Monto Minerals

ABN 71 063 144 865

Financial Report

For the Year Ended 30 June 2012

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Corporate Directory

Directors	James Allchurch Managing Director Gary Steinepreis Executive Chairman Patrick Burke Non-Executive
Company Secretary	Gary Steinepreis
Registered Office	Level 1, 33 Ord Street West Perth Western Australia 6005 Telephone: 08 94209300
Share Register	Link Market Services Limited Ground Floor 178 St Georges Terrace Perth Western Australia 6000 Telephone: 08 92116654
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco Western Australia 6008 Telephone: 08 63824600
Bankers	Westpac Banking Corporation 109 St Georges Terrace Perth Western Australia 6000
Stock Exchange Listing	Monto Minerals Limited's shares are listed on the Australian Securities Exchange, home branch, Perth. Code: MOO
Website	www.montominerals.com

Your directors present their financial report on Monto Minerals Limited and its subsidiaries (Monto or the Company or the Group) for the year ended 30 June 2012.

DIRECTORS

The names of each person who have been directors during the year and continue in office at the date of this report are:

Gary Steinepreis
Patrick Burke
James Allchurch

Company Secretary

The company secretary is Gary Steinepreis. Mr Steinepreis is also a director of the Company and information on him and his qualifications are included under the information on directors.

PRINCIPAL ACTIVITY

The principal continuing activity of the Company is mineral exploration.

REVIEW OF OPERATIONS

Herberton Tin Project

The Herberton Tin Project is located 70kms south west of Cairns in Far North Queensland and comprises tenements totaling over 554km^2. The Herberton Tin Field has historically produced over 109,000t of tin in concentrate and is currently the pre-eminent area for hard rock tin exploration in Australia.

During the financial year a series of detailed stream sediment, geochemical and rock chip sampling programmes were completed.

The stream sediment and geochemical sampling programme covered an area previously mapped as granite and was designed to address the lack of exploration data in the granites with a view to sterilizing the area. 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.

During August/September 2011, Monto completed a series of detailed surface rock chip sampling traverses to confirm indicative grades and widths at the Pompeii, Arbouin and Kitchener prospects. 165 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 the table below.

Significant Rock Chip Results

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

* - channel sample collected across identified shear zone

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.

In November 2011 Monto signed two option agreements to purchase several advanced tin mining properties contiguous with Monto's existing tenements.

REVIEW OF OPERATIONS (continued)

Herberton Tin Project (continued)

The agreements provide exclusive options over the properties for a period of two years for a total up-front option fee payment of $30,000.

The mining properties include three granted Mining Leases (MLs) and one Exploration Permit (Minerals) (EPM) which incorporates the historic Great Southern tin mine and the Mount Misery prospect. The Mount Misery property comprises both EPM 14743, which has an area of approximately 20km^2, and ML 20365 which has an area of 4ha and is centred on the former Mount Tin mine. EPM 14743 is contiguous with Monto's existing EPM holdings.

Extensive exploration work undertaken by WMC at Mount Misery included over 200 drill holes (totalling over 4,800m) as well as underground bulk sampling. Significant drill intercepts include:

- 12.9m @ 0.85% Sn from 30m (incl. 3.65m @ 1.78% Sn)
- 30.05m @ 0.77% Sn from 29m (incl. 10.65m @ 1.3% Sn)
- 13.4m @ 0.63% Sn from 76m (incl. 4m @ 1.75% Sn)

Exploration reports indicate significant potential for the identification of additional mineralised zones similar to that outlined at Mount Tin. The Morning Cloud, Landmark, Murphy's Luck and Day Dawn prospects are located within 400m of Mount Tin and all represent significant targets.

Great Southern ML 20364 is wholly included within the larger 18.5ha ML 20435. Both Great Southern MLs are incorporated within Monto's existing EPM holdings.

The former Great Southern tin mine commenced mining in 1881 and is one of the most historic underground mines in the Herberton Tin Field producing some 1,800t of tin metal to a depth of around 120m. Since 1926 the mine was continually worked for 60 years by a family operation for which tin production figures have not been provided.

In April/May 2012 a 2,099m reverse circulation (RC) and diamond drilling programme was completed at the Confederation copper/tin prospect to test the continuity and extensions to copper mineralisation from previous drilling and target tin mineralisation historically mined at the prospect.

The Baal Gammon Mine is located approximately 800m south west of the Confederation prospect and exhibits the same tenor of mineralisation. Monto successfully submitted an application for a 220ha Mining Lease Application (MLA) over the Confederation prospect in November 2011.

Significant intersections from the Confederation drilling programme are summarised below.

Confederation Drilling - Significant Intersections

Hole ID	East	North	From (m)	To (m)	Intersection (m)	Copper %	Tin %	Silver g/t	Indium g/t
MRC002	323591	8077729	181	183	2	1.22	0.19	59.3	98.9
MRC006	322952	8078150	65	67	2	0.56	0.46	70	192.6
MRC007	322943	8078148	39	42	3	0.97	0.58	50.2	50.4
MRC009	322860	8078168	44	47	3	1.08	-	-	-
MRC011	322897	8078164	53	58	5	1.63	0.2	110	209
MRC013	322899	8078205	59	64	5	1.37	0.33	30	79.4
			87	93	6	4.33	1.25	106.3	301.6
			114	145	31	0.8	0.11	24.3	52.9
Includes			114	117	3	1.49	0.29	40.9	67.5
and			123	132	9	1.56	0.15	43.6	102.9
MRC015	322898	8078203	36	42	6	0.27	-	-	-

Note: Intersections >0.2% Cu and >2m

REVIEW OF OPERATIONS (continued)

Herberton Tin Project (continued)

Results from the Confederation drilling programme demonstrate the high grade nature of copper mineralisation in the area and confirms Confederation as a potential additional source of high grade ore.

Competent Persons Statement

The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr James Allchurch, a Director, who is a Member of the Australian Institute of Geoscientists. Mr Allchurch has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code).
Mr Allchurch consents to the inclusion in this report of the statements based on this information in the form and context in which it appears.

Baal Gammon Copper Mine

The Baal Gammon Copper Mine 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. The Baal Gammon Copper Mine is operated by Kagara Limited (Administrators Appointed) (Kagara) under a mineral rights agreement (MRA) with Baal Gammon Copper Pty Ltd.

Mining at Baal Gammon commenced in October 2011, with ore trucked to Kagara's Mt Garnet polymetallic processing plant. On 20 April 2012, Monto announced that the Queensland Department of Environment and Heritage Protection (DEHP) issued a notice to conduct an environmental evaluation (EE) under the Environmental Protection Act with respect to a release of potentially contaminated water from the Baal Gammon copper mine operated by Kagara. On 12 April 2012 Kagara suspended operations at Baal Gammon and subsequently appointed Administrators on 30 April 2012.

Subsidiaries

Monto Minerals Limited is the sole shareholder of Herberton Tin Pty Ltd (ACN 149 585 393) and Baal Gammon Copper Pty Ltd (ACN 149 583 933) owning 100% of the issued capital. These wholly owned subsidiaries were incorporated as part of the acquisition of the Herberton Tin and Baal Gammon Copper tenements.

Middle Island and Hummock Hill Island Project

Middle and Hummock Hill Islands are contained within EPM 4335 and EPM 7164. These tenements are in the process of being relinquished.

OPERATING RESULT

The loss for the financial year after providing for income tax was $4,338,330 (2011:$321,892).

The major factors contributing to the loss were the impairment expense on financial assets in the amount of $2,564,103, the loss on sale of Kagara shares sold during the period in the amount of $2,710,531 and share based payments in the amount of $300,710.

The impairment of the carrying value of the investment in Kagara was due to the fact that Administrators were appointed during the period and hence there is no certainty that Kagara will be re-listed on ASX and as such there is no market for the Kagara shares held by Monto and the board has taken the decision to impair the total value of the shares held to nil.

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 financial report.

DIVIDENDS

No dividends were paid or are proposed to be paid to members during the financial year.

AFTER REPORTING DATE EVENTS

The Streak Hill tin drilling programme commenced in July 2012 and comprised 10 RC drill holes for 1,249m. Holes were spaced approximately 50m apart and tested a strike extent of 400m. The broader Streak Hill trend as identified by workings along the entire length of the mineralised corridor is approximately 1,500m in length and is currently being further assessed through mapping and rock chip sampling.

An additional two RC drill holes (416m total) tested the Referendum/Stannum Ace (RSA) and Ibis/World's Fair (IWF) mineralised zones located 350m east of Streak Hill. The RSA and IWF prospects are sub-parallel (approximately 50m apart) north-south striking historically mined structures that produced a high grade ore similar in composition to Streak Hill. Each hole was approximately 200m in length and designed to intersect both the RSA and IWF structures.

Final results received from the laboratory indicated moderate tin mineralisation in several of the holes drilled, with best results being 1m @ 0.59% Sn and 1.78% Cu from 86m. Whilst the anticipated high grade tin mineralisation in the form of the tourmaline/chlorite lode was not intersected, results provide adequate encouragement for Monto to continue to investigate the 1.5km Streak Hill Trend and recently identified Jack Trend which, on the same orientation as the Streak Hill Trend, extends through to the Jumna mine, 3km NNW of Streak Hill.

Comprehensive soil and rock chip sampling is currently underway across the identified corridor of mineralisation with outcrop returning impressive tin grades of over 1.5% Sn. Structural, lithological and geophysical interpretation of the mineralised trend area is continuing.

In September 2012 the Company announced the lodgement by Kagara of the $3.75M financial assurance (environmental bond) for the Baal Gammon mine. In consideration for the lodgement of the financial assurance and in order to facilitate the potential recommencement of mining activities, Baal Gammon Copper Pty Ltd agreed not to exercise any rights it may have under the mineral rights agreement (MRA) or at law by reason of any default including terminating the MRA until 31 March 2013.

Kagara continues to maintain the site in accordance with the Environmental Authority conditions and other statutory notices issued in respect of the Baal Gammon site.

Competent Persons Statement

The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr James Allchurch, a Director, who is a Member of the Australian Institute of Geoscientists. Mr Allchurch has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code).
Mr Allchurch consents to the inclusion in this report of the statements based on this information in the form and context in which it appears.

Other than as disclosed herein, 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.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company's business strategies and prospects for growth in future financial years have not been included in this report, as the inclusion of this information is likely to result in an unreasonable prejudice to the Company.

ENVIRONMENTAL ISSUES

The Company's operations are subject to the environmental regulation under the laws of the Commonwealth and State of Queensland.

INFORMATION ON CURRENT DIRECTORS

JAMES ALLCHURCH (Managing director, age 35)

Experience and Expertise

Mr Allchurch is a geologist with experience in mineral exploration, geotechnical assessment and mining operations. He has expertise in the identification and assessment of resource projects over a broad range of commodities in geographies including Europe, Australia, Africa and South America.

Other Current Directorships

Mr Allchurch is not currently a director of any other publicly listed company.

Former Directorships in the Last Three Years

WAG Limited 15 February 2008 to 22 February 2010.

GARY STEINEPREIS (Executive Chairman, age 46)

Experience and Expertise

Mr Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. He provides corporate, management and accounting advice to a number of companies involved in the resource, technology and leisure industries.

Other Current Directorships

Norseman Gold Plc since 3 December 2007;
New Horizon Coal Ltd since 4 June 2010; and
WAG Limited since 2 November 2006.

Former Directorships in the Last Three Years

Minerals Corporation Limited 17 February 2011 to 14 October 2011;
Agri Energy Limited 22 June 2009 to 11 June 2012;
Laguna Resources NL 11 October 2007 to 15 October 2009;
Avalon Minerals Ltd 20 December 2006 to 1 March 2011;
Sirius Resources NL 12 July 2007 to 31 August 2009;
RMG Limited 31 January 2006 to 30 April 2011; and
Black Fire Energy Ltd 29 November 2006 to 8 September 2009.

Special Responsibilities

Company Secretary

PATRICK BURKE (Non-Executive director, age 43)

Experience and Expertise

Patrick Burke holds a Bachelor of Laws degree from the University of Western Australia. He has approximately twenty years' experience working in law firms and companies in Australia and Ireland.

His expertise is in corporate, commercial and securities law with an emphasis on capital raisings and mergers and acquisitions. He contributes general corporate and legal skills along with a strong knowledge of the Australian Stock Exchange requirements.

Other Current Directorships

WAG Limited since 20 December 2006;
Agri Energy Limited since 22 July 2009;
Minerals Corporation Limited since 17 February 2011; and
AAQ Holdings Limited since 14 March 2011.

Former Directorships in the Last Three Years

Zylotech Limited 4 December 2009 to 20 July 2010;
Sirius Resources NL 12 July 2007 to 31 August 2009;
New Horizon Coal Ltd 4 June 2010 to 2 December 2011; and
North River Resources Plc 22 November 2006 to 23 November 2009.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

Name of Director	Number of Meetings - A	Number of Meetings - B
Gary Steinepreis	11	11
Patrick Burke	11	11
James Allchurch	11	11

A = Number of meetings attended

B = Number of meetings held during the time the Director held office during the year

REMUNERATION REPORT (AUDITED)

The principles adopted by the Board are set out under the following main headings:

(1) Principles used to determine the nature and amount of remuneration
(2) Details of remuneration
(3) Employment contracts of Directors and Senior Executives
(4) Performance based remuneration

The information provided under headings 1 to 4 above includes remuneration disclosures that are required under section 300A of the Corporations Act 2001.

1 Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) performance linkage / alignment of executive compensation;
(iv) transparency; and
(v) capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' and program participants' interests:

(i) focuses on sustained growth in shareholder wealth;
(ii) attracts and retains high calibre executives;
(iii) rewards capability and experience; and
(iv) provides a clear structure for earning rewards.

Fees and payments to directors reflect the demands and responsibilities of the directors and are in line with the market.

2 Details of Remuneration

The key management personnel of the Company including the directors and company secretary are:

James Allchurch	Director
Patrick Burke	Director
Gary Steinepreis	Director / Secretary
Erik Norum	Exploration Manager

REMUNERATION REPORT (AUDITED) (continued)

2 Details of Remuneration (continued)

The amount of remuneration of the directors and key management personnel is set out below:

2012	Short term employee benefits		Post-employment benefits	Equity based payments		
Name	Salary	Consulting fees	Superannuation	Options & rights	Bonus Payment	Total
	$	$	$	$	$	$
Directors:						
James Allchurch	185,000	-	19,350	213,210	30,000	447,560
Patrick Burke	2,250	33,547	203	22,500	-	58,500
Gary Steinepreis	2,250	33,548	202	45,000	-	81,000
Key Executives:						
Erik Norum	44,840	-	4,036	20,000	-	68,876
TOTAL	**234,340**	**67,095**	**23,791**	**300,710**	**30,000**	**655,936**

Equity based payments consisted of 23,000,000 unlisted options and 27,000,000 performance rights. The details of these payments are included in point 4 following.

As per the terms and conditions of the employment contract with James Allchurch a bonus payment of $30,000 was made at the completion of a drilling program conducted on the Baal Gammon tenements.

The employment contract with Mr Allchurch expired on 30 April 2012 and was renewed on 1 May 2012 for a further 12 months as per point 3 following.

2011	Short term employee benefits		Post-employment benefits	
	Salary	Consulting fees	Superannuation	Total
Name	$	$	$	$
James Allchurch	140,000	-	12,600	152,600
Patrick Burke	-	36,000	-	36,000
Gary Steinepreis	-	36,000	-	36,000
TOTAL	**140,000**	**72,000**	**12,600**	**224,600**

3 Employment Contracts of Directors and Senior Executives

The directors, other than the managing director James Allchurch, serve on a month to month basis on a fee for service basis at the rate of $2,455 per month for services provided in the management of the Company and are paid salaries and superannuation in the amount of $545 per month for their roles in the day to day activities in the operations of the Company. There are no termination payments payable.

The managing director, James Allchurch, and exploration manager, Erik Norum, have service contracts with the Company the details of which follow:

The managing director, **James Allchurch**, is engaged under an executive services agreement. The basic terms and conditions of that agreement are as follows:

- Term is for one year commencing on 1 May 2012;
- A salary of $210,000 per year is payable monthly in arrears;
- The contract can be terminated by one month's written notice given by either party;
- Entitled to four weeks annual leave for each completed year of service; and
- Superannuation is payable at the statutory rate, currently 9% ($18,900).

The exploration manager, **Erik Norum**, is engaged under a contract of employment. The basic terms and conditions of that agreement are as follows:

- The appointment commenced on 10 April 2012;
- A salary of $200,000 per year is payable monthly in arrears;
- Upon commencement of employment 2,500,000 unlisted options were issued;
- The contract can be terminated by four weeks written notice given by either party;
- Entitled to twenty days annual leave for each completed year of service; and
- Superannuation is payable at the statutory rate, currently 9% ($18,000).

REMUNERATION REPORT (AUDITED) (continued)

4 Performance-based Remuneration

Executive directors and key management personnel received equity based payments as part of their compensation packages during the year ended 30 June 2012 - $300,710 (30 June 2011 - Nil). James Allchurch received a cash bonus payment of $30,000 upon the completion of a drilling program in the Herberton region.

2012 Name	Options Number	Options $	%*	Performance rights Number	Performance rights $	%*	Bonus Payment $	%*
Directors:								
James Allchurch	13,000,000	117,000	26.1	27,000,000	96,210	21.6	30,000	6.70
Patrick Burke	2,500,000	22,500	38.5	-	-	-	-	-
Gary Steinepreis	5,000,000	45,000	55.6	-	-	-	-	-
Key Executives:								
Erik Norum	2,500,000	20,000	29.0	-	-	-	-	-
TOTAL	**23,000,000**	**204,500**	**31.2**	**27,000,000**	**96,210**	**14.7**	**30,000**	**4.57**

* The value of options, performance rights and bonus payment as a percentage of total remuneration.

(a) Options

Director options are unlisted, have an exercise price of 2.9 cents and expiry date of 21 February 2016. Director options vested on the date of issue. These options have been issued to incentivise and reward directors and key management.

The measure for success will be the share price as traded on the ASX. At the time of issue the shares traded in the range of 1 to 1.1 cents. The exercise price is 2.9 cents therefore if the share price increases some 164% the traded price and option exercise price will be at break even, if this occurs it will be a benefit to shareholders and from this point on both shareholders and directors and key management will accrue a benefit.

Key executive options are unlisted, have an exercise price of 2.4 cents and an expiry date of 14 April 2016. These options only vest 12 months from the date of issue. The total value of the options issued has been expensed as the likelihood of them vesting is assessed at 100%. These options have been issued to incentivise and reward key management. The measure for success will be the share price as traded on the ASX. At the time of issue the shares traded in the range of 1 to 1.1 cents. The exercise price is 2.4 cents therefore if the share price increases some 118% the traded price and option exercise price will be at break even, if this occurs it will be a benefit to shareholders and from this point on both shareholders and key management will accrue a benefit. Additionally these options only vest after twelve months of service.

At a general meeting held during the period ended 30 June 2012 shareholders approved the Monto Employee Option Acquisition Plan (**Option Plan**). The aim of this plan is to allow eligible employees, who in the board's opinion, are dedicated and will provide ongoing commitment and effort to the Company, to participate in the success of the Company.

Summary of the option plan and terms on which invitations may be made:

(a) The directors, at their discretion, may issue plan options to participants at any time, having regard to relevant considerations such as the participant's past and potential contribution to the Company, and their period of employment with the Company;

(b) Participants in the option plan are employees and directors of the Company, or of a related body corporate. The Company will seek shareholder approval for director and related party participation.

(c) The option plan is administered by the directors of the Company, who have the power to:
  (i) determine procedures for administration of the plan consistent with its terms;
  (ii) resolve conclusively all questions of fact or interpretation in connection with the plan;
  (iii) delegate the exercise of any of its powers or discretions arising under the plan to any one or more persons for such period and on such conditions as they determine; and
  (iv) suspend, amend or terminate the plan.

(d) Plan options must be granted for nil consideration.

REMUNERATION REPORT (AUDITED) (continued)

4 Performance-based Remuneration (continued)

(a) Options (continued)

Summary of the option plan and terms on which invitations may be made (continued)

(e) The exercise price of the plan options shall be determined by the board, provided that in no event shall the exercise price be less than 80% of the average closing sale price of the shares on ASX over the 5 trading days immediately preceding the date of the invitation.

(f) The Company must take reasonable steps to ensure that the number of shares to be received on exercise of the plan options when aggregated with:
   (i) the number of shares in the same class issued during the previous 5 years under the option plan (or any other employee incentive plan extended only to employees); and
   (ii) the number of shares in the same class that would be issued if each outstanding offer for shares (including options to acquire unissued shares) under any employee incentive plan of the Company were to be exercised or accepted,

   does not exceed 5% of the total number of issued shares at the time the invitation to acquire plan options is made.

(g) The shares to be issued on exercise of the plan options will be issued on the same terms as the fully paid, ordinary shares of the Company and will rank equally with all of the Company's then existing shares.

(h) The board may determine the time periods or performance hurdles after which the plan options will vest and the percentage of plan options issued which will vest at each particular time. The option plan provides for the release of vesting conditions at the board's discretion in the event of a change of control of the Company.

(i) A plan option must be exercised (if at all) not later than its expiry date and may only be exercised at any time after the plan option has vested. The board may determine any further conditions of exercise consistent with the terms of the plan.

(j) Plan options will not be listed for quotation. However, the Company will make application to ASX for official quotation of all shares issued on exercise of the plan options as soon as practicable after their issue date.

(k) The plan options are transferable subject to compliance with the Corporations Act.

Terms and Conditions of the Plan Options

1 Each plan option entitles the holder to subscribe for one share upon exercise of each plan option.

2 The exercise price of each plan option is a 45% premium to the volume weighted average, of the prices at which shares were traded on the ASX during the one week period up to and including the date of the shareholder meeting at which approval to grant the plan options was sought. Each plan option vests immediately upon grant and has a specified expiry date of the date that is four years from the date of grant. The plan options will expire on that date which is the earlier of:
   a) the specified expiry date referred to above; or
   b) as determined in accordance with item 3 below,

   and thereafter no party has any claim against any other party arising under or in respect of the plan options.

3 If at any time prior to the expiry date of any plan options, an employee ceases to be an employee as a good leaver, the employee, will be entitled to keep any plan options. If at any time prior to the expiry date of any plan options, an employee ceases to be an employee as a bad leaver such employee will have until the earlier of:
   i) three months from the date of ceasing to be an employee; or
   ii) the expiry date of the plan options,

   to exercise the plan options, otherwise the plan options will automatically lapse.

   For the purposes of this item:

   "**Employee**" means a person who is a full-time or permanent part-time employee or officer or director of the Company or such other person as the board determines**.**

   "**Good Leaver**" means an employee who ceases to be an employee by reason of retirement, permanent disability, redundancy or death or anyone determined by the board as a good leaver on a case by case basis and at its absolute discretion.

REMUNERATION REPORT (AUDITED) (continued)

4 Performance-based Remuneration (continued)

(a) Options (continued)

Terms and Conditions of the Plan Options (continued)

"**Bad Leaver**" means an employee who ceases to be an employee by any reason other than as a good leaver.

4 The plan options are exercisable at any time after grant and on or prior to the expiry date.

5 The plan options may be exercised by notice in writing to the Company and payment of the exercise price for each plan option being exercised. Any notice of exercise of a plan option received by the Company will be deemed to be a notice of the exercise of that plan option as at the date of receipt.

6 Shares issued on exercise of the plan options rank equally with the then shares of the Company.

7 Application will be made by the Company to ASX for quotation of the shares issued upon the exercise of the plan options.

8 After a plan option is validly exercised, the Company must, as soon as possible following receipt of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the plan option:

i) issue and allot the share; and

ii) do all such acts matters and things to obtain the grant of official quotation of the share on ASX no later than 5 business days after issuing the share.

9 No application for quotation of the plan options will be made by the Company.

10 Plan options are transferable provided that the transfer of the plan options complies with section 707(3) of the Corporations Act.

Fair value of options and assumptions

The fair value of options granted during the period ended 30 June 2012 was: 2,500,000 options - 0.80 cents; and 20,500,000 options - 0.90 cents.

The fair value of service received in return for options granted is measured by reference to the fair value of the options granted.

The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology.

The assumptions used for the options valuation were as follows:

Number of options	2,500,000	20,500,000
Exercise price	2.4 cents	2.9 cents
Expiry date	10/4/2016	21/2/2016
Share price at grant date	1.5 cents	1.8 cents
Expected volatility	83.29%	78.48%
Dividend yield	0%	0%
Risk free interest rate	4.25%	4.25%
Option value	0.8 cents	0.9 cents
Dollar value	$20,000	$184,500

(b) Performance Rights

Performance rights were issued in three tranches of 9,000,000. Each performance right converts to one ordinary share upon reaching the relevant milestone. The performance rights have been valued and the value is being written off over the vesting period. As at the date of this report none of the milestones have been achieved.

Shareholders, at a general meeting held on 22 February 2012, approved the establishment of the Monto *Employee Performance Rights Plan (**PRP**), including the grant of performance rights to Mr James* Allchurch, a director of the Company, under the PRP.

REMUNERATION REPORT (AUDITED) (continued)

4 Performance-based Remuneration (continued)

(b) Performance Rights (continued)

To achieve its corporate objectives, the Company needs to attract and retain its key staff. The board believes that grants made to eligible participants under the PRP will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the implementation of the plan will enable the Company to recruit, incentivise and retain key management personnel (including directors) needed to achieve the Company's business objectives, link the reward of key staff with the achievements of strategic goals and the long term performance of the Company, align the financial interest of participants with those of shareholders and provide incentives to participants to focus on superior performance that creates shareholder value.

The PRP provides for the issuance of performance rights which, upon a determination by the board that the performance conditions attached to the performance rights have been met, will result in the issue of one ordinary share in the Company for each performance right. Performance rights will be issued for no consideration and no amount will be payable upon exercise thereof.

The performance conditions may include one or more of the following:
(i) service to the Company of a minimum period of time;
(ii) achievement of specific performance conditions by the participant and/or by the Company;
(iii) a vesting period after satisfaction of performance conditions before the rights vest, or
(iv) such other performance conditions as the board may determine.

Performance rights have an expiry date which cannot be extended without shareholder approval. The performance conditions have a milestone date which the board can extend where it considers that unforeseen circumstances or events have caused a delay in achieving the performance condition by the milestone date. The board shall not be permitted to extend the milestone date beyond the expiry date of the performance rights.

If a performance condition is not achieved by the earlier of the milestone date or the expiry date then the performance rights will lapse. A performance right will also lapse if the participant ceases to be an eligible employee for the purposes of the PRP for any reason (other than as a result of retirement, disability, bona fide redundancy or death).

During the period the board granted performance rights in three milestone based tranches with the milestone dates as follows:

Tranche	Performance Condition	Milestone Date
Tranche 1 Performance rights Number 9,000,000	The participant being an employee of the Company and reporting against: 1. Drilling programme completion; 2. Completion of regional work to advance the Company's projects; and 3. Completion of acquisition of additional exploration ground or strategic alliance.	The first anniversary of the date of grant of the tranche 1 performance rights.
Tranche 2 Performance rights Number 9,000,000	The participant being an employee of the Company	The second anniversary of the date of grant of the tranche 2 performance rights.
Tranche 3 Performance rights Number 9,000,000	The participant being an employee of the Company	The third anniversary of the date of grant of the tranche 3 performance rights.

The performance rights shall have the following expiry dates: Tranche 1 shall expire on the second anniversary of the date of grant; Tranche 2 shall expire on the third anniversary of the date of grant; and Tranche 3 shall expire on the fourth anniversary of the date of grant.

The fair value of service received in return for performance rights granted is measured by reference to the fair value of the rights granted.

REMUNERATION REPORT (AUDITED) (continued)

4 Performance-based Remuneration (continued)

(b) Performance Rights (continued)

The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology using the following inputs:

	Tranche 1	Tranche 2	Tranche 2
Exercise price	$0.00	$0.00	$0.00
Expiry date	21/2/2013	21/2/2014	21/2/2015
Share price at grant date	1.8 cents	1.8 cents	1.8 cents
Expected volatility	71.71%	71.71%	71.71%
Dividend yield	0%	0%	0%
Risk free interest rate	4.25%	4.25%	4.25%
Performance right value	1.8 cents	1.8 cents	1.8 cents
Dollar value	$162,000	$162,000	$162,000
Discount	0%	20%*	20%*
Final dollar value	$162,000	$129,600	$129,600

* A 20% discount was applied to the value due to the uncertainty of the rights vesting due to the time between grant date and the expiry date.

(c) Summary of Employee Option Acquisition Plan and Performance Rights Plan

Plan	Date of grant	Number of rights	Fair value at date of grant - cents	Award value at date of grant - $	Expiry date	First vesting date	Last vesting date	Vested %	Forfeited %	Maximum total value of grant yet to vest - $
PRP	22/2/12	9,000,000	1.80	162,000	21/2/14	21/2/13	21/2/14	-	-	162,000
PRP	22/2/12	9,000,000	1.44	129,600	21/2/15	21/2/14	21/2/15	-	-	129,600
PRP	22/2/12	9,000,000	1.44	129,600	21/2/16	21/2/15	21/2/16	-	-	129,600
		27,000,000		421,200						421,200
		Options								
EOAP	22/2/12	2,500,000	0.90	22,500	21/2/16	22/2/12	22/2/12	100	-	-
EOAP	22/2/12	5,000,000	0.90	45,000	21/2/16	22/2/12	22/2/12	100	-	-
EOAP	22/2/12	13,000,000	0.90	117,000	21/2/16	22/2/12	22/2/12	100	-	-
		20,500,000		184,500						-
EOAP	10/4/12	2,500,000	0.80	20,000	10/4/16	10/4/13	10/4/13	-	-	20,000
		23,000,000		204,500						20,000

PPR – Performance rights plan. EOAP – Employee option acquisition plan.

All share based payments are at risk to the extent that no benefit will be achieved unless:

1 The share price of shares traded on ASX increases from the current traded value of 1 cent to at least the exercise price of the options, those being 2.9 and 2.4 cents. The performance measurement attributed to the incentive issued to directors and key management will be the increase in the share price which will be a benefit to all shareholders.

2 The performance rights milestones are achieved.

End of the audited remuneration report.

INDEMNIFYING OF OFFICERS OR AUDITOR

The Company does not have directors and officers insurance. The Company does not have auditor insurance.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 30 June 2012, Directors, in office, held a relevant interest in the following securities of the Company:

2012 Name	Ordinary Shares	Options	Performance Rights
James Allchurch	26,400,000	13,000,000	27,000,000
Patrick Burke	19,200,000	2,500,000	-
Gary Steinepreis	133,200,000	5,000,000	-

2011 Name	Ordinary Shares	Options
James Allchurch	26,400,000	-
Patrick Burke	19,200,000	-
Gary Steinepreis	133,200,000	-

James Allchurch holds his interests in shares indirectly through the Manstein Holdings Trust of which he is the trustee and a potential beneficiary.

He holds his options and performance rights in his own name.

Patrick Burke holds his interests in shares indirectly through Rowan Hall Pty Ltd as trustee of the Rowan Hall Investment Trust of which he is a potential beneficiary.

He holds his options directly in his own name.

Gary Steinepreis holds his interests in shares directly in his own name and indirectly through:

Jacqueline Steinepreis his spouse; LeisureWest Consulting Pty Ltd as Trustee of the LeisureWest Trust of which he is a director and potential beneficiary; Oakhurst Enterprises Pty Ltd of which he is a director and shareholder; and Ascent Capital Holdings Pty Ltd, of which, he is a director and Oakhurst Enterprises Pty Ltd is a 50% shareholder.

He holds his options directly in his own name.

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:

2012 Date of issue	No. of Options Outstanding	Expiry Date	Exercise Price
05/05/2011	150,000,000	30/06/2014	$0.030
29/10/2009	10,182,273	31/12/2013	$0.005
22/02/2012	20,500,000	21/02/2016	$0.029
10/04/2012	2,500,000	10/04/2016	$0.024
TOTAL	**183,182,273**		

2011 Date of issue	No. of Options Outstanding	Expiry Date	Exercise Price
05/05/2011	150,000,000	30/06/2014	$0.030
29/10/2009	10,182,273	31/12/2013	$0.005
26/03/2007	11,179	25/05/2012	£0.030
31/05/2007	66,666	28/05/2012	$5.700
TOTAL	**160,260,118**		

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. Subsequent to year end no options have been exercised.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

AUDITOR

BDO (Audit) WA Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-Audit Services

During the financial year $3,540 (2011:$Nil) was paid or is payable for non-audit services provided by the auditor.

The Board of Directors are satisfied that the provision of non-audit services was compatible with the general standard of independence for auditors imposed by APES 110 code of ethics for professional accountants.

Audit Services

During the financial year $28,316 (2011:$29,000) was paid or is payable for audit services provided by the auditor.

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 16 of the financial report.

CORPORATE GOVERNANCE

The directors of the Company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement included with this report.

Signed in accordance with a resolution of the board of directors

G Steinepreis

Gary Steinepreis
Director
West Perth
26 September 2012

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

26 September 2012

The Directors
Monto Minerals Ltd
33 Ord Street,
West Perth WA 6005

Dear Sirs

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

As lead auditor of Monto Minerals Limited for the year ended 30 June 2012, 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 audit;
- any applicable code of professional conduct in relation to the audit.

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

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue from operations	5(a)	180,942	126,232
Other income	5(b)	31,610	-
Income from the sale of mineral rights	5(b)	1,517,302	-
Total revenue		**1,729,854**	**126,232**
Administration expenses	6	(185,120)	(121,328)
Corporate compliance costs	7	(56,235)	(41,537)
Occupancy costs	7	(92,242)	(77,291)
Corporate management fees	7	(67,095)	(72,000)
Employee benefits expense	7	(92,148)	(125,557)
Share based payments	8	(300,710)	-
Loss on sale of financial assets	15	(2,710,531)	-
Impairment expense on financial assets	15	(2,564,103)	-
Exploration expenditure written off		-	(10,411)
Expenses from operations		**(6,068,184)**	**(448,124)**
Loss before income tax		**(4,338,330)**	**(321,892)**
Income tax expense	9	-	-
Loss after tax from operations for the year		**(4,338,330)**	**(321,892)**
Other comprehensive income net of tax		-	-
Total comprehensive loss for the year attributable to the members of Monto Minerals Ltd		**(4,338,330)**	**(321,892)**
		Cents	**Cents**
Loss per share from operations attributable to the ordinary equity holders of the Company:			
Basic / diluted loss per share	27	(0.332)	(0.046)

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

	Note	Consolidated 2012 $	Consolidated 2011 $
ASSETS			
Current assets			
Cash and cash equivalents	10	3,063,521	5,101,848
Trade and other receivables	11	42,611	34,991
Prepayments	12	3,500	-
Total current assets		**3,109,632**	**5,136,839**
Non-current assets			
Plant and equipment	13	52,213	-
Exploration and evaluation expenditure	14	7,058,888	10,499,568
Security deposit	16	53,940	52,500
Total non-current assets		**7,165,041**	**10,552,068**
Total assets		**10,274,673**	**15,688,907**
LIABILITIES			
Current liabilities			
Deferred liability	17	-	1,500,000
Trade and other payables	17	152,179	21,877
Total current liabilities		**152,179**	**1,521,877**
Total liabilities		**152,179**	**1,521,877**
NET ASSETS		**10,122,494**	**14,167,030**
EQUITY			
Contributed equity	18(a)&(b)	14,035,526	14,042,442
Option premium reserve	18(c)&(d)	1,507,804	1,303,304
Share based payment reserve	18(c)&(d)	96,210	967,241
Accumulated losses	19	(5,517,046)	(2,145,957)
TOTAL EQUITY		**10,122,494**	**14,167,030**

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

2012	Ordinary shares	Option 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**
Loss for the year	-	-	-	(4,338,330)	**(4,338,330)**
Other comprehensive income for the year	-	-	-	-	**-**
Total comprehensive loss for the year	-	-	-	(4,338,330)	**(4,338,330)**
Transactions with owners in their capacity as owners:					
Options issued	-	204,500	-	-	**204,500**
Performance rights	-	-	96,210	-	**96,210**
Options expired	-	-	(967,241)	967,241	**-**
Transaction costs	(6,916)	-	-	-	**(6,916)**
Balance 30 June 2012	**14,035,526**	**1,507,804**	**96,210**	**(5,517,046)**	**10,122,494**

2011	Ordinary shares	Option premium reserve	Share based payment reserve	Accumulated losses	Total
	$	$	$	$	$
Balance 1 July 2010	2,544,938	-	967,241	(1,824,065)	1,688,114
Loss for the year	-	-	-	(321,892)	**(321,892)**
Other comprehensive income for the year	-	-	-	-	**-**
Total comprehensive loss for the year	-	-	-	(321,892)	**(321,892)**
Transactions with owners in their capacity as owners:					
Options exercised	435,589	-	-	-	**435,589**
Rights issue	1,734,623	-	-	-	**1,734,623**
Placement	3,525,000	-	-	-	**3,525,000**
Acquisition issue	6,000,000	1,303,304	-	-	**7,303,304**
Transaction costs	(197,708)	-	-	-	**(197,708)**
Balance 30 June 2011	**14,042,442**	**1,303,304**	**967,241**	**(2,145,957)**	**14,167,030**

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

	Note	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Receipts from customers		-	10,500
Other income		31,002	-
Interest received		212,855	96,365
Payments to suppliers and employees		(389,729)	(448,360)
Net cash outflow from operating activities	26	**(145,872)**	**(341,495)**
Cash flows from investing activities			
Payments for the purchase of mineral tenements		(1,500,000)	(1,500,000)
Payments for costs associated with mineral tenement purchase		(1,050)	(130,910)
Payments for exploration costs capitalised		(1,040,968)	(65,354)
Payments for acquisition of plant and equipment		(67,447)	-
Receipts from the sale of investments		725,366	-
Payments for assurance bonds		(1,440)	(20,500)
Net cash outflow from investing activities		**(1,885,539)**	**(1,716,764)**
Cash flows from financing activities			
Proceeds from the issue of shares		-	5,695,212
Costs associated with capital raising		(6,916)	(197,708)
Net cash (outflow) / inflow from financing activities		**(6,916)**	**5,497,504**
Net increase / (decrease) in cash and cash equivalents		**(2,038,327)**	**3,439,245**
Cash and cash equivalents at the beginning of the financial year		5,101,848	1,662,603
Cash and cash equivalents at the end of the financial year		**3,063,521**	**5,101,848**

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

1 Summary of significant accounting policies

(a) Basis of preparation

The financial statements include the financial statements and notes of Monto Minerals Ltd, a public limited entity. The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). Material accounting policies adopted in the preparation of the financial statements are presented below. They have been consistently applied unless otherwise stated. The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise indicated.

(b) Going Concern Basis of Accounting

The general purpose financial statements have been prepared on the basis of a going concern. The Directors are of the opinion that the Company has sufficient funds to adequately meet the Company’s planned exploration budget and short term working capital requirements.

(c) Segment Reporting

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 Company is equivalent to the operating segments identified.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Interest income is recognised on a time proportion basis using the effective interest rate method.

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period’s taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

1 Summary of significant accounting policies (continued)

(e) Income Tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

(g) 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.

(h) Cash and Cash Equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

An allowance account for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(j) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Contributed Equity

Ordinary shares are classified as equity. Costs associated with capital raisings (exclusive of GST) directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable costs associated with capital raisings (net of income taxes) is recognised directly in equity.

1 Summary of significant accounting policies (continued)

(l) Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated exclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(n) Exploration and Evaluation Expenditure

Exploration and evaluation 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. 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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(o) Equity Settled Compensation

The Group operated an equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees became entitled was measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares was ascertained as the market bid price. The fair value of options was ascertained using a Black–Scholes pricing model which incorporated all market vesting conditions. The number of shares and options expected to vest was reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted was based on the number of equity instruments that eventually vested.

1 Summary of significant accounting policies (continued)

(p) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting 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.

(q) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB 139: *Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

(r) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Monto Minerals Limited ("company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Monto Minerals Limited and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the statement of comprehensive income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1 Summary of significant accounting policies (continued)

(r) Consolidation (continued)

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Investments in subsidiaries are accounted for at cost in the individual financial statements of Monto Minerals Limited.

(s) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(t) New Accounting Standards and Australian Accounting Interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report.

AASB 9 Financial Instruments (issued December 2009 and amended December 2010). Amends the requirements for classification and measurement of financial assets, the available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.

AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

The application date of the standard is for periods beginning on or after 1 January 2015. The application date for the Company will be 1 July 2015. Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Company has not yet made an assessment of the impact of these amendments.

AASB 10 Consolidated Financial Statements (issued August 2011). Introduces a single 'control model' for all entities, including special purpose entities, whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice)
- Exposure, or rights, to variable returns from investee
- Ability to use power over investee to affect the returns from investee.

AASB 10 introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.

The application date of the standard is for annual reporting periods commencing on or after 1 January 2013. The application date for the Company is 1 July 2013. When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Company does not have any special purpose entities. The 'Entity' does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.

AASB 11 Joint Arrangements (issued August 2011). Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).

The application date of standard will be for annual reporting periods commencing on or after 1 January 2013. The application date for the Company will be 1 July 2013. When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Company has not entered into any joint arrangements.

AASB 12 Disclosure of Interests in Other Entities (issued August 2011). Combines existing disclosures from AASB 127, *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures.* AASB 12 introduces new disclosure requirements for interests in associates and joint arrangements, as well as, new requirements for unconsolidated structured entities.

(t) New Accounting Standards and Australian Accounting Interpretations (continued)

AASB 12 Disclosure of Interests in Other Entities (continued)

The application date of standard will be for annual reporting periods commencing on or after 1 January 2013. The application date for the Company will be 1 July 2013. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

AASB 13 Fair Value Measurement (issued September 2011). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. There are extensive additional disclosure requirements for items measured at fair value that are ‘level 3’ valuations in the fair value hierarchy that are not financial instruments.

The application date of standard will be for annual reporting periods commencing on or after 1 January 2013. The application date for the Company will be 1 July 2013. When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required regarding fair values.

AASB 119 Employee Benefits (reissued September 2011). Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.

The application date of standard will be for annual reporting periods commencing on or after 1 January 2013. The application date for the Company will be 1 July 2013. When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112) (issued December 2010). For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

The application date of standard will be for annual reporting periods commencing on or after 1 January 2012. The application date for the Company will be 1 July 2012. The Company does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.

AASB 2011- Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements 4 (issued July 2011). Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the *Corporation Act 2001*.

The application date of standard will be for annual reporting periods commencing on or after 1 July 2013. The application date for the Company will be 1 July 2013. When this standard is first adopted for the year ended 30 June 2014 the Company will show reduced disclosures under the Key Management Personnel note to the financial statements.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (issued September 2011). These amendments align the presentation of items of other comprehensive income (OCI) with US GAAP.

Various name changes of statements in AASB 101 as follows:

- 1 statement of comprehensive income – to be referred to as ‘statement of profit or loss and other comprehensive income’

(t) New Accounting Standards and Australian Accounting Interpretations (continued)

AASB 2011-9 Amendments to Australian Accounting Standards (continued)

- 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'.
- OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.

The application date of standard will be for annual reporting periods commencing on or after 1 July 2012. The application date for the Company will be 1 July 2012. When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 or any comparatives.

Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (issued November 2011). Interpretation 20 clarifies the cost of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine. Such costs must be capitalised as inventories under AASB 102 *Inventories* if the benefits from stripping activity are realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.

The application date of standard will be for annual reporting periods commencing on or after 1 January 2013. The application date for the Company will be 1 July 2013. The Company does not operate a surface mine. There will therefore be no impact on the financial statements when this interpretation is first adopted.

AASB 2012-5 Annual Improvements to Australian Accounting Standards 2009-2011 Cycle (issued June 2012). These are non-urgent changes but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32).

The application date of standard will be for annual reporting periods commencing on or after 1 January 2013. The application date for the Company will be 1 July 2013. When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.

IFRS Mandatory Effective Date of IFRS 9 and Transition Disclosures (issued December 2011). Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.

The application date of standard will be for annual reporting periods commencing on or after 1 January 2015. The application date for the Company will be 1 July 2015. As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.

2 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The Group's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the board of directors under policies approved by the Board. The board identifies and evaluates financial risks for overall risk management.

Interest Rate Risk

As the Group has no significant interest-bearing assets other than cash at bank, the Group's income and operating cash flows are not materially exposed to changes in market interest rates. The risk arises due to changes in interest rates offered by the bank. The risk is managed by seeking alternative quotes from competing banks.

2 Financial Risk Management (continued)

Interest Rate Risk (continued)

2012 Consolidated **Financial Instruments**	**Floating interest rate**	**Fixed interest rate maturing 1 year or less**	**Non-interest bearing**	**Total**	**Weighted average effective interest rate**
(i) Financial assets	**$**	**$**	**$**	**$**	**%**
Cash assets	3,059,291	-	4,230	3,063,521	3.50
Security deposit	-	-	53,940	53,940	
Trade and other receivables	-	-	42,611	42,611	
Total financial assets	**3,059,291**	**-**	**100,781**	**3,160,072**	
(ii) Financial liabilities					
Trade and other payables	-	-	150,044	150,044	
Total financial liabilities	**-**	**-**	**150,044**	**150,044**	

2011 Consolidated **Financial Instruments**	**Floating interest rate**	**Fixed interest rate maturing 1 year or less**	**Non-interest bearing**	**Total**	**Weighted average effective interest rate**
	$	**$**	**$**	**$**	**%**
(i) Financial assets					
Cash assets	1,100,526	4,000,000	1,322	5,101,848	4.95
Security deposit	-	-	52,500	52,500	
Trade and other receivables	-	-	34,991	34,991	
Total financial assets	**1,100,526**	**4,000,000**	**88,813**	**5,189,339**	
(ii) Financial liabilities					
Deferred Liability	-	-	1,500,000	1,500,000	
Trade and other payables	-	-	21,877	21,877	
Total financial liabilities	**-**	**-**	**1,521,877**	**1,521,877**	

Net Fair Values

The net fair value of financial assets and liabilities are materially in line with their carrying values.

Sensitivity Analysis – Interest Rate Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result in a change in interest rates.

	Consolidated 2012	**Consolidated 2011**
Change in loss:	**$**	**$**
Increase by 2% (2011: 2%)	61,186	22,011
Decrease by 2% (2011: 2%)	(61,186)	(22,011)
Change in equity:		
Increase by 2% (2011: 2%)	61,186	22,011
Decrease by 2% (2011: 2%)	(61,186)	(22,011)

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group has no long term or short term debt and its risk with regard to liquidity relates to its ability to maintain its current operations prior to the generation of future income streams.

The Group's ability to raise equity funding in the market is paramount in this regard.

The Group manages liquidity by ensuring that it has at least sufficient cash to meet its budgeted commitments for at least 12 months.

2 Financial Risk Management (continued)

Liquidity Risk (continued)

As at 30 June 2012 Consolidated	Less than 6 months	6-12 months	1-2 years	3-5 years	Over 5 years	Total contractual	Carrying amount
Trade and other	$					$	$
payables	150,044	2,135	-	-	-	152,179	152,179

As at 30 June 2011 Consolidated	Less than 6 months	6-12 months	1-2 years	3-5 years	Over 5 years	Total contractual	Carrying amount
Trade and other	$					$	$
payables	1,521,877	-	-	-	-	1,521,877	1,521,877

Credit Risk

The Group has no significant concentrations of credit risk. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

Cash at bank and short term bank deposits	**Consolidated 2012**	**Consolidated 2011**
	$	**$**
Westpac Banking Corporation - AA	3,059,291	5,100,526

Price risk

The Group is not exposed to commodity price risk.

3 Critical Accounting Estimates, Judgements and Assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(m). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. Should the assumptions used in these calculations differ, the amounts recognised could significantly change.

The Company issued performance based options to Key Management Personnel during the year based upon conditions outlined in note 18. The Company follows the guidelines of AASB2 '*Share Based Payments'* and takes into account vesting and non-vesting conditions and estimates the probability and expected timing of achieving the performance conditions.

No critical accounting estimates and/or assumptions have been made during the preparation of the financial statements other than as disclosed elsewhere in this financial report.

4 Segment Information

The Group 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.

4 Segment Information (continued)

The Group 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.

2012	Monto Minerals	Herberton Tin	Baal Gammon Copper	Consolidated
	$	$	$	$
Income	177,205	3,675	1,548,974	1,729,854
Expenses	(5,965,390)	(89,164)	(13,630)	(6,068,184)
Operating loss	**(5,788,185)**	**(85,489)**	**1,535,344**	**(4,338,330)**

2012	Monto Minerals	Herberton Tin	Baal Gammon Copper	Consolidated
Assets	$	$	$	$
Cash and cash equivalents	2,980,004	57,464	26,053	3,063,521
Trade and other receivables	2,476	5,410	34,725	42,611
Prepayments	3,500	-	-	3,500
Plant and equipment	45,825	6,388	-	52,213
Capitalised exploration	-	5,528,897	1,529,991	7,058,888
Security deposits	52,500	1,440	-	53,940
	3,084,305	**5,599,599**	**1,590,769**	**10,274,673**
Liabilities				
Deferred liability	-	-	-	-
Provisions	2,135	-	-	2,135
Trade and other payables	70,567	72,621	6,856	150,044
	72,702	**72,621**	**6,856**	**152,179**
Net Assets	**3,011,603**	**5,526,978**	**1,583,913**	**10,122,494**

2011	Monto Minerals	Herberton Tin	Baal Gammon Copper	Consolidated
	$	$	$	$
Income	125,789	443	-	126,232
Expenses	(426,406)	(15,476)	(6,242)	(448,124)
Operating loss	(300,617)	(15,033)	(6,242)	(321,892)

2011	Monto Minerals	Herberton Tin	Baal Gammon Copper	Consolidated
Assets	$	$	$	$
Cash and cash equivalents	5,049,355	52,493	-	5,101,848
Trade and other receivables	33,875	1,116	-	34,991
Capitalised exploration	-	4,999,374	5,500,194	10,499,568
Security deposits	52,500	-	-	52,500
	5,135,730	5,052,983	5,500,194	15,688,907
Liabilities				
Deferred liability	-	-	1,500,000	1,500,000
Trade and other payables	21,877	-	-	21,877
	21,877	-	1,500,000	1,521,877
Net Assets	**5,113,853**	**5,052,983**	**4,000,194**	**14,167,030**

5(a) Revenue from operations	**Consolidated 2012 $**	**Consolidated 2011 $**
Interest received *	180,942	115,732
Consulting fees received	-	10,500
	180,942	**126,232**
5(b) Other revenue		
Sale of mineral rights **	1,517,302	-
Other income ***	31,610	-
	1,548,912	**-**

* Interest income is received on deposits held in bank accounts at floating interest rates.

** 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 ($4,482,698) and spent on the deposit were netted off against the sale consideration to arrive at the net income derived from the sale of the mineral rights.

*** Other income came from the sale of miscellaneous equipment ($636), rental income recovered from rent paid on the core shed storage facility ($2,000) and the refund of an engagement fee ($28,974) paid for work on a project that did not proceed.

6 Administration expenses	**Consolidated 2012 $**	**Consolidated 2011 $**
Accounting fees	(30,000)	(24,000)
AGM and GM costs	(13,633)	(5,220)
Advertising & marketing costs	-	(4,400)
Telecommunication costs	(4,966)	-
Depreciation expense	(15,234)	-
Information technology expenses	(4,221)	(6,102)
Brokerage charges	(7,979)	-
Meetings & conferences	-	(2,672)
Project generation costs	-	(8,580)
Travel costs	(13,550)	(29,706)
General insurance costs	(4,500)	-
Legal fees	(24,048)	(7,727)
Stamp duty	(1,811)	-
Employment on-costs	(30,786)	-
Audit costs	(31,856)	(27,490)
Other expenses	(2,536)	(5,431)
Total administration expenses	**(185,120)**	**(121,328)**

7 Expenses from operations

Corporate compliance costs: includes ASIC fees, ASX fees, share registry maintenance costs and tax agent's charges.
Occupancy costs: includes office rent and outgoings and office operating costs.
Corporate management fees: includes fees charged by directors for services provided in the management of the company.
Employee benefits expense: includes salaries, wages and superannuation paid to and on behalf of employees that relates to the general management of the company.

8 Share based payments

Executive directors and key management personnel received equity based payments as part of their compensation packages during the year ended 30 June 2012 - $300,710 (30 June 2011 - Nil).

8 Share based payments (continued)

2012 Name	**Options Number**	**Options $**	**%***	**Performance rights Number**	**Performance rights $**	**%***	**Bonus Payment $**	**%***
Directors:								
James Allchurch	13,000,000	117,000	26.1	27,000,000	96,210	21.6	30,000	6.70
Patrick Burke	2,500,000	22,500	38.5	-	-	-	-	-
Gary Steinepreis	5,000,000	45,000	55.6	-	-	-	-	-
Key Executives:								
Erik Norum	2,500,000	20,000	29.0	-	-	-	-	-
TOTAL	**23,000,000**	**204,500**	**31.2**	**27,000,000**	**96,210**	**14.7**	**30,000**	**4.57**

* The value of options, performance rights and bonus payment as a percentage of total remuneration.

(a) Options

Director options are unlisted, have an exercise price of 2.9 cents and expiry date of 21 February 2016. Director options vested on the date of issue. These options have been issued to incentivise and reward directors and key management.

The measure for success will be the share price as traded on the ASX. At the time of issue the shares traded in the range of 1 to 1.1 cents. The exercise price is 2.9 cents therefore if the share price increases some 164% the traded price and option exercise price will be at break even, if this occurs it will be a benefit to shareholders and from this point on both shareholders and directors and key management will accrue a benefit.

Key executive options are unlisted, have an exercise price of 2.4 cents and an expiry date of 14 April 2016. These options only vest 12 months from the date of issue. The total value of the options issued has been written off as the likelihood of them vesting is assessed at 100%. These options have been issued to incentivise and reward key management. The measure for success will be the share price as traded on the ASX. At the time of issue the shares traded in the range of 1 to 1.1 cents. The exercise price is 2.4 cents therefore if the share price increases some 118% the traded price and option exercise price will be at break even, if this occurs it will be a benefit to shareholders and from this point on both shareholders and key management will accrue a benefit. Additionally these options only vest after twelve months of service.

At a general meeting held during the period ended 30 June 2012 shareholders approved the Monto Employee Option Acquisition Plan (**Option Plan**). The aim of this plan is to allow eligible employees, who in the board's opinion, are dedicated and will provide ongoing commitment and effort to the Company, to participate in the success of the Company.

Summary of the option plan and terms on which invitations may be made:

(a) The directors, at their discretion, may issue plan options to participants at any time, having regard to relevant considerations such as the participant's past and potential contribution to the Company, and their period of employment with the Company;

(b) Participants in the option plan are employees and directors of the Company, or of a related body corporate. The Company will seek shareholder approval for director and related party participation.

(c) The option plan is administered by the directors of the Company, who have the power to:
   (i) determine procedures for administration of the plan consistent with its terms;
   (ii) resolve conclusively all questions of fact or interpretation in connection with the plan;
   (iii) delegate the exercise of any of its powers or discretions arising under the plan to any one or more persons for such period and on such conditions as they determine; and
   (iv) suspend, amend or terminate the plan.

(d) Plan options must be granted for nil consideration.

(e) The exercise price of the plan options shall be determined by the board, provided that in no event shall the exercise price be less than 80% of the average closing sale price of the shares on ASX over the 5 trading days immediately preceding the date of the invitation.

(f) The Company must take reasonable steps to ensure that the number of shares to be received on exercise of the plan options when aggregated with:
   (i) the number of shares in the same class issued during the previous 5 years under the option plan (or any other employee incentive plan extended only to employees); and

8 Share based payments (continued)

(a) Options (continued)

(ii) the number of shares in the same class that would be issued if each outstanding offer for shares (including options to acquire unissued shares) under any employee incentive plan of the Company were to be exercised or accepted,

does not exceed 5% of the total number of issued shares at the time the invitation to acquire plan options is made.

(g) The shares to be issued on exercise of the plan options will be issued on the same terms as the fully paid, ordinary shares of the Company and will rank equally with all of the Company's then existing shares.

(h) The board may determine the time periods or performance hurdles after which the plan options will vest and the percentage of plan options issued which will vest at each particular time. The option plan provides for the release of vesting conditions at the board's discretion in the event of a change of control of the Company.

(i) A plan option must be exercised (if at all) not later than its expiry date and may only be exercised at any time after the plan option has vested. The board may determine any further conditions of exercise consistent with the terms of the plan.

(j) Plan options will not be listed for quotation. However, the Company will make application to ASX for official quotation of all shares issued on exercise of the plan options as soon as practicable after their issue date.

(k) The plan options are transferable subject to compliance with the Corporations Act.

Terms and Conditions of the Plan Options

1 Each plan option entitles the holder to subscribe for one share upon exercise of each plan option.

2 The exercise price of each plan option is a 45% premium to the volume weighted average, of the prices at which shares were traded on the ASX during the one week period up to and including the date of the shareholder meeting at which approval to grant the plan options was sought. Each plan option vests immediately upon grant and has a specified expiry date of the date that is four years from the date of grant. The plan options will expire on that date which is the earlier of:

c) the specified expiry date referred to above; or

d) as determined in accordance with item 3 below,

and thereafter no party has any claim against any other party arising under or in respect of the plan options.

3 If at any time prior to the expiry date of any plan options, an employee ceases to be an employee as a good leaver, the employee, will be entitled to keep any plan options. If at any time prior to the expiry date of any plan options, an employee ceases to be an employee as a bad leaver such employee will have until the earlier of:

i) three months from the date of ceasing to be an employee; or

ii) the expiry date of the plan options,

to exercise the plan options, otherwise the plan options will automatically lapse.

For the purposes of this item:

"**Employee**" means a person who is a full-time or permanent part-time employee or officer or director of the Company or such other person as the board determines**.**

"**Good Leaver**" means an employee who ceases to be an employee by reason of retirement, permanent disability, redundancy or death or anyone determined by the board as a good leaver on a case by case basis and at its absolute discretion.

"**Bad Leaver**" means an employee who ceases to be an employee by any reason other than as a good leaver.

4 The plan options are exercisable at any time after grant and on or prior to the expiry date.

5 The plan options may be exercised by notice in writing to the Company and payment of the exercise price for each plan option being exercised. Any notice of exercise of a plan option received by the Company will be deemed to be a notice of the exercise of that plan option as at the date of receipt.

6 Shares issued on exercise of the plan options rank equally with the then shares of the Company.

8 Share based payments (continued)

(a) Options (continued)

Terms and Conditions of the Plan Options (continued)

7 Application will be made by the Company to ASX for quotation of the shares issued upon the exercise of the plan options.

8 After a plan option is validly exercised, the Company must, as soon as possible following receipt of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the plan option:
 i) issue and allot the share; and
 ii) do all such acts matters and things to obtain the grant of official quotation of the share on ASX no later than 5 business days after issuing the share.

9 No application for quotation of the plan options will be made by the Company.

10 Plan options are transferable provided that the transfer of the plan options complies with section 707(3) of the Corporations Act.

Fair value of options and assumptions

The fair value of options granted during the period ended 30 June 2012 was: 2,500,000 options - 0.80 cents; and 20,500,000 options - 0.90 cents.

The fair value of service received in return for options granted is measured by reference to the fair value of the options granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology.

The assumptions used for the options valuation were as follows:

Number of options	2,500,000	20,500,000
Exercise price	2.4 cents	2.9 cents
Expiry date	10/4/2016	21/2/2016
Share price at grant date	1.5 cents	1.8 cents
Expected volatility	83.29%	78.48%
Dividend yield	0%	0%
Risk free interest rate	4.25%	4.25%
Option value	0.8 cents	0.9 cents
Dollar value	$20,000	$184,500

(b) Performance Rights

Performance rights were issued in three tranches of 9,000,000. Each performance right converts to one ordinary share upon reaching the relevant milestone. The performance rights have been valued and the value is being written off over the vesting period. As at the date of this report none of the milestones have been achieved.

Shareholders, at a general meeting held on 22 February 2012, approved the establishment of the Monto Employee Performance Rights Plan (**PRP**), including the grant of performance rights to Mr James Allchurch, a director of the Company, under the PRP.

To achieve its corporate objectives, the Company needs to attract and retain its key staff. The board believes that grants made to eligible participants under the PRP will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the implementation of the plan will enable the Company to recruit, incentivise and retain key management personnel (including directors) needed to achieve the Company's business objectives, link the reward of key staff with the achievements of strategic goals and the long term performance of the Company, align the financial interest of participants with those of shareholders and provide incentives to participants to focus on superior performance that creates shareholder value.

The PRP provides for the issuance of performance rights which, upon a determination by the board that the performance conditions attached to the performance rights have been met, will result in the issue of one ordinary share in the Company for each performance right. Performance rights will be issued for no consideration and no amount will be payable upon exercise thereof.

8 Share based payments (continued)

(b) Performance Rights (continued)

The performance conditions may include one or more of the following:

(i) service to the Company of a minimum period of time;
(ii) achievement of specific performance conditions by the participant and/or by the Company;
(iii) a vesting period after satisfaction of performance conditions before the rights vest, or
(iv) such other performance conditions as the board may determine.

Performance rights have an expiry date which cannot be extended without shareholder approval. The performance conditions have a milestone date which the board can extend where it considers that unforeseen circumstances or events have caused a delay in achieving the performance condition by the milestone date. The board shall not be permitted to extend the milestone date beyond the expiry date of the performance rights. If a performance condition is not achieved by the earlier of the milestone date or the expiry date then the performance rights will lapse. A performance right will also lapse if the participant ceases to be an eligible employee for the purposes of the PRP for any reason (other than as a result of retirement, disability, bona fide redundancy or death). During the period the board granted performance rights in three milestone based tranches with the milestone dates as follows:

Tranche	Performance Condition	Milestone Date
Tranche 1 Performance rights Number 9,000,000	The participant being an employee of the Company and reporting against: 1. Drilling programme completion; 2. Completion of regional work to advance the Company's projects; and 3. Completion of acquisition of additional exploration ground or strategic alliance.	The first anniversary of the date of grant of the tranche 1 performance rights.
Tranche 2 Performance rights Number 9,000,000	The participant being an employee of the Company	The second anniversary of the date of grant of the tranche 2 performance rights.
Tranche 3 Performance rights Number 9,000,000	The participant being an employee of the Company	The third anniversary of the date of grant of the tranche 3 performance rights.

The performance rights shall have the following expiry dates: Tranche 1 shall expire on the second anniversary of the date of grant; Tranche 2 shall expire on the third anniversary of the date of grant; and Tranche 3 shall expire on the fourth anniversary of the date of grant. The fair value of service received in return for performance rights granted is measured by reference to the fair value of the rights granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology using the following inputs:

	Tranche 1	Tranche 2	Tranche 2
Exercise price	$0.00	$0.00	$0.00
Expiry date	21/2/2013	21/2/2014	21/2/2015
Share price at grant date	1.8 cents	1.8 cents	1.8 cents
Expected volatility	71.71%	71.71%	71.71%
Dividend yield	0%	0%	0%
Risk free interest rate	4.25%	4.25%	4.25%
Performance right value	1.8 cents	1.8 cents	1.8 cents
Dollar value	$162,000	$162,000	$162,000
Discount	0%	20%*	20%*
Final dollar value	$162,000	$129,600	$129,600

* A 20% discount was applied to the value due to the uncertainty of the rights vesting due to the time between grant date and the expiry date.

8 Share based payments (continued)

(c) Summary of Employee Option Acquisition Plan and Performance Rights Plan

Plan	Date of grant	Number of rights	Fair value at date of grant - cents	Award value at date of grant - $	Expiry date	First vesting date	Last vesting date	Vested %	Forfeited %	Maximum total value of grant yet to vest - $
PRP	22/2/12	9,000,000	1.80	162,000	21/2/14	21/2/13	21/2/14	-	-	162,000
PRP	22/2/12	9,000,000	1.44	129,600	21/2/15	21/2/14	21/2/15	-	-	129,600
PRP	22/2/12	9,000,000	1.44	129,600	21/2/16	21/2/15	21/2/16	-	-	129,600
		27,000,000		421,200						421,200
		Options								
EOAP	22/2/12	2,500,000	0.90	22,500	21/2/16	22/2/12	22/2/12	100	-	-
EOAP	22/2/12	5,000,000	0.90	45,000	21/2/16	22/2/12	22/2/12	100	-	-
EOAP	22/2/12	13,000,000	0.90	117,000	21/2/16	22/2/12	22/2/12	100	-	-
		20,500,000		184,500						-
EOAP	10/4/12	2,500,000	0.80	20,000	10/4/16	10/4/13	10/4/13	-	-	20,000
		23,000,000		204,500						20,000

PPR – Performance rights plan. EOAP – Employee option acquisition plan.

All share based payments are at risk to the extent that no benefit will be achieved unless:

(a) The share price of shares traded on ASX increases from the current traded value of 1 cent to at least the exercise price of the options, those being 2.9 and 2.4 cents. The performance measurement attributed to the incentive issued to directors and key management will be the increase in the share price which will be a benefit to all shareholders.

(b) The performance rights milestones are achieved.

9 Income Tax Expense	**Consolidated 2012 $**	**Consolidated 2011 $**
The components of tax expense comprise:		
Current tax	953,219	-
Deferred tax	-	-
Losses recouped not previously recognised	(953,219)	
	-	-
The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2011: 30%)	(1,301,500)	(96,568)
Add tax effect of:		
Revenue losses not recognised	-	110,711
Deferred tax balances not recognised	1,348,863	-
Share based payments	90,213	-
Loss on sale of financial assets	815,553	-
Other non-allowable items	90	15
	953,219	14,158
Less tax effect of:		
Deferred tax balances not recognised	-	(14,158)
Losses recouped not previously recognised	(953,219)	-
Income Tax	-	-
Deferred tax recognised		
Deferred tax liabilities:		
Exploration and evaluation expenditure	(2,117,665)	(2,709,444)
Deferred tax assets:		
Carry forward revenue losses	1,944,496	2,709,444
Carry forward capital losses	173,169	
Net deferred tax	-	-

9 Income Tax Expense (continued)	**Consolidated 2012 $**	**Consolidated 2011 $**
Unrecognised deferred tax assets:		
Carry forward revenue losses	-	188,271
Carry forward capital losses	644,737	-
Capital raising costs	48,495	60,367
Provisions and accruals	6,884	4,800
Financial assets	769,231	-
Other	677	960
	1,470,024	**254,398**

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the Group continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

Tax Consolidation

Monto Minerals Limited and its wholly owned Australian resident subsidiaries have formed a tax consolidated group with effect from 28 February 2011. Monto Minerals Limited is the head entity of the tax consolidated group.

10 Current assets – cash and cash equivalents	**Consolidated 2012 $**	**Consolidated 2011 $**
Cash at bank and in hand	**3,063,521**	**5,101,848**

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash at bank and in hand.

11 Trade and other receivables - current	**Consolidated 2012 $**	**Consolidated 2011 $**
Trade and other receivables	42,611	34,991
	42,611	**34,991**

Refer to note 2 for the risk management policy of the Group.

As at 30 June 2012, no trade receivables were past due or impaired. The total of receivables relates to the June BAS return and represents the amount of net activity resulting in a refund due from the ATO.

12 Prepayments	**Consolidated 2012 $**	**Consolidated 2011 $**
Office rent paid monthly in advance	3,500	-
	3,500	**-**

Prepayments are office rent paid in advance. Monto's July corporate office rent was paid in June.

13 Plant and Equipment

	Consolidated 2012 $	Consolidated 2011 $
Motor Vehicles		
Opening net book value	-	-
Plus acquisitions during the period	43,150	-
	43,150	-
Less depreciation expense during the period	(11,889)	-
Closing net book amount	**31,261**	**-**
Furniture and fittings		
Opening net book value	-	-
Plus acquisitions during the period	4,148	-
	4,148	-
Less depreciation expense during the period	(337)	-
Closing net book amount	**3,811**	**-**
Exploration equipment		
Opening net book value	-	-
Plus acquisitions during the period	1,995	-
	1,995	-
Less depreciation expense during the period	(124)	-
Closing net book amount	**1,871**	**-**
Office Equipment		
Opening net book value	-	-
Plus acquisitions during the period	18,154	-
	18,154	-
Less depreciation expense during the period	(2,884)	-
Closing net book amount	**15,270**	**-**
Total closing net book value	**52,213**	**-**

14 Capitalised Exploration Expenditure

	Consolidated 2012 $	Consolidated 2011 $
Opening net book amount	**10,499,568**	-
Reduction in purchase consideration - sale of mineral rights *	(4,401,161)	-
Reduction in acquisition costs - sale of mineral rights *	(81,537)	
Purchase consideration shares	-	6,000,000
Purchase consideration options	-	1,303,304
Purchase consideration cash	-	1,500,000
Acquisition costs	1,050	130,978
Exploration costs	1,040,968	65,286
Deferred cash settlement	-	1,500,000
Closing net book amount	**7,058,888**	**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. (* Refer note 15 for details on the sale of mineral rights to Kagara.)

15 Financial assets at fair value through profit and loss

	Consolidated 2012 $	Consolidated 2011 $
Opening net book amount	-	-
Sale of mineral rights – Kagara shares	6,000,000	-
Impairment expense – Kagara shares	(2,564,103)	-
Loss on sale of Kagara shares	(2,710,531)	-
Proceeds from sale of Kagara shares	(725,366)	
Closing net book amount	**-**	**-**

The consideration for the sale of the mineral rights on the Baal Gammon deposit to Kagara was the issue of 9,360,000 Kagara shares. The price of Kagara shares on ASX on the date of issue was 64.1 cents giving a fair value for the consideration of $6,000,000.

15 Financial assets at fair value through profit and loss (continued)

As at 30 June 2012 Kagara shares were suspended from trading on ASX. Kagara appointed administrators during the period and as such the future for the company is uncertain. At the time of the appointment of administrators Monto owned 4,000,000 Kagara shares which were impaired to a carrying value of nil. The impairment expense for the period amounted to $2,564,103.

Also during the financial year the Company sold on market 5,360,000 Kagara shares at an average price of 13.53 cents per share. The gross receipts from the sale of the shares amounted to $725,366 and the resulting loss on sale of those shares amounted to $2,710,531 or approximately 50.57 cents per share.

16 Security deposit

	Consolidated 2012 $	Consolidated 2011 $
Middle Island and Hummock Hill Island Project	32,000	32,000
Herberton Tin assurance deposits	20,500	20,500
Accommodation bond Atherton	1,440	-
	53,940	**52,500**

17 Trade and other payables - current - unsecured

	Consolidated 2012 $	Consolidated 2011 $
Deferred acquisition consideration	-	1,500,000
Trade and other payables	152,179	21,877
	152,179	**1,521,877**

All amounts payable are expected to be settled within 12 months

18 Contributed Equity

(a) Share Capital

	2012 Shares	2012 $	2011 Shares	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

2012 Date	Details	Number of shares	Issue price	Amount $
1/7/2011	Opening balance	1,307,440,555		14,042,442
	Cost of share issues	-		(6,916)
30/6/2012	**Balance**	**1,307,440,555**		**14,035,526**

2011 Date	Details	Number of shares	Issue price	Amount $
1/7/2010	Opening balance	569,681,332		2,544,938
31/3/2011	Option exercise	87,117,727	$0.005	435,589
3/5/2011	Rights issue	115,641,496	$0.015	1,734,623
5/5/2011	Placement issue	235,000,000	$0.015	3,525,000
5/5/2011	Acquisition issue	300,000,000	$0.020	6,000,000
	Cost of share issues	-		(197,708)
30/6/2011	**Balance**	**1,307,440,555**		**14,042,442**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group 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.

18 Contributed Equity (continued)

(c) Other Equity Securities

2012 Options	Expiry Date	Exercise Price	Number under option	Amount $
Unlisted options	30-June-2014	$0.030	150,000,000	1,303,304
Unlisted options	31-December-2013	$0.005	10,182,273	-
Unlisted options	21-February-2016	$0.029	20,500,000	184,500
Unlisted options	10-April-2016	$0.024	2,500,000	20,000
			183,182,273	**1,507,804**

2012 Performance Rights	Milestone Date		Number of rights	Amount $
Performance rights	22-February-2013	-	9,000,000	57,726
Performance rights	22-February-2014	-	9,000,000	23,090
Performance rights	22-February-2015	-	9,000,000	15,394
			27,000,000	**96,210**

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

(d) Movement in Other Equity Securities

(i) Share Based Payment Reserve

2012 Date	Details	Number of options	Issue price	Amount $
1/7/2011	Opening balance	77,845	-	967,241
25/5/2012	UK options expired	(11,179)	-	(967,241)
28/5/2012	Unlisted options expired	(66,666)	-	-
22/2/2012	Performance rights issued	27,000,000	-	96,210
30/6/2012	**Balance**	**27,000,000**		**96,210**

2011 Date	Details	Number of options	Issue price	Amount $
1/7/2010	Opening balance	**77,845**	-	**967,241**
30/6/2011	**Balance**	**77,845**		**967,241**

(ii) Option Reserve

2012 Date	Details	Number of options	Issue price	Amount $
1/7/2011	Opening balance	160,182,273		1,303,304
22/2/2012	Options issued	20,500,000	-	184,500
10/4/2012	Options issued	2,500,000	-	20,000
30/6/2012	**Balance**	**183,182,273**		**1,507,804**

2011 Date	Details	Number of options	Issue price	Amount $
1/7/2010	Opening balance	**97,300,000**	-	**-**
31/3/2011	Options exercised	(87,117,727)	-	-
5/5/2011	Acquisition issue	150,000,000	$0.0087	1,303,304
30/6/2011	**Balance**	**160,182,273**		**1,303,304**

18 Contributed Equity (continued)

Nature and Purpose of Reserves

(1) Share Based Payment Reserve

The share based payment reserve is used to recognise the fair value of performance rights issued to employees but not converted into ordinary shares. The reserve is recognised in contributed equity when and if the relevant milestone is attained within the specified period and as a result the performance rights concerned convert to ordinary shares.

(2) Option Reserve

The option reserve is used to recognise funds received from options issued to shareholders, the value of options issued as consideration in the purchase of assets and the fair value of options issued to employees but not exercised. The reserve is recognised in contributed equity when the options are exercised and converted to ordinary share capital.

(e) Capital Risk Management

The Group's objective is to safeguard the ability to continue as a going concern, so that it can provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may adjust the return of capital to shareholders, issue new shares or sell assets to reduce debt. The Group defines capital as cash and cash equivalents plus equity. The board of directors monitors capital on an ad-hoc basis. No formal targets are in place for return on capital. There are no gearing ratios as the Group has not derived any income from their mineral exploration and currently has no debt facilities in place.

19 Accumulated Losses	**Consolidated 2012**	**Consolidated 2011**
Movements in accumulated losses:	**$**	**$**
Balance at the beginning of the year	(2,145,957)	(1,824,065)
Employee options expired	967,241	-
Net loss from operations	(4,338,330)	(321,892)
Balance at the end of the year	**(5,517,046)**	**(2,145,957)**

20 Dividends

There were no dividends recommended or paid during the financial year.

21 Key Management Personnel Disclosures

(a) Directors

The following persons were directors during the financial year:

James Allchurch appointed on 9 December 2009.
Gary Steinepreis appointed on 26 June 2009.
Patrick Burke appointed on 26 June 2009.

(b) Key Management

During the year the Company appointed Erik Norum as exploration manager, who together with the directors form the key management personnel of the Company.

Services provided by key management personnel and recognised as an expense	**Consolidated 2012**	**Consolidated 2011**
	$	**$**
Short term employee benefits	331,435	212,000
Post-employment benefits	23,791	12,600
Security based payments	300,710	-
	655,936	**224,600**

Detailed remuneration disclosures are provided in the audited remuneration report in the directors' report.

21 Key Management Personnel Disclosures (continued)

(c) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Options

Details of options held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

2012 Name	Held at 1/7/2011	Options granted as compensation	Options exercised	Held at 30/6/2012	Vested and exercisable at 30/6/2012
James Allchurch (1)	-	13,000,000	-	13,000,000	13,000,000
Gary Steinepreis (3)	-	5,000,000	-	5,000,000	5,000,000
Pat Burke (2)	-	2,500,000	-	2,500,000	2,500,000
Erik Norum	-	2,500,000	-	2,500,000	-
	-	**23,000,000**	**-**	**23,000,000**	**20,500,000**

2011 Name	Held at 1/7/2010	Options granted as compensation	Options exercised	Held at 30/6/2011	Vested and exercisable at 30/6/2011
James Allchurch	10,000,000	-	(10,000,000)	-	-
Gary Steinepreis	22,000,000	-	(22,000,000)	-	-
Pat Burke	5,000,000	-	(5,000,000)	-	-
	37,000,000	**-**	**(37,000,000)**	**-**	**-**

(ii) Performance Rights

2012 Name	Held at 1/7/2011	Rights granted as compensation	Rights converted	Held at 30/6/2012	Vested and convertible at 30/6/2012
James Allchurch (1)	-	27,000,000	-	27,000,000	-
Gary Steinepreis (3)	-	-	-	-	-
Pat Burke (2)	-	-	-	-	-
Erik Norum	-	-	-	-	-
Total	**-**	**27,000,000**	**-**	**27,000,000**	**-**

There were no performance rights on issue as at 30 June 2011.

(iii) Shareholdings

Details of equity instruments (other than options and rights) held directly, indirectly, or beneficially by key management personnel and their related parties are as follows:

2012 Name	Held at 1/7/2011	Shares acquired	Other changes	Balance 30/6/2012	Balance held nominally
J Allchurch (1)	26,400,000	-	-	26,400,000	-
G Steinepreis (3)	133,200,000	-	-	133,200,000	8,400,000
P Burke (2)	19,200,000	-	-	19,200,000	-
Erik Norum	-	-	-	-	-
Total	**178,800,000**	**-**	**-**	**178,800,000**	**8,400,000**

(1) **James Allchurch** holds his interests in shares indirectly through the Manstein Holdings Trust of which he is trustee and a potential beneficiary. He holds his options and performance rights in his own name.

(2) **Patrick Burke** holds his interests in shares indirectly through Rowan Hall Pty Ltd as trustee of the Rowan Hall Investment Trust of which he is a potential beneficiary. He holds his options directly in his own name.

(3) **Gary Steinepreis** holds his interests in shares directly in his own name and indirectly through: Jacqueline Steinepreis his spouse; Leisurewest Consulting Pty Ltd as Trustee of the Leisurewest Trust of which he is a director and potential beneficiary; Oakhurst Enterprises Pty Ltd of which he is a director and shareholder; and Ascent Capital Holdings Pty Ltd, of which, he is a director and Oakhurst Enterprises Pty Ltd is a 50% shareholder. He holds his options directly in his own name.

21 Key Management Personnel Disclosures (continued)

(c) Equity Instrument Disclosures Relating to Key Management Personnel (continued)

(iii) Shareholdings (continued)

2011 Name	**Held at 1/7/2010**	**Shares acquired**	**Other changes**	**Balance 30/6/2011**	**Balance held nominally**
J Allchurch	12,000,000	4,400,000	10,000,000	26,400,000	-
G Steinepreis	89,000,000	22,200,000	22,000,000	133,200,000	-
P Burke	11,000,000	3,200,000	5,000,000	19,200,000	-
Total	**112,000,000**	**29,800,000**	**37,000,000**	**178,800,000**	**-**

(d) Other Transactions with Key Management Personnel

Office accommodation – Provided by Ascent Capital Holdings Pty Ltd, an entity owned by interests associated with Gary Steinepreis, on commercial terms and conditions.

Services provided by key management personnel and recognised as an expense	**Company 2012 $**	**Company 2011 $**
Short term benefits – Office accommodation	42,000	42,000
	42,000	**42,000**

22 Related Party Transactions

(a) Subsidiaries

Herberton Tin Pty Ltd and Baal Gammon Copper Pty Ltd are wholly owned subsidiaries (100%) of Monto Minerals Limited. Transactions between the entities are eliminated upon consolidation.

(b) Key Management Personnel

Disclosures relating to key management personnel are set out in note 21 and detailed remuneration disclosures are provided in the audited remuneration report in the directors' report.

(c) Outstanding balances arising from sales / purchases of goods and services

There are no outstanding balances arising from sales / purchases of goods and services.

(d) Loans to / from Related Parties

There are no loans to or from related parties.

23 Remuneration of Auditors

Assurance Services *Audit Services*	**2012 $**	**2011 $**
Amounts paid/payable to BDO (Audit) WA Pty Ltd (BDO) for audit and review of the financial reports	28,316	29,000
Amounts paid/payable to BDO (Audit) WA Pty Ltd (BDO) for non-audit services	3,540	-
	31,856	**29,000**

It is the Company's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Company are important.

These assignments are principally tax advice and due diligence reporting on acquisitions, or where BDO are awarded assignments on a competitive basis.

It is the Company's policy to seek competitive tenders for all major material consulting projects.

24 Mineral Tenement Commitments

The Consolidated Entity has established minimum exploration commitments as follows:

	Consolidated 2012 $	Consolidated 2011 $
Within one year	351,452	253,382
Later than one year but not later than five years	1,486,708	609,500
	1,838,160	**862,882**

This expenditure will only be incurred should the Consolidated Entity retain its existing level of interest in its various exploration areas.

25 Events Occurring After the Reporting Period

The Streak Hill tin drilling programme commenced in July 2012 and comprised 10 RC drill holes for 1,249m. Holes were spaced approximately 50m apart and tested a strike extent of 400m. The broader Streak Hill trend as identified by workings along the entire length of the mineralised corridor is approximately 1,500m in length and is currently being further assessed through mapping and rock chip sampling.

An additional two RC drill holes (416m total) tested the Referendum/Stannum Ace (RSA) and Ibis/World's Fair (IWF) mineralised zones located 350m east of Streak Hill. The RSA and IWF prospects are sub-parallel (approximately 50m apart) north-south striking historically mined structures that produced a high grade ore similar in composition to Streak Hill. Each hole was approximately 200m in length and designed to intersect both the RSA and IWF structures.

Final results received from the laboratory indicated moderate tin mineralisation in several of the holes drilled, with best results being 1m @ 0.59% Sn and 1.78% Cu from 86m. Whilst the anticipated high grade tin mineralisation in the form of the tourmaline/chlorite lode was not intersected, results provide adequate encouragement for Monto to continue to investigate the 1.5km Streak Hill Trend and recently identified Jack Trend which, on the same orientation as the Streak Hill Trend, extends through to the Jumna mine, 3km NNW of Streak Hill.

Comprehensive soil and rock chip sampling is currently underway across the identified corridor of mineralisation with outcrop returning impressive tin grades of over 1.5% Sn. Structural, lithological and geophysical interpretation of the mineralised trend area is continuing.

In September 2012 the Company announced the lodgement by Kagara of the $3.75M financial assurance (environmental bond) for the Baal Gammon mine. In consideration for the lodgement of the financial assurance and in order to facilitate the potential recommencement of mining activities, Baal Gammon Copper Pty Ltd agreed not to exercise any rights it may have under the mineral rights agreement (MRA) or at law by reason of any default including terminating the MRA until 31 March 2013.

Kagara continues to maintain the site in accordance with the Environmental Authority conditions and other statutory notices issued in respect of the Baal Gammon site.

Competent Persons Statement

The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr James Allchurch, a Director, who is a Member of the Australian Institute of Geoscientists. Mr Allchurch has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code).
Mr Allchurch consents to the inclusion in this report of the statements based on this information in the form and context in which it appears.

25 Events Occurring After the Reporting Period (continued)

Other than as disclosed herein, 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.

26 Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities

	Consolidated 2012 $	Consolidated 2011 $
Loss for the year	(4,338,330)	(321,892)
Non cash operating items:		
Loss on sale of financial assets	2,710,531	-
Impairment expense	2,564,103	-
Security based payments	300,710	-
Income from the sale of mineral rights	(1,517,302)	-
Depreciation expense	15,234	-
Changes in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	(11,120)	(20,632)
Increase / (decrease) in trade and other payables	130,302	1,029
Net cash outflow from operating activities	**(145,872)**	**(341,495)**

27 Loss Per Share

(a) Basic and Diluted Loss Per Share

	Consolidated 2012 Cents	Consolidated 2011 Cents
Loss attributable to the ordinary equity holders of the Company	**(0.332)**	**(0.046)**

(b) Reconciliation of Loss used in Calculating Loss Per Share

	Consolidated 2012 $	Consolidated 2011 $
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	**(4,338,330)**	**(321,892)**

(c) Weighted Average Number of Shares Used as the Denominator

	Company 2012 Number	Company 2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**1,307,440,555**	**695,567,374**

(d) Information Concerning the Classification of Securities

Options and performance rights are considered to be potential ordinary shares. The options and performance rights have not been included in the determination of basic earnings per share or diluted earnings per share as the company is in a position of loss.

28 Monto Minerals Limited Parent Company Information

Financial Position	**2012 $**	**2011 $**
Current assets		
Cash and cash equivalents	2,980,004	5,049,355
Prepayments	3,500	-
Trade and other receivables	2,476	33,875
Total current assets	**2,985,980**	**5,083,230**
Non-current assets		
Loans to subsidiaries	5,682,310	9,074,453
Plant and equipment	45,825	-
Security deposit	52,500	52,500
Total non-current assets	**5,780,635**	**9,126,953**
Total assets	**8,766,615**	**14,210,183**
Current liabilities		
Provisions	2,135	-
Trade and other payables	70,566	21,878
Total liabilities	**72,701**	**21,878**
Net Assets	**8,693,914**	**14,188,305**
Equity		
Contributed equity	14,035,526	14,042,442
Option premium reserve	1,507,804	1,303,304
Share based payment reserve	96,210	967,241
Accumulated losses	(6,945,626)	(2,124,682)
Total Equity	**8,693,914**	**14,188,305**

Financial Performance	**2012 $**	**2011 $**
Revenue from operations	177,205	125,789
Expenses from operations	(5,965,390)	(426,407)
Loss before income tax	**(5,788,185)**	**(300,618)**
Income tax expense	-	-
Loss for the year	**(5,788,185)**	**(300,618)**
Other comprehensive income net of tax	-	-
Total comprehensive loss attributable to the members of Monto Minerals Ltd	**(5,788,185)**	**(300,618)**

29 Security Settled Acquisitions – Herberton Tin and Baal Gammon Copper

(a) Ordinary shares

As part of the acquisition consideration for the Herberton Tin and Baal Gammon Copper tenements the Company issued 300,000,000 ordinary shares. The issue date for the shares was 28 April 2011 and the price used to assess the fair value of the shares issued was the closing price (2 cents) of the shares as quoted on ASX on that date.

2012	**Price per Share**	**Number of Shares**	**2012 $**
Opening balance 1 July 2011	$0.02	300,000,000	6,000,000
Closing Balance 30 June 2012		**300,000,000**	**6,000,000**

2011	**Price per Share**	**Number of Shares**	**2011 $**
Opening balance 1 July 2010		-	-
Issue due to acquisition of exploration tenements	$0.02	300,000,000	6,000,000
Closing Balance 30 June 2011		300,000,000	6,000,000

29 Security Settled Acquisitions – Herberton Tin and Baal Gammon Copper (continued)

(b) Options

As part of the acquisition consideration for the Herberton Tin and Baal Gammon Copper tenements the Company issued 150,000,000 options. The issue date for the options was 28 April 2011.

2012	**Price per Option**	**Number of Options**	**2012 $**
Opening balance 1 July 2011		150,000,000	1,303,304
Closing Balance 30 June 2012		**150,000,000**	**1,303,304**

2011	**Price per Option**	**Number of Options**	**2011 $**
Opening balance 1 July 2010		-	-
Acquisition of exploration tenements	$0.86887	150,000,000	1,303,304
Closing Balance 30 June 2011		150,000,000	1,303,304

The assessed fair value of options granted is $0.87 per option. The fair value at grant date is independently determined using the Black Scholes option pricing model. The following inputs were used to determine the fair carrying value of the unlisted options issued as part of the acquisition consideration:

The underlying security spot price	$0.02
Exercise price of options	$0.03
Risk free interest rate	5.09%
Dividend rate	0.00%
Issue / valuation date	28 April 2011
Expiry date of options	30 June 2014
Volatility	75%
Number of options vested and exercisable	150,000,000
Time to expiry of options	2.2 years

The expected price volatility is based on the historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publically available information. The options granted carry no dividend or voting rights.

30 Contingent Liability

The Company is aware that native title applications have been registered under the Native Title Act 1993 over land included within the boundaries of some of the exploration and mining tenements owned by the Company. It is not possible at this time to quantify the financial impact (if any) that these applications may have on the Group.

Baal Gammon Copper Pty Ltd (BGC) is the owner of mining leases ML20388 and ML20568 referred to as Baal Gammon Project. BGC entered into a mineral rights agreement (MRA) with Kagara Limited (Administrators Appointed) (Kagara) on 20 July 2011. Kagara is the operator of the Baal Gammon Project. On 2 May 2012 BGC issued a notice of default under the MRA to Kagara with respect to a number of issues relating to the MRA. Kagara has re-lodged a $3,750,000 financial assurance bond (environmental bond) and in consideration for this lodgement, BGC has agreed not to exercise any rights it may have under the MRA or at law by reason of any default including terminating the MRA until 31 March 2013.

In the event that Kagara fails to meet its obligations under the MRA there is a risk that BGC will be required to rectify any issues which may arise as a result of the non-compliance with the terms and conditions of the MRA. It is not possible at this time to quantify the financial impact (if any) that this may have on the Group.

31 Commitments

As at 30 June 2012 and 2011, the Company had no commitments other than exploration commitments disclosed in note 24.

In the Directors' opinion:

1 The financial statements and notes as set out on pages 17 to 48 are in accordance with the *Corporations Act 2001*, and

(i) comply with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the financial position of the Group as at 30 June 2012 and of its performance for the year ended on that date.

2 The Managing Director has given the declarations required by S295A of the Corporations Act 2001.

3 The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

4 In the opinion of the directors' there are reasonable grounds to believe that the Company 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.

Gary Steinepreis
Director
West Perth

26 September 2012

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

Report on the Financial Report

We have audited the accompanying financial report of Monto Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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.

Opinion

In our opinion:

(a) the financial report of Monto Minerals Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Monto Minerals Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, Western Australia
Dated this 26th day of September 2012

Corporate Governance Statement

Monto Minerals Ltd, its wholly owned subsidiaries (the Group) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

The disclosure of corporate governance practices can be viewed on the Company website at www.montominerals.com

The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Board.

Corporate Governance Compliance

A description of the Group's main corporate governance practices are set out below. All these practices, unless otherwise stated, were put in place subsequent to the reconstruction of the Group and the release from external administration. The Group has considered the ASX Corporate Governance Principles and the corresponding Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

Disclosure of Corporate Governance Practices
Summary Statement

	ASX Principles and Recommendations	"If not, why not"
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 2.1		✓
Recommendation 2.2		✓
Recommendation 2.3	✓	
Recommendation 2.4		✓
Recommendation 2.5	✓	
Recommendation 2.6	✓	
Recommendation 3.1	✓	
Recommendation 3.2		✓
Recommendation 3.3		✓
Recommendation 3.4		✓
Recommendation 4.1		✓
Recommendation 4.2		✓
Recommendation 4.3	✓	
Recommendation 4.4		✓
Recommendation 5.1	✓	
Recommendation 6.1	✓	
Recommendation 7.1	✓	

Disclosure – Principles & Recommendations - financial year 2011/2012

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Recommendation 1.1: (continued)

Disclosure:

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Board, the Managing Director (who acts in the capacity as CEO) and the Exploration Manager.

The matters that the Board has specifically reserved for its decision are:

- the appointment and management of the CEO;
- approval of the overall strategy and annual budgets of the business; and
- compliance with constitutional documents.

The CEO is delegated the authority to ensure the effective day-to-day management of the business and the Board monitors the exercise of these powers. The CEO is required to report regularly to the Board on the performance of the Business.

Some Board functions are handled through Board Committees. These committees are appointed when the size and scale of operations requires. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Board is responsible for evaluating the senior executives. Induction procedures are in place and senior executives have formal job descriptions which includes the process for evaluating their performance.

There was no formal performance evaluation of the senior executives during the financial year.

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The Group does not have a majority of independent directors.

Consistent with the size of the Group and its activities, the Board is comprised of three (3) directors, none of whom are currently considered to be independent directors.

The Board's policy is that the majority of directors shall be independent, non-executive directors. The composition of the Board does not currently conform to its policy. It is the Board's intention to comply with its policy at a time when the size of the Group and its activities warrants such a structure.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

Gary Steinepreis acts as Chair of the Board he is not independent. It is the Board's intention to comply with its policy at a time when the size of the Group and its activities warrants such a structure.

Principle 2 – Structure the board to add value (continued)

Recommendation 2.3:

The roles of the Chair and CEO should not be exercised by the same individual.

Disclosure:

The role of the Chairman and the CEO are not exercised by the same person. The division of responsibilities between the Chairman and the CEO is set out in the Board Charter.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

A nomination committee has not been established. The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chairman is responsible for evaluation of the CEO, the Board and the committees.

The review is currently informal but is based on a review of goals for the Board and individual Directors. The goals are based on corporate requirements and any areas for improvement that may be identified. The Chairman will provide each Director with confidential feedback on his or her performance.

Induction procedures are in place for all directors and senior executives report to the Board as to their area of responsibility at each Board meeting, if required.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:

Skills, Experience, Expertise and term of office of each Director and re-election procedure

A profile of each director containing their skills, experience and expertise is set out in the Directors' Report.

In accordance with the Constitution, one third of the directors retire by rotation each year and may offer themselves for re-election.

In determining candidates for the Board the Nomination Committee considers the procedure as detailed in the Board Charter and the skills and qualifications of potential candidates that will best enhance the Board's effectiveness taking into consideration the current composition of the Board.

Identification of Independent Directors

There are no independent directors of the Group. Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Group will pay the reasonable expenses associated with obtaining such advice.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the Group's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Group has a Code of Conduct that applies to all Directors, senior executives, employees and contractors.

Recommendation 3.2:

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

Disclosure:

The Board supports diversity but the Group has not yet developed a policy. It is the Board’s intention to develop a policy at a time when the size of the Group and its activities warrants such a structure.

Recommendation 3.3:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Disclosure:

The Board supports diversity but the Group has not yet developed a policy.

Recommendation 3.4:

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

Disclosure:

There are two women employees in the organisation none of whom are in senior executive positions or on the Board. Women represent 25% of the Group employees.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1

The Board should establish an Audit Committee.

Disclosure:

An audit committee has not been established. The role of the Audit Committee has been assumed by the full Board operating under the Audit Committee Charter adopted by the Board.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent Chair, who is not Chair of the Board; and
- has at least three members.

Principle 4 – Safeguard integrity in financial reporting (continued)

Recommendation 4.2: (continued)

Disclosure:

There is no audit committee. However, if one was established the Board policy is that it would have two (2) members who are non-executive directors. This structure would comply with the structure set out in the Board Charter adopted by the Group but not with the ASX Corporate Governance Principles and the corresponding Recommendations.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Group has an Audit Committee Charter although this is currently administered by the Board.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:

There is no Audit Committee and the whole Board acts in this capacity in accordance with the Board Charter. When established, the Audit Committee plans to hold a minimum of 3 meetings per year. It is intended that the Group's auditor will be invited to attend all Audit Committee meetings held during the financial year.

The Group has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate independence from the Group through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Group's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Board Charter contains the policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Group has a Shareholder Communications Policy contained within the Policy on Continuous Disclosure and a website for making information available to shareholders. Shareholders are encouraged to attend and participate in general meetings.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy. As detailed in 7.2 no risk management committee has been formed and this role is undertaken by the Board, however, the overall basis for risk management is to provide recommendations about:

1. Assessing the internal processes for determining and managing key risk areas, particularly:
   - non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;
   - litigation and claims; and
   - relevant business risks other than those that are dealt with by other specific Board Committees.
2. Ensuring that the Group has an effective risk management system and that major risks to the Group are reported at least annually to the Board.
3. Receiving from management reports on all suspected and actual frauds, thefts and breaches of laws.
4. Evaluating the process the Group has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
5. Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
6. Meeting periodically with key management, internal and external auditors and compliance staff to understand and discuss the Group's control environment.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.

Disclosure:

Management designs, implements and maintains risk management and internal control systems to manage the Group's material business risks. As part of the monthly reporting procedure, management report to the Board confirming that those risks are being managed effectively.

The Group policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

A Risk Management Committee has not been formed and no internal audit function exists. All functions, roles and responsibilities with regard to risk oversight and management and internal control are undertaken by Management as at the date of this report.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

Due to the size of the Group, the Board signed the declaration in accordance with section 295A of the Corporations Act. The declaration is made and is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

A Remuneration Committee has not been established. The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Group. There are no documented agreements providing for termination or retirement benefits to non-executive directors (other than for superannuation).

Executive directors and senior executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness. Long term performance incentives may include performance and production bonus payments, shares and / or options granted at the discretion of the Board and subject to obtaining the relevant approvals.

The shareholder information set out below was applicable as at the dates specified.

1 Distribution of Equity Securities (Current as at 24 September 2012)

Analysis of numbers of ordinary shareholders by size of holding:

			Number of Shareholders	Number of Shares
1	-	1,000	1,840	407,382
1,001	-	5,000	246	558,120
5,001	-	10,000	27	182,555
10,001	-	100,000	199	9,923,110
100,001		and over	443	1,296,369,388
			2,755	**1,307,440,555**

There were 2,224 holders of less than a marketable parcel of ordinary shares.

2 Unquoted Equity Securities – Options (Current as at 25 September 2012)

	Number on issue	Number of holders
Options expire 30/06/2014 at an exercise price of $0.030 per option	150,000,000	1
Options expire 31/06/2013 at an exercise price of $0.005 per option	10,182,273	3
Options expire 21/02/2016 at an exercise price of $0.029 per option	20,500,000	3
Options expire 10 April 2016 at an exercise price of $0.024 per option	2,500,000	1
	183,182,273	

Holders of more than 20% of unlisted options	**Number of options**	**Percentage of options**
Options expiring 30/06/2014 at an exercise price of $0.03 per option:		
Conquest Mining Limited	150,000,000	100%
Options expiring 31/06/2013 at an exercise price of $0.005 per option:		
Roger Steinepreis <FT #2 A/C>	5,829,547	57.26%
Mrs Andrea Murray <Murray Family Fund No 2 A/C>	2,176,363	21.37%
Mrs Meleisha Foster <The Foster Family No2 A/C>	2,176,363	21.37%
	10,182,273	100%
Options expiring 21/02/2016 at an exercise price of $0.029 per option:		
James Allchurch	13,000,000	63.41%
Gary Steinepreis	5,000,000	24.39%
Pat Burke	2,500,000	12.20%
	20,500,000	100%
Options expiring 10/04/2016 at an exercise price of $0.024 per option:		
Erik Norum	2,500,000	100%

3 Substantial Holders (Current as at 25 September 2012)

Substantial holders of equity securities in the Company are set out below:

Ordinary Shares

Name	**Number held**	**Percentage of issued shares**
Conquest Mining Limited	300,000,000	22.95%
Ascent Capital Pty Ltd, David Steinepreis and Gary Steinepreis	187,111,724	14.31%

4 Restricted Securities

There are no restricted ordinary shares in escrow.

5 Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(ii) Options and Performance Rights

These securities have no voting rights.

6 Equity Security Holders (Current as at 24 September 2012)

The names of the twenty largest holders of quoted equity securities are listed below:

Ordinary Shares

Rank	Name	Number of shares	%
1	Conquest Mining Limited	300,000,000	22.95
2	LeisureWest Consulting Pty Ltd <LeisureWest Trust A/C>	42,000,000	3.21
3	Ascent Capital Holdings Pty Ltd	37,800,000	2.89
4	Helmet Nominees Pty Ltd <Tim Weir Family Fund A/C>	36,000,000	2.75
4	Oakhurst Enterprises Pty Ltd	36,000,000	2.75
5	Mr Donald Robin Walker	33,333,333	2.55
6	Joke Pty Ltd <Kenny Family Fund A/C>	30,000,000	2.29
7	Pheakes Pty Ltd <Senate A/C>	27,071,272	2.07
8	James Peter Allchurch <Manstein Holdings A/C>	26,400,000	2.02
9	North Asia Metals Ltd	24,259,358	1.86
10	David Christian Steinepreis	23,588,276	1.80
11	HSBC Custody Nominees (Australia) Limited –A/C 2	21,620,644	1.65
12	N & J Mitchell Holdings Pty Ltd <Steinepreis Super Fund A/C>	21,000,000	1.61
13	Rowan Hall Pty Ltd <Rowan Hall Trading A/C>	19,200,000	1.47
14	Mr Donald Robin Walker	17,000,000	1.30
15	Hazardous Investments Pty Ltd	16,600,000	1.27
16	Yarrumup Pty Ltd <Capulet Super Fund A/C>	16,400,000	1.25
17	JP Morgan Nominees Australia Limited <Cash Income A/C>	15,641,165	1.20
18	Mr Paul Robert Hearne <The PRH A/C>	14,435,000	1.10
19	Mr David Arthur Paganin <DA Paganin Family No 2 A/C>	14,303,063	1.09
20	Raejan Pty Ltd <The Marzec Family Account>	13,700,000	1.05
	TOTAL FOR TOP 20:	**786,352,111**	**60.14%**

7 On-Market Buy-Back

There is no current on-market buy-back.

8 Tenement Schedule

Herberton Tin Project
EPM 14016;
EPM 14741;
EPM 14742;
EPM 16231;
MC 1944;
MLA 20429; (application)
ML 3802;
ML 3881;
ML 3918;
ML 3948;
ML 3957;
ML 3959;
ML 4192;
ML 4253;
ML 20364;
ML 20365;
ML 20435;
MLA 20389; (application)
MLA 20429; (application)
MLA 20443; (application)
MLA 20444; (application)
MLA 20445; (application)
MLA 20447; (application)
MLA 20448; (application)
MLA 20449; (application)
MLA 20450 (application)

Baal Gammon Project
ML 20388;
ML 20568;
MLA 20692; (application)

Middle Island (EPM 4335 & part EPM 7164)
Hummock Hill Island (part EPM 7164)

Middle and Hummock Hill Islands are entirely contained within EPM 4335 and EPM 7164. These tenements are in the process of being relinquished.