbage was appointed during the year as Marketing Manager to establish a consistent marketing strategy, develop relationships with customers and to secure supply contract commitments. Mr Babbage was previously Manager-Coal Marketing with M.I.M. Holdings Limited (now Xstrata) and brings to the company extensive international marketing experience.

Successful operation of the trial processing plant has proven that consistent commercial quality feldspar, ilmenite and feldspar can be economically produced from the Goondicum Project and has gone a long way in establishing the Company's credibility within international industrial mineral markets.

Bulk samples are being commercially tested by potential customers and, by the end of September 2004, the Company had secured assurance and agreements from strategic customers for over 50% of the first two years of production.

The Company has been developing relationships with customers in Asia and Japan and considerable effort has been devoted to potential feldspar and ilmenite customers in Europe to establish co-shipping opportunities for these products on Panamax size vessels. Co-shipping, which is a key component of the Company's European marketing strategy, would reduce supply chain costs and allow competitive supply of products into the European market.

Secured conditional Letter's of Intent to enter commercial contracts for all of the ilmenite produced in the first two years of full production, subject to successful commercial scale trials during 2005.

Research work is planned to investigate the cost and benefit of enhancing the quality of the ilmenite to meet a broader customer base and command a higher price.

Feldspar of consistent quality, exceeding the stringent specification standards of the customer, is now being used in the ACI glass furnace in Brisbane as their sole source of alumina for clear bottles. ACI has also requested that, subject to the successful conclusion of the current trial, Monto restart the trial plant during 2005 to provide bridging production of feldspar ahead of commissioning of the main plant.

All the apatite from the trial processing plant was sold to two customers.

Executive Chairman's & Chief Executive Officer's Report (continued)

Looking ahead:

We expect to make a decision, jointly with JHDI, to commence a bankable feasibility study (BFS) before the end of October 2004. The aim is to complete the BFS and secure project finance by May 2005 at estimated cost to Monto of $1.2 million and $0.7 million to JHDI.

Funds have been allocated to refund, before 31 December 2004, $800,000 to JHDI for the first phase of the Project Cooperation Agreement. This will reduce the success fees to be paid to JHDI on completion of the BFS by around $1.35 million.

Preliminary studies to determine the potential commercial benefit of a staged production strategy have been encouraging, with initial mining rates approximately half that previously envisaged. This strategy would meet current marketing targets for the first two years of the project and significantly reduce the initial project capital requirement and estimated operating costs. These options will be further reviewed during the BFS.

Construction is expected to take 6 months, subject to the BFS, and full scale production is targeted to commence before the end of calendar 2005. Preliminary estimate for the cost of the commercial plant is $25 million plus working capital of $10 million.

Monto will consider a number of options to fund the BFS and project construction including further placements, project equity, joint venture opportunities and debt. The Company is focused on achieving the best funding outcome for its shareholders.

Monto will continue to pursue market opportunities with new customers and will investigate new applications for the mineral products, particularly feldspar as an industrial abrasive, as a paint whitener, and potential for its use in the steel industry.

We look forward to the challenges and opportunities that lie in the year ahead as we progress towards the goal of successful development of the Goondicum Industrial Minerals project.

Peter J Slaughter	**Geoffrey P Moore**
Executive Chairman	Chief Executive Officer

Directors' Report

Monto Minerals Ltd – ACN 063 144 865

Your Directors present their report on the Company and its controlled entities for the year ended 30 June 2004.

Directors

The names of Directors in office at any time during or since the end of the year are:

P J Slaughter	-	(Executive Chairman)
P G Dowling	-	(Non-executive Deputy Chairman)
G P Moore	-	(Executive Director) (Appointed CEO 1 September 2003)
R I Cottee	-	(Non-executive Director)
P M Wright	-	(Alternate Director) (Appointed 15 February 2004)
L G Johnson	-	(Executive Director – Operations) (Ceased 29 August 2003)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The Economic Entity's principal activities are directed towards the development of the deposits in the Goondicum and Eulogie Park areas. During the financial year these activities concentrated on progressing the development of the Goondicum Crater Project.

Operating Results

The consolidated loss of the Economic Entity after providing for income tax amounted to $997,323 (2003: $787,152). All Dollars mentioned are Australian Dollars unless otherwise stated.

Dividends Paid or Recommended

No amounts have been paid or declared by way of dividend since the end of the previous financial year and the Directors do not recommend the payment of any dividend.

Review of Operations

(i) Fund Raising During the Year
Monto Minerals Ltd issued shares for total consideration of $6,124,885 including cash of $5,491,740 and extinguishment of total debt of $633,145. Shares issued for cash were by way of placement and exercise of options. 107,928,690 fully paid ordinary shares were issued. Funds were applied to advancing the Goondicum Crater Project and working capital.

(ii) Goondicum Crater Project
During the year significant progress was made towards the development of the Goondicum Industrial Minerals Project:

- the trial processing plant was built and produced the bulk samples for customer testing and commercial scale trials; and
- by 30 June 2004, Monto had secured Letters of Intent or other commitments for the supply of industrial minerals covering 28% of the first two years production.

In further important developments since 30 June 2004, the Company has:

- commenced delivery of bulk feldspar product for large scale production trials by glass manufacturer ACI, a Brisbane based subsidiary of the Owens Illinois Group of Companies, one of the world's largest glass manufacturers; and
- been requested by ACI to consider restart of the trial plant to provide commercial quantities of feldspar until the main plant is operational; and
- agreed to supply, in late October, a bulk sample of feldspar for full-scale production trials by a major south east Asian glass manufacturer; and
- secured a Letter of Intent to supply 100kt of ilmenite in 2006 to a European pigment manufacturer, subject to a bulk sample trial in 2005.

Monto expects to make a decision to proceed to a Bankable Feasibility Study in the December quarter 2004.

Monto Minerals Ltd – ACN 063 144 865

The **trial processing plant** was designed by Roche Mineral Technologies and Monto Minerals, and was constructed and operated by construction company John Holland Pty Ltd (SMP). The project was managed by John Holland Development and Investment (JHDI) under a Project Cooperation Agreement with Monto. The plant produced bulk samples of the project's three key products, feldspar, ilmenite and apatite, for customer testing and commercial scale trials.

Construction of the plant was completed within budget in March 2004 and production of bulk product samples to meet the needs for marketing was concluded on schedule at the end of June 2004. A total of 1250 tonnes of feldspar, 300 tonnes of ilmenite and 50 tonnes of apatite was produced, but the main focus of the trial was on producing a commercial quality feldspar product. The trial plant is being maintained and can be restarted to provide bridging commercial production, if required to meet the needs of ACI, prior to construction of a full-scale commercial plant.

Operations at Goondicum provided valuable technical data for inclusion in the proposed bankable feasibility study. In addition, opportunities were identified to optimise mining techniques and processing plant design which are expected to lead to improved mining and processing efficiencies and reduced unit costs in full-scale operations.

The trial also identified potential for the plant to produce commercial product from deeper, less weathered areas of decomposed gabbro. This material had not previously been included as part of the resource and may increase the project's total resource.

In December 2003, Monto entered into an agreement with the SAFE Group of Companies, to construct and operate at SAFE's Ipswich plant a **feldspar washing facility** for trial and initial commercial deliveries. Washing to remove iron staining is the final stage of feldspar processing, which some customers require to meet their particular specifications. As part payment, SAFE received the apatite production from the trial plant for the manufacture of mineral fertilisers.

The first consignment of feldspar from the Goondicum trial plant, were trucked to the Ipswich washing facility in early June.

(iii) Environment

Monto has submitted proposed amendments to the approved Goondicum Project Environmental Management Overview Strategy (EMOS), which is progressing through the Queensland Environmental Protection Agency (QEPA) approvals process. Monto has been granted a 12 month extension to the Plan of Operations for the trial processing plant.

Two plots for monitoring of pasture plant diversity were established in the March quarter on and off the proposed mining area and will be mapped twice annually to build a controlled data base for rehabilitation. A rehabilitation plan for the first mining pit of the Trial Plant has been drafted and a Lucerne crop on the fine tailings will be sown in October. Several surveys have been completed to collect base line data over a line of semi-permanent water holes. Surface water dams and water holes in the project area are sampled regularly to monitor algae and water quality for seasonal variations as background control data for monitoring stored process water.

The Ipswich washing plant has operated for three months and has met all environmental conditions.

(iv) Goondicum Project Resources

The average grade of ilmenite for the first 8 years of mining is 5.1%. A "Life of Mine" plan has been developed to provide a 17 year mining operation based on known Reserves and Resources. Proved and Probable Reserves of 69 million tonnes have been calculated from 79 million tonnes of in-situ Measured and Indicated Resources.

Recent resource calculations have produced the following resources for feldspar and apatite:

In situ material	34,600,000t
Feldspar	4,700,000t with a recovered grade of 13.6% at 4.0% cut-off
Apatite	665,000t with a recovered grade of 1.9% at 0.1% cut-off

All of these resources are within the ilmenite rich area determined at 3.0% of 5.5amp magnetics cut-off.

(v) Other Projects

Eulogie Park – Monto holds exploration lease EPM 9541 covering the weathered Eulogie Park Gabbro and associated sediments. The ilmenite and titano-magnetite deposit is near Mount Morgan, approximately 105 km north-west of Goondicum, and is geologically similar to the Goondicum deposit. The Company is seeking expressions of interest in relation to the hard rock magnetite deposits while retaining the rights to ilmenite, feldspar and apatite resources.

River Lease – Mining Lease Application (MLA) 80040 is an ilmenite resource target 3 to 4 km south-east of the Goondicum Project on the Burnett River. With a focus on the Goondicum Crater, the Company is reviewing its options regarding the tenure of this lease. The review is expected to be completed in the fourth quarter of 2004.

(vi) Product Marketing

Marketing activity continued to focus on potential customers who could become long-term buyers of Monto's products.

In February 2004, Monto appointed a Marketing Manager, responsible for market development and securing sales contracts, including the provision of logistics solutions.

ACI Packaging commenced a full-scale industrial trial of Monto feldspar from the pilot plant in early September and plans to continue this evaluation programme at its Brisbane plant for three to four months, using the product at up to 100% in each of its furnaces. A similar trial has been agreed with a major south-east Asian glassmaker and is planned to commence in October. Such trials, interfering as they do with regular plant production, are not entered into lightly by potential customers and reflect a strong interest in the product.

Discussions with a number of other major glassmakers in Asia, Europe and Brazil, are at various stages of progress and there is serious interest from two major groups in Europe, each of which are buyers of substantial tonnages of feldspar products.

Efficient freight logistics are critical to Monto's feldspar competitiveness and the marketing strategy for Europe is based in part upon joint shipping of feldspar and ilmenite in larger vessels in order to minimise ocean freight costs. Following evaluation of pilot plant product, discussions with a major north European titanium dioxide pigment producer have progressed to the point where a Letter of Intent for supply of a substantial proportion of Monto's ilmenite production is now under consideration. This business would form the basis of the joint shipping strategy for Europe.

Other potential markets for Monto's ilmenite include the rapidly growing Chinese market, and Japan and Korea. There is potential over the longer term for sales to other producers for product blending or upgrading.

All of Monto's apatite production is informally committed to a local organic fertiliser producer who has already taken all the trial plant production. Other local buyers have also expressed interest, including an industrial composter who is currently testing the product in a commercial trial.

Other uses for Monto feldspar are under investigation, in particular as an abrasive blasting medium and fine milled, as a high value paint filler/pigment. An industrial sized sample is currently being tested by a major local ship repair yard for metal cleaning and a further sample is being fine milled in Germany for evaluation in the paint industry.

Monto works with international representatives in strategic locations, whose key function is to identify and develop customer opportunities, as well as investigate and advise on local storage and distribution logistics. Other arrangements are broader and include an agreement with Mitsubishi to cooperate on shipping from Queensland when possible.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Economic Entity that occurred during the financial year under review, not otherwise disclosed in this report or the financial statements.

After Balance Date Events

There are no matters or circumstances, with the exception of Note 24, that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

Future Developments and Expected Results of Operations

The ability of the Economic Entity to construct and commence operations of the Goondicum mine, and hence the continued adoption of the going concern assumption, will depend upon the successful raising, in the future, of necessary funding for this aspect of the mine project. No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the Economic Entity's plans not eventuate.

Environmental Regulations

The Economic Entity's operations are subject to significant environmental regulation principally under the provisions of the Mineral Resources Act (1989) ("MRA"), the Code of Practice on Environmental Management for Exploration Permits and Mineral Development Licences and the Environmental Protection Act (1994) ("EPA"). The MRA provides the regulatory framework for mining and plant operations within the mining and exploration tenements and the EPA focuses more directly on environment related activities other than mining.

The Economic Entity believes it has met its obligations in all areas.

Information on Directors

Directors of the Company in office at the date of the Directors' Report are:

Peter John Slaughter
EXECUTIVE CHAIRMAN

Mr Peter Slaughter is well known in the mining industry and financial community and worked for MIM Holdings Limited in Australia and internationally over a period of 30 years. In addition to his operating experience Mr Slaughter's international background as a senior manager and non-executive director provides valuable experience and insights for Monto Minerals. More recently, Peter has undertaken management consulting and advisory work and is closely associated with Wilson HTM Corporate Finance Limited and Brisbane management consulting group Competitive Dynamics Pty Ltd. He is also on the Advisory council of the Sporting Wheelies and was President of the Qld and NT division of the Australian Institute of Management until May 2004. He is also Chairman of Child Care Centres Australia Limited.

Chairman Finance & Risk Management Committee and Member of Marketing Committee

Peter George Dowling
NON-EXECUTIVE DIRECTOR

Mr Dowling is a Chartered Accountant and professional company director. He was previously a Partner of international accounting firm Ernst & Young. Mr Dowling has received the Centenary Medal for contribution to accounting and CPA Australia's Presidents Award for contribution to tax research.

His current board roles include Credit Union Australia Limited, Monto Minerals Limited, Paridian Property Development Fund Limited, CRC for Intergrated Engineering Asset Management, Jellinbah/Bowen Basin Coal Group, HealthShare Pty Ltd, Spyrus Pty Ltd, Virgin Blue's aircraft leasing subsidiaries and Queensland Ballet.

Mr Dowling is also a member of Maroochy Shire Council's Audit Committee, consults to investment bankers InterFinancial Limited and local law firm McInnes Wilson and Chairs CPA Australia's Taxation Centre of Excellence.

Chairman of Remuneration and Audit Committees and Member of Finance & Risk Management Committee

Geoffrey Preston Moore
CEO AND EXECUTIVE DIRECTOR

Mr Geoff Moore was General Manger of Consolidated Rutile Limited until the end of 2001. Prior to that he worked for the Iluka Resources/RGC group of companies for 29 years managing mineral sand mines and projects in the USA and various exploration and mining projects in Australia. Mr Moore has an excellent grasp of issues associated with production and international marketing of ilmenite and other mineral sand commodities. Since leaving Consolidated Minerals, Geoff has undertaken consulting assignments in the mining sector.

Chairman of Marketing Committee and Member of the Finance & Risk Management Committee

Richard Ian Cottee
NON-EXECUTIVE DIRECTOR

Mr Cottee is a lawyer with broad experience in commercial and management roles. He is currently Managing Director of Queensland Gas Company and previously held positions as Managing Director UK and Eire for NRG Energy Limited, CEO of CS Energy, Executive Director of Cyprus Australia Coal, Commercial Manager Santos and Business Development Manager of Itochu.

Member of Audit, Marketing, Remuneration and Finance & Risk Management Committees

Information on Directors (continued)

Phillip Montague Wright
ALTERNATE DIRECTOR

Dr Wright is a metallurgist with extensive experience in management and heavy industry having most recently been Chief Executive of Sheffield Forgemasters Limited. He was previously a director of Aurora Plc and a Divisional Director of Edgar Allen.

Dr Wright spent part of his early career in Mount Isa as a metallurgist in mineral processing activities; after returning to the UK, he spent six years with a large national firm of management consultants during which time he was seconded to the United Nations Development Programme to work in Yugoslavia training management and consultants in the energy sector.

In 1985 he was appointed CEO of Sheffield Forgemasters Limited when the group was close to bankruptcy and he converted annual losses of $37 million to profit within two years. He led a management buy out in October 1988 and continued to operate the company profitably until he stood down on 31 December 1997.

In 1995, Dr Wright was awarded the UK Institute of Materials "Bessemer" Gold Medal for his contribution to metallurgical and manufacturing industries. In 2003, he was awarded an Honorary Doctorate of Engineering by the University of Sheffield. He is married with one daughter and resides in the United Kingdom.

Dr Wright is an Alternate Director for Richard Cottee.

Shares and Options

Directors' Interests in Shares and Options

At the date of this report, Directors held a relevant interest in the following securities of the Company:

	Ordinary Shares	Options
P J Slaughter	796,510	3,000,000
P G Dowling	1,919,657	1,500,000
G P Moore	431,227	3,000,000
R I Cottee	430,230	1,500,000
P M Wright	20,724,000	-

Options granted on 18 November 2003 were to Directors in consideration of certain milestones being achieved. Individual details are reflected in Note 15(d)

Options

At the date of this report, share options on issue to take up fully paid Ordinary Shares in the capital of the Company are as follows:

Date of Issue	No. of Options Outstanding	Expiry Date	Exercise Price $
1/4/2003	1,750,000	31/3/2005	0.10
18/11/2003	9,000,000	30/6/2006	0.12
5/7/2004	750,000	31/12/2006	0.10
TOTAL	11,500,000		

Mr G M Edwards, being an officer of the Company, was issued 250,000 options on 5 July 2004 with an exercise price of 10 cents and with an expiry date of 31 December 2006.

The names of persons who currently hold options are entered in a register kept by the Company pursuant to Section 170 of the Corporations Act 2001, which may be inspected free of charge.

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of the Company or any other corporation.

750,000 shares were issued during the year ended 30 June 2004 by virtue of the exercise of options raising $57,500 (Note 15). No amounts remain unpaid in relation to these shares.

Directors' and Executive Officers' Emoluments

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is as follows:

Emoluments are designed to attract, retain and motivate directors and senior executives of appropriate skills through remuneration packages, which are competitive and representative of best practice and are designed to enhance the Economic Entity's performance. Refer Note 16(h).

Directors' and Executives' Remuneration for 2004

The emoluments of each Director of the Parent Entity received directly or indirectly and each of the five officers receiving the highest emoluments for the Parent Entity and Economic Entity are as follows:

Name	Salary/ Consulting Fees $	Directors fees $	Total Fees and Salary $	Other Compensation $	Options $	Total Compensation $
P J Slaughter and related entities - Executive Chairman	87,951	40,000	127,951	3,600	38,281	169,832
P G Dowling Non – executive Director	24,101	35,000	59,101	3,150	19,141	81,392
G P Moore – CEO Executive Director	211,200	8,333	219,533	750	38,281	258,564
R I Cottee – Non – executive Director	-	25,000	25,000	2,250	19,141	46,391
P M Wright – Alternate Director	-	-	-	-	-	-
L G Johnson – Executive Director – Operations - ceased 29 August 2003	67,842	-	67,842	3,466	-	71,308
G M Edwards (executive)	47,006	-	47,006	4,230	-	51,236

The following amounts accrued at 30 June 2004 but not paid at the date of this report include remuneration for 2003 and 2004:

P J Slaughter and related entities	$	177,057
P G Dowling	$	1,234
G P Moore	$	191,150
R I Cottee	$	23,089
P M Wright	$	-
L G Johnson	$	-

The options relate to those granted to directors as noted on page 8 of the Directors Report. All options have been valued at Grant Date using the Black and Scholes Option Pricing Model in accordance with AASB1046 Directors and Executive Disclosures by Disclosing Entities.

Other compensation relates to contractual obligations for superannuation.

Meetings of Directors

The following table sets out the number of meetings of Directors (including meetings of Committees of Directors) held during the year ended 30 June 2004 and the number of meetings attended by each Director:

Director	Directors		Audit Committee		Finance & Risk Management Committee		Remuneration Committee	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Attended	No. eligible to attend	Attended	No. eligible to attend	Attended	No. eligible to attend	Attended	No. eligible to attend
P J Slaughter	13	13	1	1	1	1	-	-
P G Dowling	13	13	2	2	1	1	2	2
G P Moore	12	13	-	-	-	-	-	-
R I Cottee	11	13	1	1	1	1	2	2
L G Johnson	2	2	-	-	-	-	-	-

Indemnifying Officers or Auditors

The Company has paid premiums in respect of liability insurance for Directors, Former Directors and Officers. Further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

Directors' Benefits

Since the end of the previous financial year no Director has received or become entitled to receive a benefit (other than Directors' remuneration shown in Note 16 of the Financial Statements) because of a contract made by the Company, a controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest other than:

(i) Benefits which may arise in the future from royalty agreements dated 13 December 1993 entered into by a Controlled Entity with former Directors, Messrs L G Johnson, J W Bailey and J L Goody to pay royalties ranging from .25% - 1.25%, on the gross income of the Company and its related entities on its mineral resource assets. Messrs Johnson, Bailey and Goody subsequently agreed to convey, transfer, assign and make over to Mr J W Cornelius, a former Director, a 1/10th part or share of their original royalty payment contracts.

Signed in accordance with a resolution of the Board of Directors

P J Slaughter
Executive Chairman

P G Dowling
Deputy Chairman

Dated this 27th day of September 2004

Corporate Governance Statement

Monto Minerals Ltd – ACN 063 144 865

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the ASX Corporate Governance Council ("**CGC**") recommendations unless otherwise stated. In addition the Company has posted a copy of its corporate governance practices to the Monto Minerals website www.montominerals.com in accordance with CGC recommendations.

1. Lay solid foundations for management and oversight

1.1 Formalise and disclose the functions which will be performed by the board and those which will be delegated to management.

The Constitution of Monto Minerals Ltd was approved by shareholders on 19 November 2002. The full constitution can be viewed on the Monto Minerals website www.montominerals.com , section 14 of the constitution deals with Directors. The constitution authorises a board of not less than 3 nor more than 9. The current board of 4 (not including alternate director Phillip Wright) has a range of experience and expertise appropriate to and which benefit the business of Monto Minerals. Whilst the company currently has an Executive Chairman – Peter Slaughter and Director – Geoffrey Moore is the Chief Executive Officer, these arrangements are transitory and temporary until the project has reached the completion of the bankable feasibility study. Mr Slaughter has previously indicated his intention to cease involvement in executive activity at commencement of the bankable feasibility study.

2. Structure the Board to add value

2.1 Independent Directors to make up the majority of board members.

At present there are two independent directors Peter Dowling and Richard Cottee. By virtue of their executive positions in the Company Peter Slaughter and Geoffrey Moore are not deemed independent. Alternate Director Phillip Wright would by virtue of his substantial shareholding in Monto Minerals be deemed not independent. At this point in time it is not considered appropriate to appoint another Director solely to achieve a majority of independent directors given that the intention as stated in 1.1 above is that at commencement of the bankable feasibility study the role of Peter Slaughter would return to non-executive which would change the balance of the board naturally.

2.2 Chairperson should be an independent director.

As a small exploration company, Monto Minerals finds this recommendation very hard to follow while trying to maintain a balance of good management and cost restraint. Once the company moves beyond a decision to proceed to BFS this recommendation will be more practical.

2.3 Segregation of the Chairperson and Chief Executive Officer roles

These roles are segregated. Peter Slaughter is the Chairman and Geoffrey Moore is the Chief Executive Officer.

2.4 A Nomination Committee should be established

At least annually, the Board reviews the mix of experience, expertise and other qualities of the Directors. If a vacancy occurs on the Board or if it is deemed the Board is to be increased, the Board will identify the experience, expertise and other qualities sought and identify the appropriate candidates. Given the size of the Company and as the full Board considers these matters the Company does not have a Board Nomination Committee. Any Directors appointed by the Board must retire and stand at the next General Meeting and may offer themselves for election by the members.

The Board considers that the Company is not currently of a size, nor are its affairs of such a complexity to justify the appointment and further expense of an independent Non-executive Chairman and additional independent Non-executive directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all issues.

3. Promote ethical and responsible decision-making

3.1 A code of conduct must be established which guides directors and key executives regarding practices which maintain confidence in the integrity of the company and guide them as to the responsibility and accountability for reporting and investigating unethical practices.

All Directors, managers and employees are expected to act with the utmost integrity when dealing with each other, shareholders, regulators, business associates, competitors, consumers and the public in general. The Code of Conduct for Monto Minerals Directors and Key Executives can be viewed on Monto Mineral's website www.montominerals.com. The formal Code of Conduct Policy was adopted in September 2004.

3.2 The policy regarding trading of securities by employees, officers and directors of the company should be disclosed.

Monto Minerals has a written Policy on Directors and Senior Executives dealing in securities. The aim of this policy is to ensure that, should any Directors or key executives deal either by purchase or sale of Monto Minerals shares, any such activity occurs when there is no information that would in any way be price sensitive that has not been released to the ASX. The formal Policy on Directors and Senior Executives dealing in Securities was adopted in September 2004.

4. Safeguard integrity in financial reporting

4.1 A written statement should be given to the board by the Chief Executive Officer and Chief Financial Officer stating that the company's financial report presents a true and fair view, in all material respects, of the company's financial condition and operational results in accordance with relevant accounting standards.

This is the company practice.

4.2 Establish and audit committee

Monto Minerals has an Audit Committee.

4.3 Audit committee to consist of non-executive directors only, majority of independent directors, independent chairman who does not hold the position of chairperson of the board, and comprise of at least three members.

The Audit Committee members for the year ended 30 June 2004 are Peter Dowling (Non-Executive Chairman), Richard Cottee (Non-Executive Member), and Garry Edwards (Member and Secretary). This was the composition from October 2003 in compliance with recommendation 4.3. Prior to this date the Committee was Peter Dowling (Non-Executive Chairman) Peter Slaughter (Executive Member) Laurie Johnson (Executive Member ceased 31 August 2003), Garry Edwards (Member and Secretary).

4.4 A formal charter should be established for the audit committee

The Charter for the Audit Committee is on Monto Minerals website www.montominerals.com.

5. Make timely and balanced disclosure

5.1 Written policies and procedures should be established to ensure an entity complies with the ASX Listing Rule disclosure requirements and that senior management are accountable for compliance.

Monto Minerals has a written policy Guidelines for Continuous Disclosure. These policy guidelines are on Monto Minerals website www.montominerals.com. Monto Minerals management are aware of the continuous disclosure requirements of the ASX and particularly at this stage of Monto Minerals progress towards a Bankable Feasibility Study regular and timely disclosures are made as required to ensure the market is fully aware of Monto Minerals activities. The formal Guidelines for Continuous Disclosure were adopted in September 2004.

6. Respect the rights of shareholders

6.1 Communication strategies should be designed that facilitate and promote effective communication with shareholders. The strategies should also encourage shareholders to participate more effectively at general meetings. The communication strategy should be disclosed.

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows.

- Annual Reports mailed to all shareholders and posted on the company's website www.montominerals.com.
- Quarterly reports as lodged with the ASX and posted on the company's website www.montominerals.com.
- Disclosures made to the ASX and posted on the company's website www.montominerals.com.
- Notices and explanatory memoranda (where applicable) of the Annual General Meeting (AGM) or General Meetings (if called).
- The AGM where shareholders are encouraged to participate and ask questions either in the open forum of the AGM or by informal conversation with Directors over refreshments.

6.2 Request attendance at the annual general meeting by the external auditor to answer shareholder questions regarding the conduct of the audit and the preparation and content of the audit report.

The audit partner responsible for the Monto Minerals audit is requested to be in attendance at the AGM.

7. Recognise and manage risk

7.1 Establishment of policies on risk oversight and management by the board.

The Charter for the Finance and Risk Management Committee is on the company's website www.montominerals.com. The Company is in the process of formulating a formal written policy on risk.

The members of the Board have experience and qualifications appropriate to the business of Monto Minerals. The Board meets at monthly intervals. Board members and management communicate between meetings.

Executive Directors must submit a report to each Board meeting and also address the Board on the activities for which they are responsible.

This system of managerial responsibility is structured to bring business risks to the Board.

All Directors are members of the Finance and Risk Committee.

7.2 A statement to the board in writing prepared by the Chief Executive Officer and the Chief Financial Officer that the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of internal control and compliance and risk management which ensures implementation of board policies and that the system is operating efficiently and effectively in all material respects.

This statement is included in the declaration made pursuant to recommendation 4.1.

8. Encourage enhanced performance

8.1 The evaluation process for the board, and its committees, individual directors and other key executives should be disclosed.

The Board of Monto Minerals does not currently have a formal review process. The board does not consider performance issues and the current view is that the best approach to aligning board performance with that desired by shareholders is to provide corporate performance based options. These require certain price and time targets to be achieved before they are of value to the holders. As such at the November 2003 AGM the shareholders approved the issuing of such options. If the Board achieves the performance targets then Company and shareholders will be in a better position and in turn the Directors will be able to exercise their options. If the performance hurdles are not met then the options lapse.

The Board recognises that as the Company moves from a development phase to one of producing it will be appropriate for there to be a formal appraisal system for individual Director and Board Performance.

9. Remunerate fairly and responsibly

9.1 To help investors understand the costs and benefits of remuneration policies and the link between corporate performance and the remuneration of directors and key executives, disclose the entity's remuneration policies.

It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment and market conditions. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives; and
- attraction of quality management to the company

For details on the amount of remuneration and all monetary and non-monetary components for all of the Directors and for key executives refer to the Director's Report and Note 16.

9.2 Establish a remuneration committee.

Monto Minerals has a Remuneration Committee consisting of Peter Dowling (Non-Executive Chairman), Richard Cottee (Non-Executive) and Garry Edwards (Member and Secretary).

The Remuneration Committee makes recommendations to the Board on remuneration packages and other terms of employment for Executive Directors and senior executives.

9.3 Distinguish between the remuneration of non-executive directors with that of executives.

The aggregate of Directors fees must not exceed $300,000 per annum. This amount was determined by members at a General Meeting on 26 June 1995 and any increase must be approved by members. The Board decides how that aggregate, or a lesser amount, is divided between the Directors. Directors fees are currently:

Chairman $40,000 p.a.
Non-Executive Director $25,000 p.a.
Deputy Chair allowance $6,000 p.a.
Chairman of Audit Committee Allowance $6,000 p.a.

That is the current payment of Directors fees will not exceed $127,000. Remuneration levels for Executive Directors and management are reviewed annually.

CEO and director, Geoffrey Moore, does not receive directors fees; Mr Moore is paid consulting fees and has drawn 50% of these and taken some additional payments in shares when able.

The Chairman has not drawn the bulk of his directors fees as Chairman or consulting fees since his appointment other than those converted to shares in the Company.

All fees paid to Directors are disclosed in the Annual Report whether paid or accrued. On occasion, Directors provide consulting services outside of their role as a Director. These fees are charged as consulting services and included in the published Financial Reports of the Company.

9.4 Ensure that equity-based executive remuneration is paid in accordance with thresholds set by plans approved by shareholders.

Monto Minerals complies with this.

10. Recognise the legitimate interests of stakeholders

10.1A code of conduct should be established to guide an entity's compliance with its legal and other obligations to its legitimate stakeholders. The code of conduct should be disclosed.

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practice and ethical conduct by all Directors and employees of Monto Minerals. Monto Minerals' Code of Conduct is on its website www.montominerals.com.

A Code of Conduct has been adopted under which the Directors and senior management are expected to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions for their office;
- use their powers to act in the best interests of the Company as a whole;
- avoid conflict and make a full disclosure of any possible conflict of interest;
- comply with the law and any lawful request from the ASX or government agency;
- directors are obliged to be independent in judgement and ensure all reasonable steps are taken to be satisfied as to the soundness of Board decisions; and
- encourage the reporting and investigating of unlawful and unethical behaviour.

Financial Statements

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Statements of Financial Performance for the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004 $	2003 $	2004 $	2003 $
Revenue from ordinary activities	2	165,048	4,981	165,048	4,981
Borrowing cost expenses	3	(1,946)	(2,812)	(1,946)	(2,812)
Employee benefits expenses		(287,236)	(282,556)	(287,236)	(282,556)
Depreciation and amortisation expenses	3	(6,064)	(1,400)	(6,064)	(1,400)
Accounting and audit expenses		(28,742)	(36,421)	(28,742)	(36,421)
Legal expenses		(187,773)	(14,583)	(187,773)	(14,583)
Listing and shareholder expenses		(46,200)	(40,624)	(46,200)	(40,624)
Rental expenses	3	(29,396)	(43,607)	(29,396)	(43,607)
Consulting expenses		(419,738)	(229,502)	(419,738)	(229,502)
Insurance expenses		(36,106)	(60,716)	(36,106)	(60,716)
Office expenses		(43,926)	(25,946)	(43,926)	(25,946)
Other expenses from ordinary activities		(75,244)	(53,966)	(75,244)	(53,966)
Loss from ordinary activities before income tax expense		(997,323)	(787,152)	(997,323)	(787,152)
Income tax expense relating to ordinary activities	4	-	-	-	-
Net loss attributable to members of Monto Minerals Ltd		**(997,323)**	**(787,152)**	**(997,323)**	**(787,152)**
Total change in equity other than those resulting from transaction with owners as owners	26	**(997,323)**	**(787,152)**	**(997,323)**	**(787,152)**
		Cents	**Cents**		
Basic Earnings Per Share	20	(0.44)	(0.52)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Statements of Financial Position as at 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		$	$	$	$
CURRENT ASSETS					
Cash Assets	5	1,017,352	117,113	1,017,350	117,111
Receivables	6	336,946	-	336,946	-
Other	7	9,996	9,996	-	-
Total Current Assets		**1,364,294**	**127,109**	**1,354,296**	**117,111**
NON-CURRENT ASSETS					
Receivables	8	40,000	40,000	17,537,157	10,962,889
Other Financial Assets	9	-	-	102	102
Property, plant and equipment	10	4,854	-	4,854	-
Other	11	17,231,579	10,657,311	-	-
Total Non-Current Assets		**17,276,433**	**10,697,311**	**17,542,113**	**10,962,991**
TOTAL ASSETS		**18,640,727**	**10,824,420**	**18,896,409**	**11,080,102**
CURRENT LIABILITIES					
Payables	12	2,547,394	335,519	2,547,394	335,519
Provisions	13	4,721	18,428	4,721	18,428
Total Current Liabilities		**2,552,115**	**353,947**	**2,552,115**	**353,947**
TOTAL LIABILITIES		**2,552,115**	**353,947**	**2,552,115**	**353,947**
NET ASSETS		**16,088,612**	**10,470,473**	**16,344,294**	**10,726,155**
EQUITY					
Contributed equity	15	24,015,053	17,399,591	24,015,053	17,399,591
Accumulated losses	26	(7,926,441)	(6,929,118)	(7,670,759)	(6,673,436)
TOTAL EQUITY		**16,088,612**	**10,470,473**	**16,344,294**	**10,726,155**
COMMITMENTS	22				
CONTINGENT LIABILITIES	23				

The above statements of financial position should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Monto Minerals Ltd and Controlled Entities - ACN 063 144 865

Statements of Cash Flows for the year ended 30 June 2004

	Note	Economic Entity		Parent Entity	
		2004 $ Inflows/ (Outflows)	2003 $ Inflows/ (Outflows)	2004 $ Inflows/ (Outflows)	2003 $ Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees (inclusive of goods and services tax)		(1,032,758)	(460,891)	(1,032,758)	(460,891)
Interest received		65,198	4,982	65,198	4,982
GST Refunds		527,418	79,920	527,418	79,920
Consulting Fees		99,850	-	99,850	-
Interest and other costs of finance paid		(1,946)	(2,812)	(1,946)	(2,812)
Net cash outflow from operating activities	**21**	**(342,238)**	**(378,801)**	**(342,238)**	**(378,801)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for Property, Plant & Equipment		(10,918)	-	(10,918)	-
Exploration and Evaluation Expenditure		(4,728,921)	(906,854)	-	-
Net cash outflow from investing activities		**(4,739,839)**	**(906,854)**	**(10,918)**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of securities		5,491,739	1,194,417	5,491,739	1,194,417
Proceeds from rights issue		748,274	-	748,274	-
Loans made to controlled entities		-	-	(4,728,921)	(906,854)
Costs associated with raising capital		(257,697)	(23,068)	(257,697)	(23,068)
Net cash inflow/(outflow) from financing activities		**5,982,316**	**1,171,349**	**1,253,395**	**264,495**
Net increase/(decrease) in cash held		900,239	(114,306)	900,239	(114,306)
Cash at the beginning of the financial year		117,113	231,419	117,111	231,417
Cash at the end of the financial year	**5**	**1,017,352**	**117,113**	**1,017,350**	**117,111**

The above statements of cash flows should be read in conjunction with the accompanying notes.

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Policies

In order to assist in the understanding of the figures presented in the financial statements, the following summary explains the significant accounting policies that have been adopted in the preparation of the financial statements. Unless otherwise stated, such accounting policies are consistent with those used in the previous year.

(b) Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on the historical cost convention of accounting and does not purport to show current values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report covers the Economic Entity of Monto Minerals Ltd and controlled entities, and Monto Minerals Ltd as an individual Parent Entity. Monto Minerals Ltd is a listed public company, incorporated and domiciled in Australia.

The ability of the Economic Entity to construct and commence operations of the Goondicum mine, and hence the continued adoption of the going concern assumption, will depend upon the successful raising, in the future, of necessary funding for this aspect of the mine project.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the Company's plans not eventuate.

(c) Principles of Consolidation

A controlled entity is any entity controlled by the Company. Control exists where the Company has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company. A list of controlled entities is contained in Note 18 to the financial statements. All inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the Economic Entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(d) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(e) Employees' Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Amortisation and Depreciation

Expenditure carried forward will be amortised from the commencement of commercial production of the product to which it relates on a straight line basis according to the rate of depletion of the economically recoverable reserves. Depreciable assets are depreciated at rates of 20% and 33.33% using both the prime cost or diminishing value methods over their expected economic lives to the Economic Entity.

All plant and equipment is measured on the cost basis.

(g) Income Tax

Monto Minerals Limited and its wholly-owned Australian subsidiaries intend to form an income tax consolidated group under the Tax Consolidation Regime. In addition, the principles of tax effect accounting have been adopted. No future income tax benefit has been brought to account as an asset. In the opinion of the Directors, the realisation of future income tax benefits, such as tax losses, exploration and allowable capital expenditure or reversal of timing differences, are not virtually certain. The impact of the tax consolidation regime is not expected to be significant.

(h) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, and operating leases under which the lessor effectively retains all such risks and benefits.

Where non-current assets are acquired by means of finance leases, the present value of minimum lease payments is established as a non-current asset at the beginning of the lease term and amortised on a straight line basis over its expected economic life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense. Operating lease payments are charged to the statement of financial performance in the years in which they are incurred.

(i) Non-current Assets

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

(j) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(k) Goods & Services Tax

All receivables and payables in the Statements of Financial Position are stated inclusive of applicable GST. The net amount of GST receivable from or payable to the Australian Taxation Office at balance date is included in either current assets or current liabilities, as appropriate, in the Statements of Financial Position. All other items in the Statements of Financial Position are stated exclusive of GST.

All elements in the Statements of Financial Performance are stated exclusive of GST.

(l) Restoration, Rehabilitation and Environmental Expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

Restoration, rehabilitation and environmental obligations recognised include the costs of reclamation, plant and waste site closure and subsequent monitoring of the environment.

Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

Monto Minerals Ltd and Controlled Entities - ACN 063 144 865

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Adoption of Australian Equivalents to International Financial Reporting Standards

Monto has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Company has allocated internal resources to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, Monto has graded impact areas as either high, medium or low and has allocated internal resources to address each of the areas in order of priority as represented by the gradings. Management is conducting regular review of the progress being made in these areas.

As Monto has a 30th June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB accounting equivalents as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future and is required when Monto prepare its first fully compliant financial report for the year ending 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Monto. At this stage the Company has not been able to reliably quantify the impact on the financial report.

Impairment of Assets
The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cashflows that will be received from the assets use and subsequent disposal. In terms of AASB136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use (which is determined using discounted cash flows). It is likely that this change in accounting policy will lead to impairments being recognised more often than under existing policy.

Income Tax
Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. In terms of AASB112: Income Taxes, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and accounting profit.

Share Based Payments
Under AASB 2 Share Based Payments, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance spread over the relevant vesting periods. This will result in additional expenses being recognised during vesting periods and therefore lower earnings. There will also be an initial negative impact on opening balances of retained earnings, and positive impact on equity (option reserves) at 1 July 2004 where retrospective adjustments are made for options that have not vested by 1 January 2005. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments made after 7 November 2002 which have not been vested as at 1 January 2005. At the date of this report, a detailed assessment of the financial impact on transition has not been completed.

Exploration Expenditure
Until such time as the International Accounting Standards Board (IASB) completes an extractive industries IFRS, the IASB has determined that national accounting standards will be grandfathered. Therefore, the group will continue to apply the requirements of AASB 1022: Accounting for the Extractive Industries.

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Notes to the Financial Statements

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
NOTE 2 REVENUE				
Operating activities:				
Interest received	65,198	4,981	65,198	4,981
Consulting Income	99,850	-	99,850	-
	165,048	**4,981**	**165,048**	**4,981**
Non-operating activities:	-	-	-	-
Total Revenue	**165,048**	**4,981**	**165,048**	**4,981**

NOTE 3 LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax expense has been determined after:

	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Expenses				
Movements in Provisions:				
Depreciation of Property, Plant & Equipment	6,064	1,400	6,064	1,400
Employee benefits	1,356	(26,695)	1,356	(26,695)
Borrowing cost expense				
Interest paid to other corporations	1,946	2,812	1,946	2,812
Remuneration to Auditors:				
Audit/review of the Financial Statements	11,367	14,184	11,367	14,184
Other services	3,444	-	3,444	-
Rental on operating leases	29,396	43,607	29,396	43,607

	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
NOTE 4 INCOME TAX				
The prima facie income tax on the loss from ordinary activities is reconciled to the income tax provided in the financial statements as follows:				
The prima facie income tax benefit (30%) (2003 : 30%) on loss from ordinary activities before income tax	299,197	236,146	299,197	236,146
Tax effect of permanent differences				
Future income tax benefit not brought to account	(299,197)	(236,146)	(299,197)	(236,146)
Income Tax Expense	-	-	-	-
No provision for income tax is required by the Economic Entity for the year. The estimated income tax losses available and exploration and allowable capital expenditure are as follows:				
Income tax losses including exploration and allowable capital expenditure	**22,468,091**	**15,504,706**	**5,973,772**	**4,984,655**

The future income tax benefit arising from the preceding items will only be obtained if:

(a) the Economic Entity continues to comply with the relevant provisions of the income tax legislation;

(b) it earns sufficient assessable income to enable benefits to be realised; and

(c) there are no changes in tax legislation adversely affecting the Economic Entity in realising the benefits.

Accordingly, the Directors believe it is prudent that the future income tax benefit described above not be brought to account until the Economic Entity generates future income streams.

There are no franking credits available to shareholders of the Parent Entity.

Financial Statements (continued)

Monto Minerals Ltd and Controlled Entities - ACN 063 144 865

Notes to the Financial Statements

	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
NOTE 5 CASH ASSETS				
Cash on hand and at bank	**1,017,352**	**117,113**	**1,017,350**	**117,111**
NOTE 6 RECEIVABLES				
Sundry debtors	**336,946**	**-**	**336,946**	**-**
NOTE 7 OTHER ASSETS				
Prepayments	**9,996**	**9,996**	**-**	**-**
NOTE 8 RECEIVABLES				
Security deposits	40,000	40,000	-	-
Amount owing by controlled entities (Note 17(a))	-	-	17,537,157	10,962,889
	40,000	**40,000**	**17,537,157**	**10,962,889**
NOTE 9 OTHER FINANCIAL ASSETS				
Shares in controlled entities - unlisted at cost (Note 18)	**-**	**-**	**102**	**102**
NOTE 10 PROPERTY, PLANT AND EQUIPMENT				
Plant and Equipment				
At cost	4,615	2,615	4,615	2,615
Accumulated depreciation	(2,615)	(2,615)	(2,615)	(2,615)
	2,000	-	2,000	-
Office Equipment				
At cost	62,128	57,152	62,128	57,152
Accumulated depreciation	(59,274)	(57,152)	(59,274)	(57,152)
	2,854	-	2,854	-
Furniture and Fittings				
At cost	47,947	44,005	47,947	44,005
Accumulated depreciation	(47,947)	(44,005)	(47,947)	(44.005)
	-	-	-	-
Net Book value	**4,854**	**-**	**4,854**	**-**

The movement in the carrying amount of each class of Property, Plant and Equipment between the beginning and the end of the current financial year.	**Plant Equipment**	**Office Equipment**	**Furniture Fittings**	**Total**
Balance at beginning	-	-	-	-
Additions	2,000	4,976	3,942	10,918
Depreciation	(-)	(2,122)	(3,942)	(6,064)
Carrying amount at the end of the year	2,000	2,854	-	4,854

	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
NOTE 11 OTHER ASSETS				
Exploration and Evaluation Expenditure Costs carried forward in respect of areas of interest still in the exploration and evaluation phase				
Balance at 1 July	10,657,311	10,051,181	-	-
Add amount expended in the year in respect of areas in which an interest is retained	6,574,268	606,130	-	-
Balance at 30 June	**17,231,579**	**10,657,311**	**-**	**-**

Monto Minerals Ltd and Controlled Entities - ACN 063 144 865

Notes to the Financial Statements

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
NOTE 11 OTHER ASSETS (continued)				
The Economic Entity has a number of areas of interest which have or are being explored or evaluated by the Economic Entity. The following represents the allocation of the Exploration and Evaluation expenditure between these areas of interest:				
Goondicum Crater Area	12,306,880	5,754,780	-	-
Jack Goody (River) Area	4,924,699	4,902,531	-	-
Total Exploration and Evaluation	17,231,579	10,657,311	-	-
NOTE 12 PAYABLES				
Unsecured Liabilities				
Current				
Trade and Other Creditors	2,093,025	108,654	2,093,025	108,654
Owing to Directors (ref note 17 (b) ii)	454,369	226,865	454,369	226,865
TOTAL	**2,547,394**	**335,519**	**2,547,394**	**335,519**
NOTE 13 PROVISIONS				
Annual Leave	**4,721**	**18,428**	**4,721**	**18,428**
NOTE 14 PROVISIONS				
Aggregate employee benefits liability	4,721	18,428	4,721	18,428
Number of employees at year end	5	3	5	3
NOTE 15 CONTRIBUTED EQUITY				
(a) Issued and paid up capital				
Paid up Capital				
Balance 1 July	17,399,591	15,990,378	17,399,591	15,990,378
Shares Issued	6,124,885	1,432,206	6,124,885	1,432,206
Costs of Issue	(257,697)	(22,993)	(257,697)	(22,993)
Rights Issue Money Held	748,274	-	748,274	-
Paid up Capital 30 June	**24,015,053**	**17,399,591**	**24,015,053**	**17,399,591**

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Notes to the Financial Statements

	Economic Entity 2004	2003	Parent Entity 2004	2003
NOTE 15 CONTRIBUTED EQUITY (continued)				
	No.	**No.**	**No.**	**No.**
Balance 1 July	167,046,708	138,016,621	167,046,708	138,016,621
Shares Issued During Year				
9 September 2002	-	250,000	-	250,000
26 September 2002	-	10,387,886	-	10,387,886
20 November 2002	-	1,578,860	-	1,578,860
20 January 2003	-	2,000,000	-	2,000,000
29 January 2003	-	150,000	-	150,000
18 February 2003	-	300,000	-	300,000
1 April 2003	-	6,618,966	-	6,618,966
15 April 2003	-	234,375	-	234,375
1 May 2003	-	6,510,000	-	6,510,000
2 June 2003	-	1,000,000	-	1,000,000
6 August 2003	1,700,000	-	1,700,000	-
12 August 2003	500,000	-	500,000	-
5 September 2003	1,000,000	-	1,000,000	-
14 October 2003	59,858,180	-	59,858,180	-
15 October 2003	2,000,000	-	2,000,000	-
1 December 2003	2,000,000	-	2,000,000	-
22 December 2003	2,250,000	-	2,250,000	-
13 January 2004	25,550,000	-	25,550,000	-
2 February 2004	500,000	-	500,000	-
19 May 2004	8,327,653	-	8,327,653	-
30June 2004	4,242,857	-	4,242,857	-
Balance 30 June	**274,975,398**	**167,046,708**	**274,975,398**	**167,046,708**

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

During the year the following shares were issued:

(i) 1,700,000 fully paid ordinary shares at 5 cents each which raised $83,230 after costs on 6 August 2003.

(ii) 500,000 fully paid ordinary shares at 5 cents each which raised $24,100 after costs on 12 August 2003.

(iii) 1,000,000 fully paid ordinary shares at 5 cents each which raised $48,737.50 after costs on 5 September 2003.

(iv) 59,858,180 fully paid ordinary shares at 5.5 cents each which raised $3,138,333.87 after costs on 14 October 2003.

(v) 2,000,000 fully paid ordinary shares at 5.5 cents each which raised $103,612.50 after costs on 15 October 2003.

(vi) 2,000,000 fully paid ordinary shares at 5.5 cents each which raised $103,612.50 after costs on 1 December 2003.

(vii) 250,000 fully paid ordinary shares at 8 cents each as a result of the exercise of 250,000 options which raised $19,818.75 after costs on 22 December 2003.

(viii) 2,000,000 fully paid ordinary shares at 5.5 cents each which raised $103,612.50 after costs on 22 December 2003.

(ix) 21,000,000 fully paid ordinary shares at 5.5 cents each which raised $1,103,138.67 after costs on 13 January 2004.

(x) 4,550,000 fully paid ordinary shares at 5.5 cents each to SAFE Construction as part settlement towards the construction of a feldspar wash facility at Ipswich on 13 January 2004.

(xi) 500,000 fully paid ordinary shares at 7.5 cents each as a result of the exercise of 500,000 options which raised $36,585 after costs on 2 February 2004.

(xii) 5,714,857 fully paid ordinary shares at 7 cents each which raised $396,262.22 after costs on 19 May 2004.

(xiii) 2,612,796 fully paid ordinary shares at 7 cents each to a former director in satisfaction of unpaid salary on 19 May 2004.

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Notes to the Financial Statements

NOTE 15 CONTRIBUTED EQUITY (continued)

(xiv) 1,385,714 fully paid ordinary shares at 7 cents each which raised $92,962.98 after costs on 30 June 2004.

(xv) 2,857,143 fully paid ordinary shares at 7 cents each as part settlement towards the construction costs of the demonstration plant at Monto on 30 June 2004.

(b) Share Options

As at 30 June 2004 the number of unissued shares in respect of which options were outstanding was 12,350,000 (2003: 12,500,000):

(i) 9,000,000 Director Options have an exercise price of 12 cents, subject to certain milestones being achieved and expire on 30 June 2006

(ii) 1,750,000 options have an exercise price of 10 cents and expire on 31 March 200

(iii) 500,000 options had an exercise price of 7.5 cents and expired on 5 September 2004

(iv) 850,000 options which had an exercise price of 7.5 cents each expired on 6 August 2004

(v) 250,000 options which had an exercise price of 7.5 cents each expired on 12 August 2004

(vi) 5,000,000 options which had an exercise price of between 8 and 12 cents were cancelled on 6 October 2003

(vii) 5,000,000 options which had an exercise price of 16 cents were cancelled on 6 October 2003

(viii) 750,000 fully paid ordinary shares have been issued during the year ended 30 June 2004 by virtue of the exercise of options

(c) Share Option Plan

The Monto Minerals Employee Option Plan allows Directors from time to time to invite eligible persons to participate in the Plan and offer options to those eligible persons.

The options shall be issued in multiples of not less than 1,000 with an exercise price determined by the Directors. The exercise price shall not be less than 80% of the weighted average sale price of a share on the ASX on the last five trading days preceding the offer of the options. The total number of shares which would be issued were each option exercised under the Plan together with shares issued under all employee shares schemes during the previous five years shall not exceed 5% of the number of issued shares in that class at the date of offer.

The options will not be listed, have no voting rights and will not be able to participate in new issues without exercising the options.

Presently 750,000 options with an exercise price of 10 cents and an expiry date of 31 December, 2006 are on issue under this Plan.

(d) Employee Benefit Share Options

(i) Movement in the number of share options held by employees (including executive directors) are as follows:

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	No.	No.	No.	No.
Opening Balance	4,250,000	1,025,000	4,250,000	1,025,000
Granted during Year	6,000,000	4,250,000	6,000,000	4,250,000
Exercised during Year	(250,000)	(450,000)	(250,000)	(450,000)
Cancelled	(4,000,000)	-	(4,000,000)	-
Lapsed during Year	-	(575,000)	-	(575,000)
Closing Balance	**6,000,000**	**4,250,000**	**6,000,000**	**4,250,000**

The closing share market price of an ordinary share of Monto Minerals Limited on the Australian Stock Exchange at 30 June 2004 was 7 cents (30 June 2003 4.3 cents).

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Notes to the Financial Statements

NOTE 15 CONTRIBUTED EQUITY (continued)

(ii) Details of share options exercised during the year are as follows:

	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Proceeds from shares issued	57,500	21,600	57,500	21,600
Fair value at issue date of shares issued during the year	77,500	38,250	77,500	38,250

The fair value of shares issued during the reporting period was estimated to be the market price of shares of the parent entity on the Australian Stock Exchange as at close of trading on the issue dates. The fair value of shares at the date of issue was:

Issue Date	Fair Value	Number of Shares Issued
22 December 2003	$0.10	250,000
2 February 2004	$0.105	500,000

Details of share options outstanding as at 30 June 2004:

Grant Date	Exercise Date	Exercise Price	Economic Entity 2004 No.	Economic Entity 2003 No.	Parent Entity 2004 No.	Parent Entity 2003 No.
20/11/02	31/12/03	8 cents	-	250,000	-	250,000
20/11/02	31/12/03	8-12 cents	-	5,000,000	-	5,000,000
20/11/02	30/06/04	16 cents	-	5,000,000	-	5,000,000
01/04/03	31/03/05	10 cents	1,750,000	2,250,000	1,750,000	2,250,000
06/08/03	06/08/04	7.5 cents	850,000	-	850,000	-
12/08/03	12/08/04	7.5 cents	250,000	-	250,000	-
05/09/03	05/09/04	7.5 cents	500,000	-	500,000	-
18/11/03	30/06/06	12 cents	9,000,000	-	9,000,000	-

(e) Rights Issue

On 5 July 2004, 11,141,901 fully paid ordinary shares were issued as a result of completion of the Rights Issue. The cash funds raised of $748,274.11 were reflected in Contributed Equity at 30 June 2004.

NOTE 16 REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Names and Positions held of parent entity directors and specified executives in office at any time during the financial year are:

Parent Entity Directors

Mr P J Slaughter - Executive Chairman
Mr P G Dowling - Non-executive Deputy Chairman
Mr G P Moore - Executive Director (appointed CEO 1 September 2003)
Mr R I Cottee - Non-executive Director
Mr P M Wright - Alternate Director (appointed 15 February 2004)
Mr L G Johnson - Executive Director Operations (ceased 29 August 2003)

Specified Executives

Mr G M Edwards - Company Secretary
Mr P N McMurtrie - Operations Manager

NOTE 16 REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

(b) Parent Entity Directors Remuneration

2004	**Primary Benefits**				**Post Employment Benefits**		**Equity**	**Other**	**Total**
	Directors Fees	Salary/ Consulting Fees	Cash Bonus	Non Monetary Benefits	Superannuation	Consulting Fees	Options	Termination Benefit	Total
Mr P J Slaughter	40,000	87,951		-	3,600	-	38,281	-	169,832
Mr P G Dowling	35,000	24,101	-	-	3,150	-	19,141	-	81,392
Mr G P Moore	8,333	211,200	-	-	750	-	38,281	-	258,564
Mr R I Cottee	25,000	-	-	-	2,250	-	19,141	-	46,391
Mr P M Wright	-	-	-	-	-	-	-	-	-
Mr L G Johnson	-	37,842	-	-	3,466	41,667	-	30,000	112,975
TOTAL	**108,333**	**361,094**	**-**	**-**	**13,216**	**41,667**	**114,844**	**30,000**	**669,154**
2003									
Mr P J Slaughter	40,000	63,250	-	-	3,265	-	282	-	106,797
Mr P G Dowling	25,000	17,804	-	-	3,865	-	282	-	46,951
Mr G P Moore	25,000	125,906	-	-	3,365	-	282	-	154,553
Mr R I Cottee	13,542	-	-	-	865	-	282	-	14,689
Mr L G Johnson	-	130,000	-	3,934	20,800	-	282	-	155,016
TOTAL	**103,542**	**336,960**	**-**	**3,934**	**32,160**	**-**	**1,410**	**-**	**478,006**

Remuneration disclosed in the above tables for 2003 and 2004 includes current unsecured liabilities of $454,369 due to directors refer note 12.

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Notes to the Financial Statements

NOTE 16 REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

(c) Specified Executives Remuneration

2004	Primary Benefits			Post Employment Benefits	Equity	Other	Total
	Salary/ Consulting Fees	Cash Bonus	Non Monetary Benefits	Superannuation	Options	Other	Total
Mr G M Edwards	47,006	-	-	4,230	-	-	51,236
Mr P McMurtrie	158,000	-	-	-	-	-	158,000
TOTAL	**205,006**	**-**	**-**	**4,230**	**-**	**-**	**209,236**
2003							
Mr G M Edwards	42,784	-	-	3,851	480	-	47,115
TOTAL	**42,784**	**-**	**-**	**3,851**	**480**	**-**	**47,115**

(d) Remuneration Options

Options Granted as Remuneration

Parent Entity Director	Vested #	Granted #	Grant Date	Value Per Option at Grant Date
Mr P J Slaughter	-	3,000,000	18/11/2003	4.9 cents
Mr P G Dowling	-	1,500,000	18/11/2003	4.9 cents
Mr G P Moore	-	3,000,000	18/11/2003	4.9 cents
Mr R I Cottee	-	1,500,000	18/11/2003	4.9 cents
Mr P M Wright	-	-	N/A	N/A

The exercise price for all of the above options is 12 cents, exercisable between 1 July 2004 and 30 June 2006. The ability to exercise the options is dependent on the sale of mine products exceeding $10 million by the economic entity. The options were issued for no consideration.

There were no options issued to Specified Executives during the year ended 30 June 2004. All options have been valued using the Black & Scholes Option Pricing Model.

(e) Shares Issued on Exercise of Remuneration Options

Options Granted as Remuneration
No Parent Entity Directors were issued shares as a result of Remuneration Options during the year ended 30 June 2004.

Specified Executive	Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
Mr G M Edwards	250,000	8 cents	0 cents

(f) Options Holdings

Number of Options held by Specified Directors and Executives

Parent Entity Directors	Balance 1/7/2003	Granted as Remuneration	Cancelled	Balance at 30/06/2004
Mr P J Slaughter	2,000,000	3,000,000	(2,000,000)	3,000,000
Mr P G Dowling	2,000,000	1,500,000	(2,000,000)	1,500,000
Mr G P Moore	2,000,000	3,000,000	(2,000,000)	3,000,000
Mr R I Cottee	2,000,000	1,500,000	(2,000,000)	1,500,000
Mr P M Wright	-	-	-	-

Financial Statements (continued)

Monto Minerals Ltd and Controlled Entities - ACN 063 144 865

Notes to the Financial Statements

NOTE 16 REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

As at 30 June 2004 all the options had not vested and thus had not been exercised. The options which existed at 1 July 2003 were cancelled on 6 October 2003. The share price at the date of cancellation was 11 cents.

Specified Executive	Balance at 01/07/2003	Granted as Remuneration	Exercised	Balance at 30/06/2004
Mr G M Edwards	250,000	-	(250,000)	-

(g) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

Parent Entity Directors	Balance at 01/07/2003	Received as Remuneration	Net Change Other	Balance at 30/06/2004
Mr P J Slaughter	724,100	-	-	724,100
Mr P G Dowling	1,604,830	-	-	1,604,830
Mr G P Moore	389,297	-	-	389,297
Mr R I Cottee	391,118	-	-	391,118
Mr P M Wright	1,000,000	-	17,840,000	18,840,000

There were no options exercised during the year by any Parent Entity Director. The net change other refers to shares purchased or sold during the financial year.

Specified Executive	Balance at 01/07/2003	Options Exercised	Net Change Other	Balance at 30/06/2004
Mr G M Edwards	100,000	250,000	(100,000)	250,000
Mr P N McMurtrie	-	-	-	-

(h) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

Emoluments are designed to attract, retain and motivate directors and senior executives of appropriate skills through remuneration packages, which are competitive and representative of best practice and are designed to enhance the Economic Entity's performance.

The two current executive directors will each be entitled to a success fee of $50,000 upon production of bulk samples from the Demonstration Plant. This will be payable when the financial resources of the Company allow.

All directors have to stand by rotation with Directors fees set at $25,000 per annum , Executive Chairman $40,000 per annum with a loading of $500 per month for the Deputy Chairman and Chairman of the Audit Committee.

In the event that a director ceases to be a director other than by resignation of their own volition, they will be entitled to a termination payment equivalent to three months directors fees. Consultancy for directors is paid at a daily rate.

	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
NOTE 17 RELATED PARTY DISCLOSURES				
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
(a) Transactions with controlled entities				
Provision of interest free unsecured loans (non-current)	-	-	16,937,157	10,962,889
The Company pays certain administrative expenses on behalf of its controlled entities.				
(b) Transactions with Directors and Director-Related Entities				
(i) Benefits may arise in the future from royalty agreements dated 13 December 1993 entered into by a controlled entity with Messrs L G Johnson, J W Bailey and J L Goody to pay royalties ranging from .25% - 1.25%, on the gross income of the Company and its related entities on its mineral resource assets. Messrs Johnson , Bailey and Goody subsequently agreed to convey, transfer, assign and make over to Mr J W Cornelius, a former Director, a 1/10th part or share of their original royalty payment contracts.				
Caveats over the Economic Entity's mining tenements have been registered with the Department of Natural Resources and Mines recording the interest of Royalty Holders in the tenements.				
(ii) Aggregate amounts payable to Directors for their and their Director-related entities at balance date				
Current Liabilities – Payables This includes Directors Fees and Consulting Fees	454,369	226,865	454,369	226,865

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Notes to the Financial Statements

NOTE 18 INVESTMENT IN CONTROLLED ENTITIES

Details of Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	Cost of Parent Entity's Investment 2004 $	Cost of Parent Entity's Investment 2003 $	Equity Holding 2004 %	Equity Holding 2003 %
Parent Entity						
Monto Minerals Ltd	Australia					
Controlled Entities						
Monto Resources Pty Ltd	Australia	Ordinary	100	100	100	100
Eulogie Resources Pty Ltd	Australia	Ordinary	2	2	100	100
			102	**102**		

All controlled entities are directly controlled by Monto Minerals Ltd

NOTE 19 SEGMENT INFORMATION

The Economic Entity operates predominantly in one business and geographical segment being in the mining industry in Australia. No revenue from this activity has been earned to date as the Economic Entity is still in the exploration and evaluation stage.

	Exploration & Evaluation Economic Entity 2004	2003
Primary Reporting – Business Segments		
Revenue	$	$
External Sales - Consulting	99,850	-
Other Segments	-	-
Unallocated Revenue	65,198	4,981
Total Revenue	**165,048**	**4,981**
Result		
Segment Result	(997,323)	(787,152)
Loss from Ordinary Activities before Income Tax Expense	(997,323)	(787,152)
Income Tax Expense	-	-
Net Loss	(997,323)	(787,152)
Assets		
Segment & Total Assets	18,640,727	10,824,420
Liabilities		
Segment & Total Liabilities	2,552,115	353,947
Other		
Acquisition of non-current segment assets	6,585,186	606,130
Depreciation and amortisation of segment assets	6,064	1,400
Other non-cash segment expenses (income)	1,356	(26,695)
Secondary Report – Geographical Segments		
Segment revenues from external customers	99,850	-
Carrying amount of segment assets	18,640,727	10,824,420
Acquisition of non-current segment assets	6,585,186	606,130

There is no policy in relation to the basis of pricing intersegment transfers as the Economic Entity only has the one business and geographical segment.

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
NOTE 20 EARNINGS PER SHARE				
(a) Basic negative earnings per share - cents per share.	(0.44)	(0.52)		
(b) It is considered that the potential ordinary shares are not dilutive due to the operating loss and, therefore, no separate calculation has been made for diluted negative earnings per share.				
(c) Negative earnings used in the calculation of negative earnings per share.	(997,323)	(787,152)		
(d) Weighted Average number of ordinary shares used in the calculation of basic negative earnings per share.	229,060,064	150,942,568		
NOTE 21 CASH FLOWS INFORMATION				
(a) Reconciliation of Cash For the purposes of the Statements of Cash flows, cash includes cash on hand and at bank.				
(b) Reconciliation of net cash outflows from operating activities to loss from ordinary activities after tax				
Loss from ordinary activities after tax	(997,323)	(787,152)	(997,323)	(787,152)
Add back/(deduct) items not involving cash flows:				
Depreciation	6,064	1,400	6,064	1,400
Changes in assets and liabilities:				
- (Increase)/Decrease in receivables	(181,996)	-	(181,996)	
- Increase/(Decrease) in creditors and borrowings	844,724	433,647	844,724	433,647
- Increase/(Decrease) in provisions	(13,707)	(26,696)	(13,707)	(26,696)
Net cash outflows from operating activities	**(342,238)**	**(378,801)**	**(342,238)**	**(378,801)**

(c) Non cash financing and investing activities

Non cash flows from investing activities relate to shares issued as per note 15(a)(x),(xiii), and (xv)

(d) $120,200 of available cash is used as security for the premises lease at Milton and the security deposit with the Department of Natural Resources, Mines & Energy

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$

NOTE 22 COMMITMENTS FOR EXPENDITURE

Future Exploration

The Economic Entity has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Economic Entity.
The commitments to be undertaken are as follows:

	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Payable - within one year	180,000	210,000	-	-
- between one and two years	-	-	-	-
	180,000	**210,000**	**-**	**-**

NOTE 23 CONTINGENT LIABILITIES

Landowner Compensation
The compensation agreement in relation to ML80044 requires payment of $147,963 to be made subject to commencement of construction activities.

The compensation agreement in relation to ML80075 requires payments of $15,000 to be made annually over the life of the lease provided the lease is maintained. In November 2002 it was agreed that this be reduced to $1,000 annually until full-scale production begins.

Compensation agreements have been signed in relation to MLA80040 being the River Lease Application or Jack Goody Lease Application. These agreements are contingent upon the issue of the Mining Lease.

Royalty Agreements
Royalties will be payable when gross income is derived in the future from the Economic Entity's mineral resource assets. Refer Note 17(b)(i).

Native Title
The area covering the Crater Mining Lease, the MSP Mining Lease and the proposed River Mining Leases is part of an area that is the subject of a native title claim by the Goreng Goreng People. Monto Minerals has received legal advice that on current law, it is likely that the land the subject of the Crater Mining Lease and the MSP Mining Lease is native title clear and therefore it is not likely that the native title claim would be successful in relation to land the subject of the Crater Mining Lease or MSP Mining Lease.

NOTE 24 EVENTS OCCURRING AFTER BALANCE DATE

Equity Line of Credit

On 13 August 2004 Monto Minerals Ltd secured a $5,000,000 facility with Cornell Capital Partners Offshore LP. Under the terms of the facility, Monto Minerals may, at its discretion, issue shares to Cornell at any time over the next sixty months, up to a total of $5,000,000. Monto Minerals may draw down up to $100,000 in any period of fourteen business days. The share price at which the shares are issued is determined by reference to the Volume Weighted Average Price ("VWAP") on 10 consecutive trading days from the commencement of the pricing period as determined by Monto Minerals Ltd. The issue price is 97% of the lowest VWAP in the pricing period.

Rights Issue

On 5 July 2004, 11,141,901 fully paid ordinary shares were issued as a result of completion of the Rights Issue. The cash funds raised of $748,274.11 were reflected in Contributed Equity at 30 June 2004.

Placement

On 5 July 2004, 3,435,715 fully paid ordinary shares were issued in relation to placements raising $240,500.

NOTE 25 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Economic Entity's exposure to interest rate risk which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities is as follows:

	Weighted Avg Int Rate		Floating Int Rates		Non Int Bearing		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	%	%	$	$	$	$	$	$
Cash	4.5	4.25	1,017,352	117,113	-	-	1,017,352	117,113
Receivables (Current)	-	-	-	-	336,946	-	336,946	-
Receivables (Non-current)	-	-	-	-	40,000	40,000	40,000	40,000
Sundry Creditors (Current)	-	-	-	-	2,547,394	335,519	2,547,394	335,519

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions, as disclosed in the statement of financial position and notes to the financial statements.

The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic Entity.

(c) Net Fair Values

The net fair values for Cash, Receivables Current and Non-current and Trade and Other Creditors approximates their carrying value.

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Notes to the Financial Statements

NOTE 25 FINANCIAL INSTRUMENTS (cont'd)

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	Carrying Amount 2004 $	Net Fair Value 2004 $	Carrying Amount 2003 $	Net Fair Value 2003 $
Cash	1,017,352	1,017,352	117,113	117,113
Receivables(Current)	336,946	336,946	-	-
Receivables (Non-current)	40,000	40,000	40,000	40,000
	1,394,298	**1,394,298**	**157,113**	**157,113**
Sundry Creditors (Current)	2,547,394	2,547,394	335,519	335,519

	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
NOTE 26 ACCUMULATED LOSSES				
Accumulated losses attributable to members of Monto Minerals Ltd at beginning of the financial year	(6,929,118)	(6,141,966)	(6,673,436)	(5,886,284)
Operating Losses after income tax	(997,323)	(787,152)	(997,323)	(787,152)
Accumulated losses attributable to members of Monto Minerals Ltd at the end of the financial year	**(7,926,441)**	**(6,929,118)**	**(7,670,759)**	**(6,673,436)**

Directors' Declaration

Monto Minerals Ltd and Controlled Entities - ACN 063 144 865

Directors' Declaration

The Directors of the Company declare that:

(1) the financial statements and notes, as set out on pages 19 to 40:

(a) comply with Australian Accounting Standards, the Corporations Act 2001, and the Corporations Regulations 2001.

(b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the Company and Economic Entity; and

(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.

As set out in Note 1 the financial statements have been prepared on a going concern basis. The ability of the Economic Entity to construct and commence operations of the Goondicum mine, and hence the continued adoption of the going concern assumption, will depend upon the successful raising, in the future, of necessary funding for this aspect of the mine project.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the Company's plans not eventuate.

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

Signed this 27th day of September 2004

P J Slaughter
Executive Chairman

P G Dowling
Deputy Chairman

Monto Minerals Ltd and Controlled Entities – ACN 063 144 865

Independent Audit Report to the Members

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Monto Minerals Ltd (the Company) and its controlled entities (the Consolidated entity), for the year ended 30 June 2004. The Consolidated entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion
In our opinion, the financial report of Monto Minerals Ltd and Controlled Entities is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Emphasis of Matter Regarding Going Concern
Without qualification to the opinion expressed above attention is drawn to the following matter. As set out in Note 1 the financial statements have been prepared on a going concern basis. The ability of the Economic Entity to construct and commence operations of the Goondicum mine, and hence the continued adoption of the going concern assumption, will depend upon the successful raising, in the future, of necessary funding for this aspect of the mine project.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the Company's plans not eventuate.

BDO Kendalls

BDO Kendalls
Chartered Accountants

C J Skelton
Partner

Brisbane: 27 September, 2004

Mineral Reserves and Resources Statement

Monto Minerals Ltd – ACN 063 144 865

Goondicum Crater Ilmenite Reserves

Proved and Probable Reserves:-

69,000,000 tonnes of ore at 4.9% Ilmenite (3.4 million tonnes of Ilmenite)

Derived from:

Goondicum Crater Ilmenite & Titano-magnetite Resources

ELUVIUM		ILMENITE		TITANO-MAGNETITE	
	(tonnes)	(%)	(tonnes)	(%)	(tonnes)
Measured	57,678,000	5.2	3,002,000	3.1	1,773,000
Indicated	21,334,000	4.4	934,000	2.2	477,000
TOTAL:	79,012,000	5.0	3,936,000	2.8	2,250,000

Total Ilmenite Resources (including Ilmenite Resources above)

GOONDICUM ILMENITE RESOURCES	ALLUVIUM (M^3)	ILMENITE (tonnes)	ILMENITE (%)
Measured C Alluvial	1,900,000	150,000	4.5
Indicated C Alluvial	20,000,000	1,700,000	5.0
Inferred C Alluvial	48,000,000	3,030,000	3.6
Inferred B Alluvial	14,000,000	1,200,000	4.6
Inferred A Alluvial	33,000,000	2,200,000	4.2
Measured Eluvium Crater	31,506,000	3,002,000	5.2
Indicated Eluvium Crater	12,016,000	934,000	4.4
TOTAL:	160,422,000	12,216,000	

Goondicum Crater Apatite and Feldspar Resources within ML 80044

ELUVIUM		RECOVERED APATITE		RECOVERD FELDSPAR	
	(tonnes)	(%)	(tonnes)	(%)	(tonnes)
Indicated	18,000,000	2.09	377,000	14.7	2,650,000
Inferred	16,600,000	1.73	288,000	12.3	2,050,000
TOTAL:	34,600,000	1.92	665,000	13.6	4,700,000

General

This statement complies with the "1999 Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves Report prepared by the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia" as set out in Appendix 5A of the Listing Rules of the Australian Stock Exchange. The statements are based on, and fairly reflect, mineral resources and/or ore reserve reports compiled by Mr L G Johnson, a consultant of the Company, who is a Fellow of the Australasian Institute of Mining and Metallurgy and who has a minimum of five years of appropriate experience.

Tenement Schedule

Monto Minerals Ltd – ACN 063 144 865

Exploration Tenements

PROJECT/AREA OF INTEREST	REGISTERED HOLDER	GEOGRAPHICAL LOCATION	TENURE STATUS	INTEREST
GOONDICUM EPM 9100	Monto Resources Pty Ltd	110 km S of Gladstone	Application lodged for renewal 04.10.2004	100%
EULOGIE PARK EPM 9541	Eulogie Resources Pty Ltd	50km W of Gladstone	Application lodged for renewal 09.06.2004	100%

Mining Leases

PROJECT/AREA OF INTEREST	REGISTERED HOLDER	GEOGRAPHICAL LOCATION	TENURE STATUS	INTEREST
ML 80044	Monto Resources Pty Ltd	30km E of Monto	Current to 1.9.2011	100%
ML 80075	Monto Resources Pty Ltd	17km NE of Monto	Current to 18.8.2029	100%
MLA 80040	Monto Resources Pty Ltd	30km E of Monto	Applied for 29.05.96	100%

Note: Applications for extensions of EPM Terms are lodged as they fall due.

EPM = Exploration Permit - Minerals
ML = Mining Lease
MLA = Mining Lease Application

Water Bore Licences

LICENCE NUMBER	REGISTERED HOLDER	LOCAL BORE NAME	EXPIRY DATE	INTEREST
74220M	Monto Resources Pty Ltd	Mt Goondicum Bore No. 1	31.07.2023	100%
74221M	Monto Resources Pty Ltd	Mt Goondicum Bore No. 2	31.05.2005	100%
74222M	Monto Resources Pty Ltd	Mt Goondicum Bore No. 3	31.05.2005	100%

Shareholder Information

Monto Minerals Ltd – ACN 063 144 865

1. DISTRIBUTION OF QUOTED EQUITY SECURITY HOLDERS

As at 30 September 2004, the distribution of equity security holders was as follows:

Category Ordinary Shares Fully Paid			Number of Shareholders
1	-	1,000	11
1,001	-	5,000	156
5,001	-	10,000	254
10,001	-	100,000	895
100,001 and over			276
			1592
Holding less than a marketable parcel (8,334 Shares)			279

2. TWENTY LARGEST EQUITY HOLDERS

As at 30 September 2004, the twenty largest equity holders of ordinary shares were as follows:

(a) **Ordinary Shares**

	Ordinary Shares	No. of Shares	Percentage
1	Global Profits Limited (Hong Kong)	35,781,257	12.17%
2	Phillip M Wright	20,724,000	7.05%
3	JP Morgan Nominees Australia Limited	15,994,199	5.44%
4	Terry Morris Pty Ltd (ATF Morris Family Super A/C)	13,900,000	4.73%
5	ILA Limited	10,031,700	3.41%
6	ANZ Nominees Limited	8,964,673	3.05%
7	Harmoro Pty Ltd (Harmoro Pty Ltd Super A/C)	7,979,960	2.72%
8	LSD Services Pty Ltd (SAFE Super Fund A/C)	6,817,857	2.32%
9	Romadak Pty Ltd (Romadak Super Fund A/C)	6,714,286	2.28%
10	Yarraandoo Pty Ltd (Yarraandoo Super Fund A/C)	6,200,000	2.11%
11	Terence Edward Morris	5,358,333	1.82%
12	Clement Theodore Brown	4,638,970	1.58%
13	Tara Shore Pty Ltd	4,000,000	1.36%
14	John Holland Development & Investment Pty Ltd	2,857,143	0.97%
15	Joffax Pty Ltd (Glem A/C)	2,630,346	0.89%
16	Chan Yiu Fai	2,614,376	0.89%
17	Laurie Glen Johnson	2,612,796	0.89%
18	DSAH Holdings Pty Ltd	2,200,000	0.75%
19	Steven Sandor	2,200,000	0.75%
20	Timeline Investments Pty Ltd (Cavanagh Family A/C)	2,000,000	0.68%
	TOTAL	164,219,896	55.86%

3. SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, the number of Ordinary Shares held by Substantial Shareholders as disclosed in Substantial Shareholder notices received by the Company were as follows:

		No. of Shares
1	Global Profits Limited (Hong Kong)	48,427,333
2	Phillip M Wright	20,724,000
3	Terry Morris Pty Ltd (ATF Morris Family Super Fund Unit Trust)	19,870,833

4. VOTING RIGHTS

Voting rights of members are governed by the Company's Constitution. In summary, every member present in person or by proxy, attorney or representative has one vote on a show of hands and one vote for each share on a poll. Options do not carry any voting rights.

5. UNQUOTED SECURITIES

As at 30 September 2004, there were on issue the following unquoted securities (options):

1,750,000 Options to acquire one Ordinary share at an exercise price of $0.10 on or before 31 March 2005. Of these 1,500,000 (85.71%) are held by Terence Edward Morris.

9,000,000 Directors Options to acquire one Ordinary share at an exercise price of $0.12 on or before 30 June 2006.

750,000 Employee Options to acquire one Ordinary share at an exercise price of $0.10 on or before 31 December 2006.

NOTES

15 October 2004

Dear Shareholder

Enclosed is the Annual Report for the Company and Notice of Annual General Meeting ("AGM") with associated explanatory material.

Your Company has seen the fruits of a significant effort by directors, staff and our advisers in advancing its prospects over the past year. We look forward to your presence at our AGM where you will have the opportunity to raise any questions with your directors.

The AGM this year will consider a number of Special Business items including ratification of previous share issues necessary to raise the funding to complete a bankable feasibility study, marketing and to provide working capital.

I urge you to read the information, carefully consider the resolutions and attend the AGM or complete a proxy form. Your vote is important. The Explanatory Statement attached to the Notice of Meeting gives more detailed information on the resolutions and should be read in conjunction with the notice. However, I invite you to contact the Company Secretary, our Chief Executive, Geoff Moore, or myself if you wish to discuss any of the agenda items prior to the meeting.

I look forward to seeing as many shareholders as possible at the AGM.

Yours faithfully
MONTO MINERALS LTD

PETER J SLAUGHTER
Executive Chairman

Head Office

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Milton Qld 4064
Telephone: 61 7 3858 6100
Facsimile: 61 7 3858 6199
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Monto Minerals Ltd
ABN 71 063 144 865

PO Box 1791
MILTON BC QLD 4064

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5 Newton Street
Monto QLD 4630 Australia
Telephone: 61 7 4166 3500
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MONTO MINERALS LTD

ABN 71 063 144 865

Notice of Annual General Meeting

NOTICE is hereby given that the Eleventh Annual General Meeting of Members of Monto Minerals Ltd will be held at the Riverside Auditorium, Level 6, Riverside Centre, 123 Eagle Street, Brisbane on Tuesday 23 November 2004 at 11.00am.

ORDINARY BUSINESS

Financial Report and Audit Reports
To receive and consider the Financial Report and the Audit Report in respect of the year ended 30 June 2004.

Resolutions

1. Re-election of Director
That Mr Geoffrey Moore, who retires by rotation in accordance with Article 14.4 of the Company's Constitution and, being eligible, and having offered himself for re-election, be re-appointed a Director of the Company.

SPECIAL BUSINESS

2. Ratification of Previous Issue of Securities
To consider and if thought fit, pass an ordinary resolution in accordance with Australian Stock Exchange Listing Rule 7.4 to ratify the issue of securities by the Company as detailed in the following tables.

<table>
<tr><th>Date</th><th>Issued to</th><th>Number of Securities Issued</th><th>Terms of Securities</th><th>Price Securities Issued</th><th>Gross Amount Raised $</th></tr>
<tr><td>19 May 2004</td><td>Terry Morris Pty Ltd atf Morris Family Superannuation Fund Unit Trust
LSD Services Pty Ltd atf SAFE Superannuation Fund
AG & LA McLauchlan
JP Morgan Nominees</td><td>1,607,143
267,857
267,857
3,572,000</td><td rowspan="8">Fully Paid Ordinary Shares</td><td>$0.07</td><td>400,040</td></tr>
<tr><td>19 May 2004</td><td>Laurie Glen Johnson</td><td>2,612,796</td><td>$0.07</td><td>182,895</td></tr>
<tr><td>30 June 2004</td><td>Presbyterian & Methodist Schools Association
Bernard Stein</td><td>1,214,285
100,000</td><td>$0.07</td><td>92,000</td></tr>
<tr><td>30 June 2004</td><td>John Holland Development & Investment Pty Ltd</td><td>2,857,143</td><td>$0.07</td><td>200,000</td></tr>
<tr><td>13 August 2004</td><td>Cornell Capital Partners Offshore, LP</td><td>2,642,857</td><td>$0.07</td><td>185,000</td></tr>
<tr><td>2 September 2004</td><td>Cornell Capital Partners Offshore, LP</td><td>1,712,504</td><td>$0.058394</td><td>100,000</td></tr>
<tr><td>15 October 2004</td><td>Cornell Capital Partners Offshore, LP</td><td>2,044,189</td><td>$0.0489192</td><td>100,000</td></tr>
<tr><td>15 October 2004</td><td>Professional Investors introduced by The Venture Group Limited</td><td>2,000,000</td><td>$0.042</td><td>84,000</td></tr>
<tr><td rowspan="3">5 July 2004</td><td>Garry Michael Edwards</td><td>250,000</td><td rowspan="3">Employee Share Options
Exercisable at 10c per option on or before 31 December 2006</td><td rowspan="3">$0.00</td><td rowspan="3">0</td></tr>
<tr><td>Daniel E Huff</td><td>250,000</td></tr>
<tr><td>Debra E Puskaric</td><td>250,000</td></tr>
<tr><td></td><td>TOTAL</td><td>21,648,631</td><td></td><td></td><td>$1,343,935</td></tr>
</table>

Funds raised by the above issues were used for working capital and some debt reduction.

The Company will disregard any votes cast on this resolution by:
- *any person who participated in the issue; and*
- *any associate of those persons.*

However, the Company need not disregard a vote if:
- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

3. Ratification of Previous Issue of Shares

To consider and if thought fit, pass an ordinary resolution in accordance with Australian Stock Exchange Listing Rule 7.4 to ratify the issue of shares by the Company as detailed in the following tables.

Date	Issued to	Number of Securities Issued	Terms of Securities	Price Securities Issued	Gross Amount Raised $
18/10/2004 – 8/11/2004	Professional Investors introduced by The Venture Group Limited	8,333,333	Fully Paid Ordinary Shares	$0.042	$350,000
	TOTAL	**8,333,333**			**$350,000**

The Company will disregard any votes cast on this resolution by:
- *any person who participated in the issue; and*
- *any associate of those persons.*

However, the Company need not disregard a vote if:
- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

4. Issue of Shares to Professional Investors Introduced by The Venture Group Limited

That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the Australian Stock Exchange Ltd, and for all other purposes, the issue of 50,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 4.2 cents per share to Professional Investors introduced by The Venture Group Limited on a best endeavours basis be approved. The shares will be issued progressively but not later than three months after the date of this meeting. The shares will have the same rights and entitlements as existing fully paid ordinary shares in the capital of the Company. Funds raised from the issue will be used to complete a bankable feasibility study, marketing and general working capital.

The Company will disregard any votes cast on this resolution by:
- *any person who will participate in the issue; and*
- *any associate of those persons.*

However, the Company need not disregard a vote if:
- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

5. Issue of Shares to Cornell Capital Partners Offshore, LP

That in accordance with the provisions of Listing Rule 7.1 of the Official Listing Rules of the Australian Stock Exchange Ltd, and for all other purposes, the issue of a maximum of 10,000,000 fully paid ordinary shares in the capital of the Company to Cornell Capital Partners Offshore, LP at an issue price as determined at a 3% discount to the lowest daily volume weighted average price (VWAP) of Monto shares traded on each of the 10 consecutive trading days within the agreed pricing period ending 2 February 2005 be approved. The shares will be issued progressively but not later than three months after the date of this meeting. The shares will have the same rights and entitlements as existing fully paid ordinary shares in the capital of the Company. Funds raised from the issue will be used to complete a bankable feasibility study, marketing and general working capital.

The Company will disregard any votes cast on this resolution by:

- *any person who will participate in the issue; and*
- *any associate of those persons.*

However, the Company need not disregard a vote if:

- *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- *it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

OTHER BUSINESS

To deal with any other business which may be legally brought before the meeting in accordance with the Company's Constitution and the Corporations Act 2001.

By Order of the Board

G M Edwards
Company Secretary
15 October 2004

Proxies:

A member entitled to attend and vote may appoint not more than two proxies to attend and vote instead of the member. Where two proxies are appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member. To be valid, proxies must be lodged at the registered office of the Company at Level 6, 303 Coronation Drive, Milton not less than 48 hours before the time appointed for the meeting. Proxies should be mailed to PO Box 1791, MILTON BC QLD 4064. A facsimile of the proxy will be accepted if it is received by the Company on facsimile number (07) 3858 6199. A proxy form is attached. Proxies may also be lodged via email by sending them to admin@montominerals.com and will be accepted if they are received not less than 48 hours before the time appointed for the meeting.

Voting Entitlements:

For the purposes of the meeting, shares will be taken to be held by the persons who are registered holders at 11.00am on Sunday, 21 November 2004. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

MONTO MINERALS LTD

ABN 71 063 144 865

Annual General Meeting – 23 November 2004
EXPLANATORY MEMORANDUM

In this explanatory memorandum, the following terms have these meanings:

"ASX" means Australian Stock Exchange

"Company" or **"Monto Minerals"** means Monto Minerals Ltd ACN 063 144 865

"Constitution" means the approved constitution of the Company

"Directors" means the directors of the Company

"VWAP" means Volume Weighted Average Price

RESOLUTION 1 – RE-ELECTION OF DIRECTOR

Mr Geoffrey Moore has been a Director of the Company since May 2002 and has been the Chief Executive Officer of the Company since 1 September 2003. Mr Geoffrey Moore was last re-appointed a Director at the 2002 Annual General Meeting.

Mr Geoffrey Moore was General Manager of Consolidated Rutile Limited until the end of 2001. Prior to that he worked for the Iluka Resources/RGC Group of Companies for 29 years managing mineral sand mines and projects in the USA and various exploration and mining projects in Australia. Mr Moore has an excellent grasp of issues associated with production and international marketing of ilmenite and other mineral sands commodities. Since leaving Consolidated Minerals, Mr Moore has undertaken consulting assignments in the mining sector.

Mr Moore is Chairman of the Marketing Committee and Member of the Finance and Risk Management Committee.

RESOLUTIONS 2 – RATIFICATION OF PREVIOUS ISSUE OF SECURITIES

If the issues of shares described in the table in the Notice of Meeting under Resolutions 2 are approved by shareholders in accordance with the proposed resolution, those share issues will be treated as having been made with approval of shareholders for the purpose of ASX Listing Rule 7.1.

The result of this approval would be that the Directors will be entitled to exercise in appropriate circumstances the power to issue further new shares, numbering in aggregate up to 15% of the shares currently on issue in a twelve month period, without offering them pro rata to existing shareholders or obtaining prior approval of existing shareholders.

Funds raised from these issues have been used for Construction and operation of the Trial Plant on the Goondicum site, the feldspar washing site at Dinmore, marketing and shipment of bulk samples and to provide working capital.

RESOLUTION 3 – RATIFICATION OF PREVIOUS ISSUE OF SHARES

If the issues of shares described in the table in the Notice of Meeting under Resolution 3 are approved by shareholders in accordance with the proposed resolution, those share issues will be treated as having been made with approval of shareholders for the purpose of ASX Listing Rule 7.1.

The result of this approval would be that the Directors will be entitled to exercise in appropriate circumstances the power to issue further new shares, numbering in aggregate up to 15% of the shares currently on issue in a twelve month period, without offering them pro rata to existing shareholders or obtaining prior approval of existing shareholders.

Funds raised from these issues will be used to complete a bankable feasibility study, marketing and to provide general working capital.

The Venture Group Limited is a licensed securities dealer and an agreement has been reached for The Venture Group Limited to assist the Company in raising funds. This resolution refers to a placement of shares completed prior to the Annual General Meeting and Resolution 4 refers to further shares to be issued after the Annual General Meeting.

RESOLUTION 4 – ISSUE OF SHARES TO PRIVATE INVESTORS INTRODUCED BY THE VENTURE GROUP LIMITED

That in accordance with to provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX , and for all other purposes, the issue of 50,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 4.2 cents per share to Professional Investors introduced by The Venture Group Limited on a best endeavours basis be approved. The Venture Group Limited is a licensed securities dealer and an agreement has been reached for The Venture Group Limited to assist the Company in raising funds. If funding can be arranged, the shares will be issued progressively but not later than three months after the date of this meeting. The shares will have the same rights and entitlements as existing fully paid ordinary shares in the capital of the Company. Funds raised from the issue will be used to complete a bankable feasibility study, marketing and to provide general working capital.

RESOLUTION 5 – ISSUE OF SHARES TO CORNELL CAPITAL PARTNERS OFFSHORE, LP

That in accordance with to provisions of Listing Rule 7.1 of the Official Listing Rules of the ASX, and for all other purposes, the issue of a maximum of 10,000,000 fully paid ordinary shares in the capital of the Company at an issue price as determined at a 3% discount to the lowest daily VWAP of Monto shares traded on each of the 10 consecutive trading days within the agreed pricing period to Cornell Capital Partners Offshore LP, be approved. The shares will be issued progressively but not later than three months after the date of this meeting. The shares will have the same rights and entitlements as existing fully paid ordinary shares in the capital of the Company. Funds raised from the issue will be used to complete a bankable feasibility study, marketing and to provide general working capital.

MONTO MINERALS LTD

ABN 71 063 144 865

PROXY FORM

(For information on how to complete please see the reverse of this form)

PLEASE PRINT WHEN COMPLETING THIS FORM

NAME AND ADDRESS

SHAREHOLDER REFERENCE NUMBER/HIN

❶ ***Please insert your telephone number (business hours)***
(   )

❷ **I/WE APPOINT**

Name of Proxy:	

or failing the person so named, or if no person is named, **the Chairman of the Meeting** to vote in accordance with the following directions or, if no directions have been given, as the proxy or the Chairman sees fit at the Annual General Meeting of the Company to be held on 23 November 2004 commencing at 11.00 am and at any adjournment thereof.

❸ **VOTING DIRECTIONS**
Should you desire to direct your proxy how to vote on any Resolution, please insert a tick (✓) in the appropriate box below.

	For	Against	Abstain
1. Re-Election Mr Geoffrey Moore as Director	☐	☐	☐
2. Ratification of previous issue of Securities	☐	☐	☐
3. Ratification of previous issue of Shares	☐	☐	☐
4. Issue of shares to professional investors introduced by The Venture Group Ltd	☐	☐	☐
5. Issue of shares to Cornell Capital Partners Offshore, LP	☐	☐	☐

☐ If you do not wish to direct your proxy how to vote, please place a tick (✓) in the box.^

^ The Chairman of the Meeting intends to vote undirected proxies in favour of all Resolutions. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that Resolution and that votes cast by him, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes in respect of those Resolutions and your votes will not be counted in computing the required majority if a poll is call on a Resolution.

APPOINTMENT OF A SECOND PROXY Note this section is only to be completed if two proxies are being appointed

Name of Second Proxy:	

or failing the person so named, **the Chairman of the Meeting** to vote in accordance with the abovestated directions or, if no directions have been given, as the proxy or the Chairman sees fit at the Annual General Meeting of the Company to be held on 23 November 2004 commencing at 11.00 am and at any adjournment thereof.

% *First Proxy*	% *Second Proxy*

State here the percentage of your voting rights applicable to the first and second proxy

❹ **SIGNATURE(S)**

______________________________ ______________________________

(If a corporation, please refer to Note 4 on the reverse of this form.)

PROXY FORM INFORMATION

Please direct your proxy how to vote

For your vote to be counted, the Proxy form, duly completed, must be received not later than 11.00 am on 21 November 2004.

INSTRUCTIONS ON HOW TO COMPLETE THE PROXY FORM

❶ Insert your business hours telephone number in case we need to contact you.

❷ Insert here the name of the person you wish to appoint as proxy; shareholders cannot appoint themselves. **The Chairman of the meeting** will act as your proxy if you do not appoint someone. You can vote your shares by proxy even if you plan to attend the meeting.

A shareholder is entitled to appoint up to two persons (whether shareholders or not) to attend the meeting and vote. If you wish to appoint two proxies please enter the second proxy's name and complete the section indicating the percentage of your voting rights each proxy is to represent. Note the aggregate % total must equal 100.

❸ **Voting Directions**

If you wish to direct your proxy how to vote on any item, place a mark in the appropriate box. If a mark is placed in a box, your total shareholding will be voted in that manner. You may, if you wish, split your voting direction by inserting the number of shares you wish to vote in the appropriate boxes. The vote will be invalid if a mark is made in more than one box for a particular item or if the total shareholding shown in the 'FOR', 'AGAINST' and 'ABSTAIN' boxes is more than your total registered shareholding at the time when entitlements for voting purposes are determined. The "snapshot" time for determining entitlements for voting purposes will be 7.00pm on 21 November 2004.

❹ **Shareholders must sign here**

This proxy must be signed by the shareholder, or if a Corporation, under its Common Seal, or under the hand of an authorised officer or attorney. If this proxy is signed by a person who is not the registered member then the relevant authority must be enclosed with this proxy.

Corporate shareholders should note that to be eligible to vote the Company must either lodge a proxy form nominating an individual or individuals as proxies or must present a duly completed "notice of appointment of corporate representative" form prior to the commencement of the meeting. These forms can be obtained from the share registry.

FURTHER IMPORTANT INFORMATION

To be valid, the proxy must be received at the registered office of the Company, Level 6, 303 Coronation Drive, Milton QLD 4064, not less than 48 hours before the time of the meeting. Proxies should be mailed to PO Box 1791, MILTON BC QLD 4064. A facsimile of the proxy will be accepted if received by the Company on fax number (07) 3858 6199 not less than 48 hours before the time of the meeting. Proxies may also be lodged via email by sending to admin@montominerals.com and will be accepted if it is received not less than 48 hours before the time for the meeting.