MONTO MINERALS LTD AND CONTROLLED ENTITIES

ACN 063 144 865

INTERIM FINANCIAL REPORT

DIRECTORS REPORT

Your Directors are pleased to present their report on the Company and its controlled entities for the six months ended 31 December 2007.

DIRECTORS

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

P J Slaughter	-	Non-executive Chairman
P G Dowling	-	Non-executive Deputy Chairman (resigned 12 November 2007)
G P Moore	-	Executive Director – CEO
R I Cottee	-	Non-executive Director
M D H McCauley	-	Non-executive Director (appointed 25 September 2007)
R C A Barrington	-	Non-executive Director - UK
P J Freeman	-	Non-executive Director - UK

REVIEW OF OPERATIONS

(i) Goondicum Industrial Minerals Project

Commencement of production and sales
The construction of the Goondicum Plant was completed in August 2007 and was officially opened in November 2007. Production commenced in October 2007 and deliveries to customers began with phosphate rock apatite in October 2007 and ilmenite in January 2008.

Markets for ilmenite, phosphate rock apatite and titanomagnetite are very strong and market development activities are continuing for feldspar.

Ramp up to nameplate capacity has been slower than planned due to a combination of commissioning issues, equipment modifications and interruptions to power supply. Whilst the Plant has performed to design specification, further measures are required, and currently being implemented, to increase plant availability to meet target production rates.

Construction of the feldspar processing plant at Dakiel, 25 km from Goondicum, was completed in November 2007 and commissioned during January 2008. The first delivery of feldspar, an initial 20-tonne consignment was shipped to the United States in February 2008 to meet a request for grinding and testing as a potentially high value component in paint and powder coatings. Production of feldspar for glass manufacture in Australia is scheduled for late February/early March, 2008. .

The Company is continuing with design work and procurement for a titanomagnetite grinding plant at Goondicum, with a view to marketing the product as a coal washing agent in central Queensland's coal mining industry later in 2008.

Power line
The power line constructed by the Company to connect Goondicum to mains power was completed in December 2007 and electricity from two of the four on-site diesel generators was replaced. The Company is moving progressively to full mains power, thereby reducing operating costs and improving reliability of supply.

Water pipeline
Construction of the 35 km water pipeline, developed and operated by the Queensland Government-owned corporation, SunWater was completed in June 2007, but has been subject to leaks caused by defective sections of pipe. While this has caused intermittent interruptions to the water supply, production has not been impeded because the Company has managed the situation to minimise the impact on mine and plant operations. The leaks are continuing to be repaired as they are detected, with additional costs of rectification being met by the pipe manufacturer.

(ii) Funding
The $12 million Convertible Note issue in August 2007 completed the $35 million fundraising approved by shareholders in May 2007. Funds from the convertible notes were applied to advancing the Goondicum Industrial Minerals Project and working capital. The company issued 20 million shares to the Noteholders

as a facility fee for the convertible notes and a further $6 million committed funding facility for Stage 2 expansion plans.

The company is currently reviewing its Stage 1 working capital levels in light of the slower than planned ramp up in production and the impact of the strengthening Australian dollar on export revenues. Funding options are currently under review.

(iii) Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the Director's Report for the half year.

(iv) Rounding Amounts to the Nearest Thousand Dollars

The company satisfies the requirements of Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the directors' report and the financial report to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial report in accordance with that Class Order

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Peter Slaughter
Non-Executive Chairman

Dated this 13th day of March, 2008

BDO Kendalls

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DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF MONTO MINERALS LIMITED

As lead auditor for the review of Monto Minerals Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Monto Minerals Limited and the entities it controlled during the period.

BDO Kendalls (QLD)

A J Whyte
Partner

Brisbane
13 March 2008

HALF YEAR CONSOLIDATED FINANCIAL REPORT

MONTO MINERALS LIMITED

CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated Entity Half Year Ended 31 December	
	2007 $'000	**2006 $'000**
Revenue from ordinary activities	940	1,193
Other income	80	-
Production expenses	(1,755)	-
Distribution expenses	(63)	-
Employee benefits expense	(1,930)	(560)
Consulting expenses	(518)	(758)
Finance costs	(1,061)	(70)
Depreciation and amortisation expenses	(39)	(4)
Accounting and audit expenses	(5)	(22)
Legal expenses	(60)	(77)
Listing and shareholder expenses	(152)	(169)
Rental expenses	(62)	(43)
Travel expenses	(157)	(128)
Marketing expenses	(28)	(62)
Other expenses	(107)	(105)
Loss before income tax expense	(4,917)	(805)
Income tax expense	-	-
Net loss attributable to members of Monto Minerals Limited	(4,917)	(805)
	Cents	**Cents**
Basic and diluted earnings per share	(1.47)	(0.42)

The above Condensed Income Statement should be read in conjunction with the accompanying notes,

HALF YEAR CONSOLIDATED FINANCIAL REPORT

MONTO MINERALS LIMITED

CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	Consolidated Entity 31 December 2007 $'000	Consolidated Entity 30 June 2007 $'000
CURRENT ASSETS			
Cash and cash equivalents		8,652	18,536
Inventories		264	-
Capitalised finance expenditure		111	-
Trade and other receivables		436	1,570
Total Current Assets		**9,463**	**20,106**
NON CURRENT ASSETS			
Trade and other receivables		12,673	12,688
Property, plant and equipment		47,798	31,716
Capitalised finance expenditure		1,222	-
Capitalised exploration and evaluation		15,677	15,677
Total Non-Current Assets		**77,370**	**60,081**
TOTAL ASSETS		**86,833**	**80,187**
CURRENT LIABILITIES			
Trade and other payables		2,842	5,829
Interest bearing liabilities		795	738
Total Current Liabilities		**3,637**	**6,567**
NON CURRENT LIABILITIES			
Interest bearing liabilities		23,883	13,368
Rehabilitation provisions		645	645
Total Non Current Liabilities		**24,528**	**14,013**
TOTAL LIABILITIES		**28,165**	**20,580**
NET ASSETS		**58,668**	**59,607**
EQUITY			
Contributed equity	3	81,953	77,975
Other reserves		860	860
Retained earnings		(24,145)	(19,228)
TOTAL EQUITY		**58,668**	**59,607**

The above Condensed Balance Sheet should be read in conjunction with the accompanying notes

HALF YEAR CONSOLIDATED FINANCIAL REPORT

MONTO MINERALS LIMITED

CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Consolidated Entity Half Year Ended 31 December	
	2007 $'000	**2006 $'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and government	1,206	82
Payments to suppliers and employees	(5,266)	(1,536)
Interest received	927	1,065
Interest and other costs of finance paid	(459)	(37)
Net Cash outflow from operating activities	**(3,592)**	**(426)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(19,027)	(6,849)
Exploration and evaluation expenditure	(84)	(224)
Net cash (outflow)/inflow from investing activities	**(19,111)**	**(7,073)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	177
Costs associated with raising capital	(22)	(4)
Proceeds from borrowings	12,869	-
Repayment of borrowings	(25)	-
Net cash (outflow)/inflow from financing activities	**12,822**	**173**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(9,881)	(7,326)
Net Foreign Exchange difference	(3)	1
Cash & Cash Equivalents at beginning of period	18,536	37,259
CASH & CASH EQUIVALENTS AT END OF PERIOD	**8,652**	**29,934**

The above Condensed Cashflow Statement should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	Issued capital $'000	Accumulated losses $'000	Other Reserves $'000	Total equity $'000
At 1 July 2006	69,124	(17,719)	725	52,130
Loss for the period		(805)		(805)
Cost of issue of shares	(4)			(4)
Total income and expense for the period recognised directly in equity	**(4)**	**(805)**	**-**	**(809)**
Issue of shares	711			711
Share-based payments expense			16	16
At 31 December 2006	**69,831**	**(18,524)**	**741**	**52,048**
Loss for the period		(704)		(704)
Cost of issue of shares	(2,012)			(2,012)
Total income and expense for the period recognised directly in equity	**(2,012)**	**(704)**	**-**	**(2,716)**
Issue of shares	9,827			9,827
Issue of options	329			329
Share-based payments expense			119	119
At 30 June 2007	**77,975**	**(19,228)**	**860**	**59,607**
Loss for the period		(4,917)		(5,182)
Cost of issue of shares	(22)			(22)
Total income and expense for the period recognised directly in equity	**(22)**	**(4,917)**	**-**	**(5,204)**
Issue of shares	4,000			4,000
Share based payments expense			-	-
At 31 December 2007	**81,953**	**(24,145)**	**860**	**58,403**

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

Note 1 - Basis of Preparation of Half-Year Financial Statements
This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The financial report has also been prepared on a historical cost and going concern basis. The adoption of the going concern assumption is dependent on the assumption that the company can increase production levels to budgeted targets in the coming months. To achieve this, the directors believe the commissioning issues, equipment modification and interruptions to power supply will be adequately addressed. The adoption of the going concern assumption is also dependent on the company raising working capital as and when required. No adjustment has been made in this financial report to the carrying value of assets or liabilities should the company not be successful in increasing production to budgeted targets or raising working capital as and when required.

This interim report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Monto Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this interim financial report as compared with the most recent annual financial report.

Note 2 - Segment Information
The Economic Entity operates predominantly in one business and geographical segment being in the mining industry in Australia.

Note 3 - Equity Securities

	Half Year		Half Year	
	2007 Shares	**2006 Shares**	**2007 $'000**	**2006 $'000**
Movement in Ordinary Shares During the Half-Year				
Exercise of options		717,862		155
Placement		250,000		75
Shares issued in lieu of debt		1,929,475		481
Shares issued as facility fee	20,000,000	-	3,978	-
Costs of issue		-		(4)
Options Expired		-		84
	20,000,000	2,897,337	3,978	791

	Half Year		Half Year	
	2007 Options	**2006 Options**	**2007 $'000**	**2006 $'000**
Movement in Options over Ordinary Shares During the Half-Year				
Options issued remuneration	-	439,052	-	69
Exercise of options	-	(717,862)	-	(53)
Options Expired	-	(7,686,040)	-	(84)
	-	(7,964,850)	-	(68)

Note 4 - Contingent Liabilities and Assets
In October 2006, Monto entered into a Water Transport Agreement with the Queensland Government's SunWater for the transport of water to the Goondicum Project. Pursuant to this agreement, SunWater will build, own and operate a 35km pipeline to transport water and Monto has provided a bank guarantee of $11,500,000 to provide security for it's payment obligations over the 20 year term of the agreement.

Note 5 – Events Subsequent to Balance Date
There are no events subsequent to Balance that require noting in these accounts.

HALF YEAR CONSOLIDATED FINANCIAL REPORT

MONTO MINERALS LIMITED AND ITS CONTROLLED ENTITIES

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity, and accompanying notes are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and

    (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The financial statements have been prepared on a going concern basis.

No adjustments have been made to the financial statements to the carrying value of assets or recorded amount of liabilities should the company not be successful in raising working capital as and when required.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

PETER J SLAUGHTER
Non-Executive Chairman

Dated this 13th day of March, 2008

BDO Kendalls

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MONTO MINERALS LIMITED

Scope

We have reviewed the accompanying half-year financial report of Monto Minerals Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, notes to the financial statements and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Monto Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Kendalls

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MONTO MINERALS LIMITED
(continued)

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter Regarding Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As set out in note 1 to the financial statements, the financial report has been prepared on the going concern basis on the assumption that the company will achieve budgeted production targets after addressing commissioning issues, equipment modifications and interruptions to power supply. It is also assumed that the company will be able to raise working capital as and when required.

No adjustments have been made to the carrying amount of assets or recorded amount of liabilities should the company not be successful in achieving budgeted production targets or raising working capital.

BDO Kendalls (QLD)

BDO Kendalls

A J Whyte
Partner

Brisbane
13 March 2008