

MONTO MINERALS LIMITED

ABN 71 063 144 865

Interim Financial Report

31 December 2011

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These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements dated 30 June 2011 and any public announcements made by the Company during the period from 1 July 2011 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Directors

Gary Steinepreis
Chairman

James Allchurch
Executive

Patrick Burke
Non-Executive

Company Secretary

Gary Steinepreis

Registered Office

Level 1, 33 Ord Street
West Perth WA 6005
Telephone: 08 9420 9300

Share Register

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Locked Bag A14 Sydney South NSW 1235
Telephone: 1 300 554 474 +61 2 8280 7761

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Telephone: 08 6382 4600
Facsimile: 08 6382 4601

Stock Exchange Listing

Monto Minerals Limited shares are listed on the
Australian Securities Exchange (ASX), home
branch, Perth.
Code: MOO

DIRECTORS' REPORT

Your directors present their interim financial report on the consolidated entity consisting of Monto Minerals Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2011 (**Monto or the Company or the Group**).

Directors

The name of each person who has been a director during the half-year and to the date of this report are:

James Peter Allchurch appointed 9 December 2009

Gary Christian Steinepreis appointed 26 June 2009

Patrick Nicolas Burke appointed 26 June 2009

Company Secretary

The company secretary is Gary Steinepreis who was appointed 26 June 2009.

Principal Activity

The principal continuing activity of the Company is mineral exploration at the Herberton Project located in North Queensland.

Monto also has an ongoing production royalty derived from the Baal Gammon Mine which is operated by Kagara Limited (Kagara) under a Mineral Rights Agreement (MRA).

Review of Operations

Herberton Tin Project

The project is located 70kms south west of Cairns in Far North Queensland and incorporates the regional towns of Herberton, Irvinebank and Watsonville. The Herberton Tin Field has historically produced over 76,300t of tin metal from over 2,000 recorded mines and is currently the pre-eminent area for hard rock tin exploration in Australia. Infrastructure in the immediate area is excellent with respect to sealed road access, power, workforce, suppliers and proximity to port (sealed road access to Cairns and Townsville).

During the half-year ended 31 December 2011, Monto purchased a two-year option (enabling exclusive exploration) over one exploration permit (mineral) (EPM) and three granted Mining Leases (ML). The EPM is approximately 18km² in area whilst the three MLs have a combined area of approximately 27ha. All optioned tenure is contiguous with Monto's existing tenement position.

Including the optioned tenure, the project comprises five granted exploration permits (mineral) (EPM) with a combined total area of 552.6km² as well as 14 granted Mining Leases (ML) and 10 Mining Lease Applications (MLA).

Stream Sediment and Geochemical Sampling

A detailed stream sediment and geochemical sampling programme has been completed over an area mapped as granite containing no historical tin workings. The programme was broadly designed as a sterilisation programme whilst also addressing the lack of exploration data in the area. Geochemical samples were submitted for assay and stream sediment samples were panned or processed by a Knelson concentrator. Surprisingly, anomalous tin was detected in a number of the stream sediment and geochemical samples indicating a potential tin source in the granites previously thought of as unmineralised.

Review of Operations (continued)

Herberton Tin Project (continued)

Stream Sediment and Geochemical Sampling (continued)

A second stream sediment and geochemical sampling programme incorporating over 70km² is nearing completion in the Silver Valley area. Geochemical samples are awaiting assay whilst bulk stream sediment samples collected in the north of the sampling area have generated pan concentrates of coarse tin.

Monto is extremely encouraged by the presence of tin in areas previously not recognised as containing any form of tin mineralisation.

Detailed Mapping and Rock Chip Traverses

Detailed mapping and rock chip traverses have been completed at the Arbouin, Pompeii and Kitchener prospects.

Rock chip samples were analysed using a broad suite of elements which included laboratory XRF analysis for tin. Significant rock chip results are included in Table 1 below.

Sample ID	Prospect	Tin (%)
RX0054	Arbouin	1.91
RX0090*	Arbouin	2.15*
RX0131	Kitchener	1.27
RX0134	Kitchener	3.22
RX0153	Kitchener	1.67

Table 1. Significant Rock Chip Results

* - channel sample collected across identified shear zone

Representative rock chip samples were primarily collected from surface outcrop along broad linear traverses at each prospect. Host rocks sampled comprised mainly granites and metasediments, with a total of 165 rock chip samples collected.

The rock chip sampling programme also included the collection of 26 channel samples over particular zones of interest such as porphyry intrusions and zones of shearing and brecciation.

The results highlight the high-grade nature of tin mineralisation at surface within the company's Herberton tin project. Importantly, the results in combination with other exploration datasets have provided further resolution to assist in targeting a series of shallow, high-grade potential tin deposits.

Data generated from the geological/structural mapping exercises and rock chip sampling traverses is complementing existing geophysical, geochemical and historical information. The forthcoming drilling programme has been designed and further refined using the important data captured during this phase of intensive fieldwork.

Review of Operations (continued)

Baal Gammon Copper Project

The Baal Gammon Copper Project is located 7kms west of Herberton immediately adjacent to the main sealed road between Herberton and Watsonville. Baal Gammon is located on granted MLs located with the broader Herberton Tin project area.

Baal Gammon is a highly advanced copper/tin/silver/indium deposit and comprises the following Joint Ore Reserves Committee (JORC) Code-compliant resources:

JORC Category	Tonnes (000t)	Cu (%)	Sn (%)	Ag (g/t)	In (g/t)	CuEQ* (%)	Cu Metal (000t) ⁺
Inferred Resources	109	0.4	0.2	10	30	1.25	0.4
Indicated Resources	5,373	0.8	0.2	29	29	1.8	41.2
Total Resources	5,482	0.8	0.2	29	29	1.8	41.6

Note - 0.2% copper cut-off grade

⁺ - Contained Cu metal represents the Cu component only - it does not include credits from the other metals

Based on mine optimisations and open pit designs, a Probable Ore Reserve for Baal Gammon has been generated - **3.1Mt @ 0.95% Cu, 0.2% Sn, 34.3 g/t Ag and 29.6 g/t In (29,000t copper metal⁺)**

On 12 May 2011, Monto announced the signing of a Mineral Rights Agreement (MRA) for Kagara to mine Baal Gammon.

Transaction terms are as follows:

- \$6,000,000 initial capital payment, which consideration was payable by the issue of 9,360,000 in Kagara shares (completed);
- 2.5% NSR (Net Smelter Royalty) payable on all metals for the first 550,000t of ore processed; and
- 2% NSR payable on all metals over 550,000t of ore processed.

As part of the mine planning process, Kagara concluded a 28 hole diamond drilling programme at the Baal Gammon mine on 30 October 2011. Significant intercepts include:

- 2m @ 16.91% Cu, 468g/t Ag, 951g/t In and 0.88% Sn from 28.1m;
- 8.1m @ 5.18% Cu, 101g/t Ag, 179g/t In and 0.17% Sn from 30m;
- 10.7m @ 2.91% Cu, 131g/t Ag, 136g/t In and 0.69% Sn from 52.5m;
- 7m @ 7.77% Cu, 201g/t Ag, 462g/t In and 0.04% Sn from 22m; and
- 1.7m @ 11.89% Cu, 185g/t Ag, 185g/t In and 0.11% Sn from 20m.

The objective of the drilling programme was to reinforce the existing mine reserve model for the deposit, investigate potential extensions to the existing mineralisation, as well as providing metallurgical information for copper, silver and tin processing. The consistency of the geology has been encouraging with minimal deviation from the existing resource model.

Kagara commenced mining operations in September 2011 and are processing Baal Gammon ore at their nearby 500,000tpa Mt Garnet copper processing facility. Under the terms of the Baal Gammon MRA Kagara will pay the NSR to Monto within five business days of receipt of payment from the product (concentrate) buyer. Kagara at present generally sell concentrate from the Mt Garnet facility on a monthly basis.

Review of Operations (continued)

Baal Gammon Copper Project (continued)

Kagara is responsible for all costs with respect to Baal Gammon mine development and operations.

Monto successfully lodged a Mining Lease Application (MLA) over the Confederation group of prospects in November 2011. The 220ha Confederation MLA incorporates over 15 historical underground mines, known as the Confederation group, all located within 800m of the existing Kagara-operated Baal Gammon mine. Of these historical mines the Three Treys and Consolation mines are located 300m and 600m respectively north north-east of the Baal Gammon mine.

Operating Result

The loss from continuing operations for the half-year after providing for income tax was \$2,182,237 (2010: \$174,608). The increase in the loss is due mainly to the impairment of the available for sale financial asset, (shares held in Kagara Limited) of \$3,613,200 and the profit received from the sale of Baal Gammon Copper Mineral Rights to Kagara for the net amount after costs of \$1,517,302.

Additional information on the operations and financial position of the Company and its business strategies and prospects is set out in this directors' report and the interim financial report.

After Reporting Date Events

There has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Group's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Group's state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6 of the interim report.

Signed in accordance with a resolution of the board of directors.



James Allchurch
Director
31 January 2012

31 January 2012

The Directors
Monto Minerals Limited
Level 1, 33 Ord Street
WEST PERTH WA 6005

Dear Directors,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF MONTO MINERALS LIMITED

As lead auditor for the review of Monto Minerals Limited for the half-year ended 31 December 2011, 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.



Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Monto Minerals Limited
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2011

	Note	Consolidated 2011 \$	Company 2010 \$
Revenue from operations	3	1,627,159	44,565
Other expenses		(38,930)	(45,514)
Exploration expenditure		-	(9,424)
Corporate compliance costs		(36,315)	(25,406)
Corporate management fees		(36,000)	(36,000)
Audit and non-audit service fees and disbursements		(11,458)	(7,249)
Occupancy costs		(44,155)	(36,720)
Employment costs		(2,001)	-
Salaries and wages		(25,080)	(54,000)
Employee superannuation		(2,257)	(4,860)
Impairment expense		(3,613,200)	-
Expenses from operations	4	(3,809,396)	(219,173)
Loss before income tax		(2,182,237)	(174,608)
Income tax expense		-	-
Loss for the half year		(2,182,237)	(174,608)
Other comprehensive income for the half year net of tax		-	-
Total comprehensive loss for the half-year attributable to the members of Monto Minerals Limited		(2,182,237)	(174,608)
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share		(0.167)	(0.031)
Diluted loss per share		n/a	n/a

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Monto Minerals Limited
Consolidated Statement of Financial Position
31 December 2011

ASSETS	Note	Consolidated 31 Dec 2011 \$	Consolidated 30 June 2011 \$
Current assets			
Cash and cash equivalents		3,161,396	5,101,848
Trade and other receivables		30,834	34,991
Total current assets		3,192,230	5,136,839
Non current assets			
Exploration and evaluation expenditure	5	6,348,292	10,499,568
Financial assets at fair value through profit and loss	6	2,386,800	-
Property, plant and equipment	8	43,259	-
Security / assurance deposit		52,500	52,500
Total non current assets		8,830,851	10,552,068
Total assets		12,023,081	15,688,907
LIABILITIES			
Current liabilities			
Deferred liability		-	1,500,000
Trade and other payables		45,204	21,877
Total current liabilities		45,204	1,521,877
Total liabilities		45,204	1,521,877
NET ASSETS		11,977,877	14,167,030
EQUITY			
Contributed equity	7	14,035,526	14,042,442
Option premium reserve		1,303,304	1,303,304
Share based payment reserve		967,241	967,241
Accumulated losses		(4,328,194)	(2,145,957)
TOTAL EQUITY		11,977,877	14,167,030

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

Monto Minerals Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2011

2011 Consolidated	Contributed equity	Option Premium reserve	Share based payment reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance 1 July 2011	14,042,442	1,303,304	967,241	(2,145,957)	14,167,030
Total comprehensive loss for the half-year	-	-	-	(2,182,237)	(2,182,237)
Transactions with owners in their capacity as owners:					
Transaction costs	(6,916)	-	-	-	(6,916)
Balance 31 Dec 2011	14,035,526	1,303,304	967,241	(4,328,194)	11,977,877

2010 Company	Contributed equity	Share based payment reserve	Accumulated losses	Total
	\$	\$	\$	\$
Balance 1 July 2010	2,544,938	967,241	(1,824,065)	1,688,114
Total comprehensive loss for the half-year	-	-	(174,608)	(174,608)
Transactions with owners in their capacity as owners:	-	-	-	-
Balance 31 Dec 2010	2,544,938	967,241	(1,998,673)	1,513,506

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Monto Minerals Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2011

	Consolidated 2011 \$	Company 2010 \$
Cash flow from operating activities		
Interest received	119,427	49,951
BAS refund received and GST collected	5,348	1,466
Receipts from customers	1,393	5,250
Payments to suppliers and employees	(296,191)	(224,722)
Net cash outflow from operating activities	(170,023)	(168,055)
Cash flows from investing activities		
Payments for plant and equipment	(48,650)	-
Deferred payment for the purchase of mineral tenements	(1,500,000)	-
Payments expended on exploration assets	(214,863)	-
Net cash outflow from investing activities	(1,763,513)	-
Cash flows from financing activities		
Costs associated with capital raising	(6,916)	-
Net cash outflow from financing activities	(6,916)	-
Net decrease in cash and cash equivalents	(1,940,452)	(168,055)
Cash and cash equivalents at the beginning of the half-year	5,101,848	1,662,604
Cash and cash equivalents at the end of the half-year	3,161,396	1,494,549

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

1 Summary of significant accounting policies

This general purpose interim financial report includes the financial statements and notes of Monto Minerals Limited, a public limited entity, and its controlled entities for the half-year ended 31 December 2011.

(a) Basis of preparation

The consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements as at and for the year ended 30 June 2011 and any public announcements made by the Company during the period from 1 July 2011 to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial years and the corresponding interim reporting period, except for those noted below:

(i) Royalties

Royalties are recognised as revenue when the Company receives payment from Kagara Limited for the ore concentrate mined from the Baal Gammon deposit. Kagara will pay the royalty to the Company in respect of product recovered from the Baal Gammon deposit within five business days after receipt of payment made by the buyer of the concentrate.

(ii) Early Adoption of Accounting Standards

The Group has elected to early adopt the following new Accounting Standard as of 1 July 2011:

AASB 9 Financial instruments (effective from 1 January 2013)

AASB 9 amends the requirements for classification and measurement of financial assets. The impact on the Group is that the investments in listed entities are measured at fair value through the profit and loss account.

(iii) Investments and Other Financial Assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the others categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. At initial recognition, the group measures a financial asset at fair value. Transaction costs of financial assets at fair value through profit and loss are expensed in profit and loss. The group subsequently measures all equity instruments at fair value and any changes in fair value are recognised in profit and loss.

(iv) Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated using the straight line method to write off the net cost of each item of plant and equipment over its expected useful life, being 1 to 5 years.

Monto Minerals Limited
Notes to the Interim Financial Statements
31 December 2010

2 Segment Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company currently operates in one operating segment being the mining and exploration sector. However the chief operating decision makers look at areas of interest when reviewing exploration activities and the allocation of resources. The areas of interest are contained within separate operating entities and reported on accordingly.

The directors are of the opinion that the current financial position and performance of the Group is equivalent to the operating segments identified and the following disclosure is provided.

31 December 2011	Monto Minerals	Herberton Tin	Baal Gammon Copper	Consolidated
	\$	\$	\$	\$
Income	105,904	2,686	1,518,569	1,627,159
Expenses	(3,761,361)	(42,456)	(5,579)	(3,809,396)
Operating profit / (loss)	(3,655,457)	(39,770)	1,512,990	(2,182,237)
Assets				
Cash & cash equivalents	2,975,734	44,957	140,705	3,161,396
Other receivables	22,019	8,362	453	30,834
Available for sale assets	2,386,800	-	-	2,386,800
Other assets	43,259	-	-	43,259
Capitalised exploration	-	5,323,120	1,025,172	6,348,292
Security deposits	52,500	-	-	52,500
	5,480,312	5,376,439	1,166,330	12,023,081
Liabilities				
Other payables	27,981	17,223	-	45,204
	27,981	17,223	-	45,204
Net Assets	5,452,331	5,359,216	1,166,330	11,997,877
31 December 2010	Monto Minerals	Herberton Tin	Baal Gammon Copper	Company
	\$	\$	\$	\$
Income	44,565	-	-	44,565
Expenses	(219,173)	-	-	(219,173)
Operating loss	(174,608)	-	-	(174,608)
Assets				
Cash & cash equivalents	1,494,549	-	-	1,494,549
Other receivables	3,140	-	-	3,140
Security deposits	32,000	-	-	32,000
	1,529,689	-	-	1,529,689
Liabilities				
Other payables	16,183	-	-	16,183
	16,183	-	-	16,183
Net Assets	1,513,506	-	-	1,513,506

Monto Minerals Limited
Notes to the Interim Financial Statements
31 December 2010

3 Revenue from continuing operations	Consolidated Dec 2011	Company Dec 2010
	\$	\$
Interest received	107,857	39,315
Sale of mineral rights*	1,517,302	-
Rental income	2,000	-
Consulting fees received	-	5,250
	1,627,159	44,565

* The mineral rights over the Baal Gammon deposit were sold to Kagara Limited for \$6,000,000. The payment was in the form of 9,360,000 shares in Kagara Limited valued on the price traded on the ASX on the date of issue. The proportion of the acquisition costs of the Baal Gammon deposit and exploration expenditure capitalised and spent of the deposit were netted off against the sale consideration to arrive at the net income derived from the sale of the mineral rights.

4 Expenses from continuing operations	Consolidated Dec 2011	Company Dec 2010
	\$	\$
Other expenses	(38,930)	(45,514)
Exploration expenditure	-	(9,424)
Corporate compliance costs	(36,315)	(25,406)
Corporate management fees	(36,000)	(36,000)
Audit and non-audit service fees and disbursements	(11,458)	(7,249)
Occupancy costs	(44,155)	(36,720)
Employment costs	(2,001)	-
Salaries and wages	(25,080)	(54,000)
Employee superannuation	(2,257)	(4,860)
Impairment expense*	(3,613,200)	-
Total expenses	(3,809,396)	(219,173)

* During the period the financial asset at fair value through profit and loss, (Shares held in Kagara Limited), was impaired due to the reduction in the traded share price of Kagara shares. The shares were valued based on the closing price of Kagara shares as traded on ASX as at 31 December 2011.

5 Exploration and evaluation expenditure	Consolidated 31 Dec 2011	Consolidated 30 June 2011
	\$	\$
Opening net book amount	10,499,568	-
Purchase consideration shares	-	6,000,000
Purchase consideration options	-	1,303,304
Purchase consideration cash	-	1,500,000
Reduction in purchase consideration - sale of mineral rights	(4,401,161)	-
Reduction in acquisition costs - sale of mineral rights	(81,537)	-
Acquisition costs cash	1,050	130,978
Exploration costs cash	330,372	65,286
Deferred cash settlement	-	1,500,000
Closing net book amount	6,348,292	10,499,568

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Monto Minerals Limited
Notes to the Interim Financial Statements
31 December 2010

6	Financial assets at fair value through profit and loss	Consolidated 31 Dec 2011 \$	Consolidated 30 June 2011 \$
	Opening net book amount	-	-
	Sale of mineral rights – Kagara Limited shares	6,000,000	-
	Impairment expense – Kagara Limited shares	(3,613,200)	-
	Closing net book amount	2,386,800	-

The consideration for the sale of the mineral rights on the Baal Gammon deposit to Kagara Limited was the issue of 9,360,000 Kagara Limited shares. The price of Kagara Limited shares on ASX on the date of issue was 64.1 cents giving a fair value for the consideration of \$6,000,000. As at 31 December 2011 the closing share price on ASX of the Kagara shares owned by the Company was 25.5 cents. The Company owns 9,360,000 Kagara Limited shares with a fair value of \$2,386,800.

7 Contributed Equity

(a)	Share Capital	Half-Year 31 Dec 2011 Shares	Half-Year 31 Dec 2011 \$	Full-Year 30 June 2011 Shares	Full-Year 30 June 2011 \$
	Ordinary shares fully paid	1,307,440,555	14,035,526	1,307,440,555	14,042,442

(b) Movement in Ordinary Share Capital

2011 Date	Details	Number of shares	Amount \$
1/7/2011	Opening balance	1,307,440,555	14,042,442
	Transaction costs	-	(6,916)
31/12/2011	Balance	1,307,440,555	14,035,526

2010 Date	Details	Number of shares	Amount \$
1/7/2010	Opening balance	569,681,332	2,544,938
31/12/2010	Balance	569,681,332	2,544,938

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c)	Other Reserves	Half-Year 31 Dec 2011 Options	Half-Year 31 Dec 2011 \$	Full-Year 30 June 2011 Options	Full-Year 30 June 2011 \$
	Options	160,260,118	2,270,545	160,260,118	2,270,545

31 Dec 2011	Expiry Date	Exercise Price	Number under option
Unlisted UK director remuneration options	25-May-2012	\$0.060	11,179
Unlisted options	28-May-2012	\$5.700	66,666
Unlisted options	31-Dec-2013	\$0.005	10,182,273
Unlisted options	30-June-2014	\$0.030	150,000,000
			160,260,118

7 Contributed Equity (continued)

(c) Other Reserves (continued)

31 Dec 2010	Expiry Date	Exercise Price	Number under option
Unlisted UK director remuneration options	25-May-2012	\$0.06	11,179
Unlisted options	28-May-2012	\$5.70	66,666
Unlisted options	31-Dec-2013	\$0.005	97,300,000
			<u>97,377,845</u>

Nature and Purpose of Reserves

(1) Share Based Payment Reserve

The share based payment reserve is used to recognise:

- (i) The fair value of options issued to employees but not exercised; and
- (ii) The fair value of shares issued to employees.

(2) Option Reserve

The option reserve is used to recognise funds received from options issued to shareholders and the value of options issued as consideration in the purchase of assets. The reserve is recognised in contributed equity when the options are exercised and converted to ordinary share capital.

8 Property, Plant and Equipment

	Consolidated 31 Dec 2011	Consolidated 30 June 2011
	\$	\$
Motor Vehicles		
Opening net book value	-	-
Plus acquisitions during the period	43,150	-
	<u>43,150</u>	<u>-</u>
Less depreciation expense during the period	(4,790)	-
Closing net book amount	<u>38,360</u>	<u>-</u>
Office Equipment		
Opening net book value	-	-
Plus acquisitions during the period	5,500	-
	<u>5,500</u>	<u>-</u>
Less depreciation expense during the period	(601)	-
Closing net book amount	<u>4,899</u>	<u>-</u>
Total closing net book value	<u>43,259</u>	<u>-</u>

9 Events Occurring After the Reporting Date

There have been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Group's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Group's state of affairs in future financial years.

10 Contingent Liabilities

There are no contingent liabilities for the half year.

Monto Minerals Limited
Directors' Declaration
31 December 2011

The Directors' of the Group declare that:

- 1 The interim financial statements and notes as set out on pages 7 to 15 are in accordance with the *Corporations Act 2001*, and
 - (i) comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
- 2 In the opinion of the directors' there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



James Allchurch
Director
West Perth
31 January 2012

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Monto Minerals Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 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.

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*, which has been given to the directors of Monto Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



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 2011 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*.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Peter Toll', is written over the printed name. Above the signature, the letters 'BDO' are handwritten in blue ink.

Peter Toll
Director

Perth, Western Australia
Dated this 31st day of January 2012