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MONTO MINERALS LIMITED

ABN 71 063 144 865

Financial Report

For the Year Ended 30 June 2009

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Corporate Directory

Directors

David Steinepreis
Non-executive Chairman

Gary Steinepreis
Executive

Patrick Burke
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
ANZ Building
Level 19
324 Queen Street
Brisbane Queensland 4000

Auditor

BDO Kendalls
Level 18
300 Queen Street
Brisbane Queensland 4000
Telephone: 07 32375999

Stock Exchange Listing

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

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DIRECTORS' REPORT

Your directors present their financial report on Monto Minerals Limited (Monto or the Company) for the year ended 30 June 2009.

Directors

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

David Christian Steinepreis appointed a director on 26 June 2009 and continues in office at the date of this report.

Gary Christian Steinepreis appointed a director on 26 June 2009 and continues in office at the date of this report.

Patrick Nicolas Burke appointed a director on 26 June 2009 and continues in office at the date of this report.

The names of each person who were directors during the year and resigned prior to the date of this report are:

Peter Slaughter appointed on 28 May 2002 and resigned on 3 September 2008.

Richard Cottee appointed on 13 December 2002 and resigned on 3 September 2008.

Richard Barrington appointed on 1 June 2007 and resigned on 3 September 2008.

Peter Freeman appointed on 25 May 2006 and resigned on 2 September 2008.

Company Secretary

The company secretary is Gary Steinepreis. Mr Steinepreis was appointed to the position of company secretary on 26 June 2009. Mr Steinepreis is also a director of the Company and information on him and his qualifications are included under the information on directors. The previous company secretary was Daniel Eric Huff.

Principal Activities

The Company was under external administration during the year and the Varied Deed of Company Arrangement was wholly effectuated and settlement occurred on 28 August 2009. The principal continuing activities of the Company is mineral exploration.

Significant Changes in the State of Affairs and Review of Operations

On 29 August 2008, following the appointment of the Administrators the securities of the Company were suspended from trading on the Official List of the ASX.

At the second meeting of creditors of the Company on 16 December 2008 resolutions were passed approving:

- (a) the entry by the Company into a deed of company arrangement; and
- (b) the BPI and Panorama Acquisition.

The Deed of Company Arrangement was executed by the Company and the Administrators on 8 January 2009. Settlement of the BPI and Panorama Acquisition occurred on 1 May 2009.

At the third meeting of creditors of the Company on 11 June 2009, creditors approved the Recapitalisation Proposal made by Ascent Capital Holdings Pty Ltd (Ascent Capital) and agreed to a Varied Deed of Company Arrangement.

Significant Changes in the State of Affairs and Review of Operations (continued)

The Reconstruction Deed and Varied Deed of Company Arrangement were executed by the Company and the Deed Administrators on 22 June 2009. The Reconstruction Deed and Varied Deed of Company Arrangement, subject to certain conditions including shareholder approval of the Recapitalisation Proposal, required that an amount of \$532,000 and certain assets and rights of the Company be made available for the satisfaction of the claims of creditors and to meet the costs of the Administrators and Deed Administrators. Ascent Capital provided the funding to meet the costs associated with the Notice of Meeting and arranged the \$532,000 in additional loan funds, via a conditional loan agreement, to enable the Company to meet the terms of the Reconstruction Deed and Varied Deed of Company Arrangement.

Nominees of Ascent Capital being Mr David Steinepreis, Mr Gary Steinepreis and Mr Patrick Burke were appointed Directors of the Company on 26 June 2009.

Shareholders approved the Recapitalisation Proposal on 28 August 2009 and following the meeting settlement occurred and the Company was released from Administration on 28 August 2009.

The Company has retained the Middle Island and Hummock Hill Island Tenements and all other assets of the Company were disposed of by either the BPI & Panorama Acquisition, the Administrators or the Deed Administrators. All creditors are bound by the Varied Deed of Company Arrangement and all claims against the Company have been released as of 28 August 2009 and there are no residual liabilities or potential recovery from former creditors against the Company as of 28 August 2009.

The Company will seek the reinstatement of the quotation of its securities on ASX and continue with its mineral exploration business. The Middle Island and Hummock Hill Island Tenements remain as assets of the Company. These tenements are currently in the process of being renewed.

The Company proposes to raise sufficient working capital to review, evaluate and develop the Middle Island and Hummock Hill Island Tenements and, as part of the working capital budget, pursue new projects in the minerals sector by way of acquisition or investment.

The Middle Island (EPM 4335 & part EPM 7164) and Hummock Hill Island (part EPM 7164) mineral sands deposits are located in Central Queensland, south east of the industrial port of Gladstone, close to road, rail, power, water and workforce.

Operating Result

The loss from continuing operations for the financial year after providing for income tax was \$184,555 (2008: profit of \$640,156). The loss from discontinued operations for the financial year was \$73,490,856 (2008:\$4,914,585). 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.

Financial Position

During the year the Company was under external administration and its securities suspended from trading on the ASX. The execution of a deed of company arrangement on 22 June 2009 and shareholder approval on 28 August 2009 has enabled the Company to be released from external administration on 28 August 2009. Following a capital raising, the Company will request for the suspension of the trading of its shares to be lifted. The reconstruction and recapitalisation of the Company will see it in a financial position that will enable it to move forward with its current activities whilst investigating future potential opportunities by way of acquisition and/or investment. The capital raising associated with the recapitalisation of the Company will ensure that the Company has sufficient funds to meet its commitments.

After Balance Date Events

Shareholders approved the Recapitalisation Proposal on 28 August 2009 and the settlement of the Varied Deed of Company Arrangement occurred on 28 August 2009. As a result, the Company was released from external administration on 28 August 2009.

Ascent Capital has provided the funding to meet the costs associated with the Notice of Meeting, paid \$500,000 to the Deed Administrators for the benefit of Creditors and put in place a bond of \$32,000 for the Middle Island and Hummock Hill Island Tenements. These loan funds have been provided via a conditional loan agreement, to enable the Company to meet the terms of the Reconstruction Deed and Varied Deed of Company Arrangement.

All creditors are bound by the Varied Deed of Company Arrangement and on completion, 28 August 2009, all claims against the Company were released and there are no residual liabilities or potential recovery from former creditors against the Company after that date (28 August 2009).

Other than as disclosed, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Company's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Company'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. The Board is of the view that all requirements have been met.

INFORMATION ON CURRENT DIRECTORS

David Christian Steinepreis (Non-executive Chairman, age 52)

Experience and Expertise

Mr Steinepreis is a Chartered Accountant and former partner of an international accounting firm where he specialised in strategic corporate advice and taxation for listed companies. He entered commerce as a director, adviser and major shareholder of a number of listed companies in the gold, diamonds, oil and new mining technology sectors.

Mr Steinepreis has been a resident of the United Kingdom since 2006. He is non-executive chairman of Ascent Capital Holdings Pty Ltd.

Other Current Directorships

Non-Executive Director, Norseman Gold Plc since 2 March 2005;
Managing Director, North River Resources Plc since 13 July 2006; and
Non-Executive Chairman, Atom Energy Limited since 27 November 2008,

Former Directorships in the Last Three Years

WAG Limited 2 November 2006 to 13 March 2008;
Black Fire Energy Ltd 29 November 2006 to 8 September 2009;
Southern Pacific Petroleum NL 11 October 2007 to 19 August 2009;
Toodyay Resources Limited 22 December 2005 to 15 October 2007;
RMG Limited 31 January 2006 to 28 September 2007;
Avalon Minerals Limited 18 December 2006 to 15 January 2007;
Gawler Resources Limited 17 May 2006 to 1 March 2007;
Signature Brands Limited 1 June 2006 to 20 February 2007; and
Monitor Holdings Limited 16 April 2004 to 13 June 2007; and
Croesus Mining NL 12 July 2007 to 31 August 2009.

Special Responsibilities

Chairman of the Board

Interests in Shares and Options

Nil.

Gary Christian Steinepreis (Executive director, age 43)

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.

Mr Steinepreis is a director of Ascent Capital Holdings Pty Ltd.

INFORMATION ON CURRENT DIRECTORS (continued)

Gary Christian Steinepreis (Executive director, age 43)

Other Current Directorships

Non-Executive Director Norseman Gold Plc appointed 30 March 2006 resigned 11 September 2006 and reappointed 3 December 2007;

Non-Executive Director, Laguna Resources NL since 11 October 2007;

Non-Executive Director, WAG Limited since 2 November 2006;

Non-Executive Director, Avalon Minerals Ltd since 20 December 2006;

Non-Executive Director, RMG Limited since 31 January 2006; and

Executive Director, Agri Energy Limited (subject to a deed of company arrangement) since 22 June 2009.

Former Directorships in the Last Three Years

Toodyay Resources Limited 22 December 2005 to 23 October 2007;

Black Fire Energy Ltd 29 November 2006 to 8 September 2009;

Gawler Resources Ltd 17 May 2006 to 27 November 2007;

GB Energy Limited 13 March 2006 to 29 August 2007;

Monitor Holdings Limited 16 April 2004 to 18 January 2007;

Karmelsonix Limited 18 August 2003 to 21 November 2006;

Signature Brands Ltd 1 June 2006 to 27 November 2008; and

Croesus Mining NL 12 July 2007 to 31 August 2009.

Special Responsibilities

Company Secretary

Interests in Shares and Options

Nil.

Patrick Burke (Executive director, age 40)

Experience and Expertise

Patrick Burke holds a Bachelor of Laws degree from the University of Western Australia. He has approximately fifteen 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

Executive Director, WAG Limited since 20 December 2006;

Executive Director, North River Resources Plc since 22 November 2006; and

Executive Director, Agri Energy Limited (subject to a deed of company arrangement) since 22 July 2009.

Former Directorships in the Last Three Years

Southern Pacific Petroleum NL 11 October 2007 to 19 August 2009;

Signature Brands Limited 1 June 2006 to 20 February 2007; and

Croesus Mining NL 12 July 2007 to 31 August 2009.

INFORMATION ON CURRENT DIRECTORS (continued)

Patrick Burke (Executive director, age 40) (continued)

Special Responsibilities

None

Interests in Shares and Options

Nil.

MEETINGS OF DIRECTORS

During the year ended 30 June 2009 and up to 28 August 2009 the Company was subject to a deed of Company Arrangement and under the control of the Deed Administrators. The powers of the directors were suspended and no meetings of directors were held during the period of administration.

REMUNERATION REPORT

The principles adopted have been approved by the current board of the Company following the release from external administration on 29 August 2009. The remuneration report is 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 Accounting Standard AASB 124, *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

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' interests:

- (i) focuses on sustained growth in shareholder wealth; and
- (ii) attracts and retains high calibre executives.

REMUNERATION REPORT (continued)

1 Principles used to determine the nature and amount of remuneration
(continued)

Alignment to program participants' interests:

- (i) rewards capability and experience; and
- (ii) provides a clear structure for earning rewards.

Executive directors

Fees and payments to executive directors reflect the demands which are made on, and the responsibilities of, the directors. Executive directors' fees and payments are reviewed annually by the Board. The Board also ensures that executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined together with those of the executive directors. Executive directors do not receive share based payments as part of their compensation package.

Retirement allowances and benefits for directors

There are no retirement allowances or other benefits paid to directors.

2 Details of Remuneration

The amount of remuneration of the directors and key management personnel (as defined in AASB 124 Related Party Disclosures) is set out below:

2009 Name	Salary/ Consulting Fees \$	Director fees \$	Interest \$	Super- annuation \$	Other Compensation (a) \$	Options \$	Total \$
D Steinepreis	-	-	-	-	-	-	-
P Burke	-	-	-	-	-	-	-
G Steinepreis	-	-	-	-	-	-	-
P Slaughter	-	5,000	1,365	450	-	-	6,815
R Cottee	-	6,000	-	540	-	-	6,540
P Freeman	-	5,243	-	-	-	-	5,243
R Barrington	-	5,243	-	-	-	-	5,243
P McMurtrie	135,973	-	-	-	-	-	135,973
G Brown	104,167	-	-	9,375	131,730	-	245,272
M Moor	31,500	-	-	-	-	-	31,500
M Christie	154,685	-	-	-	-	-	154,685
TOTAL	426,325	21,486	1,365	10,365	131,730	-	591,271

- (a) Termination payments per employment agreements.

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REMUNERATION REPORT (continued)

2 Details of Remuneration (continued)

2008 Name	Salary/ Consulting Fees \$	Director fees \$	Interest \$	Super- annuation \$	Other Compensation \$	Options \$	Total \$
P Slaughter	-	60,000	9,281	5,400	100,000	-	174,681
R Cottee	-	36,000	-	3,240	-	-	39,240
P Freeman	-	13,118	-	-	-	-	13,118
R Barrington	2,247	66,857	-	-	-	-	69,104
P McMurtrie	315,893	-	-	-	-	50,000	365,893
G Brown	250,000	-	-	22,500	-	50,000	322,500
M Moor	108,375	-	-	-	-	-	108,375
M Christie	27,050	-	-	-	-	-	27,050
G Moore	265,515	-	41,474	23,119	100,000	-	430,108
M McCauley	-	24,500	-	2,205	-	-	26,705
P Dowling	21,000	17,600	-	1,584	-	-	40,184
TOTAL	990,080	218,075	50,755	58,048	200,000	100,000	1,616,958

3 Employment Contracts of Directors and Senior Executives

There are no employment contracts with directors. As at the date of this report there are no executives or key management personnel, other than the directors, engaged by the Company. Executive directors serve on a month to month basis and there are no termination payments payable. All employees of the Company were terminated as part of the external administration process. The former directors all resigned in September 2008.

4 Performance-based Remuneration

Details of the terms and conditions of options and rights granted to key management personnel as compensation during the years ended 30 June 2009 and 30 June 2008 are as follows:

2009	No. options granted	No. options vested				
	-	-				
2008	No. options granted	No. options vested	Fair value per option grant date	Exercise price	Amount paid or payable	Expiry date
P McMurtrie	1,340,000	536,000	0.195	0.156	-	1/2/2011
G M Brown	1,340,000	536,000	0.195	0.156	-	1/2/2011
	2,680,000	1,072,000				

This is the end of the remuneration report.

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INDEMNIFYING OF OFFICERS OR AUDITOR

The Company does not currently have directors and / or officers or auditor insurance.

Prior to external administration the Company had paid a premium to insure all officers of the company against costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers of the Company or a related body corporate.

SHARES AND OPTIONS

Directors' Interests in Shares and Options

At 30 June 2009, Directors held a relevant interest in the following securities of the Company:

2009	Ordinary Shares	Directors Options
D Steinepreis	-	-
P Burke	-	-
G Steinepreis	-	-

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:

2009 Date of Issue	No. of Options Outstanding	Expiry Date	Exercise Price
26/03/2007	335,365	25/05/2012	£ 0.001
31/05/2007	2,000,000	28/05/2012	\$ 0.19
TOTAL	2,335,365		

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 Kendalls continues in office in accordance with section 327 of the *Corporations Act 2001*.

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AUDITOR (continued)

Non-Audit Services

The board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid / payable during the year ended:

30 June 2009

Taxation Services	-
Research and Development Advisory Services	\$3,750
Other Advisory Services	-
TOTAL	<u>\$3,750</u>

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12 of the annual 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. A review of the Company's corporate governance practices was undertaken subsequent to the end of the year. Please refer to the corporate governance statement included with this report.

COMPARATIVE FINANCIAL INFORMATION

On 30 September 2008 the Australian Securities and Investment Commission issued an order under section 340 subsection (1) of the Corporations Act 2001 relieving the company from compliance with the requirements of Part 2M.3 of the Act in relation to the financial year ended 30 June 2008 and the half year ended 31 December 2008.

The reporting relief granted means that the company is exempt from the requirement to prepare, have audited and lodge financial reports and directors reports for 30 June 2008 and 31 December 2008 and from the requirement to distribute those reports to shareholders.

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



Gary Steinepreis - Director
West Perth, 30 September 2009



BDO Kendalls

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www.bdo.com.au

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

As lead auditor of Monto Minerals Limited for the year ended 30 June 2009, 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; and
- 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.

BDO Kendalls (QLD)

Anthony Whyte

Partner

Brisbane
30 September 2009

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The financial report is presented in Australian currency.
The financial report covers Monto Minerals Limited as an individual entity only.
Monto Minerals Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1
33 Ord Street
West Perth Western Australia WA 6005

A description of the nature of the Company's operations and its principal activities is included in the review of operations and activities in the directors' report. The directors' report does not form part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2009. The Company has the power to amend and reissue the financial report.

The Company has ensured and continues to ensure that its corporate reporting is timely, complete and available.

Monto Minerals Limited
Income Statement
For the year ended 30 June 2009

	Note	2009 \$	2008 \$
Revenue from continuing operations	5(a)	403,936	1,569,436
Expenses from continuing operations	6	<u>(588,491)</u>	<u>(929,280)</u>
(Loss) / profit before income tax		(184,555)	640,156
Income tax expense		<u>-</u>	<u>-</u>
(Loss) / profit from continuing operations		(184,555)	640,156
Revenue from discontinued operations	5(b)	182,993	146,595
Profit / (loss) from discontinued operations	7(a)	6,454,958	(5,061,180)
Loss from discontinued operations due to sale of subsidiary	7(b)	<u>(80,128,807)</u>	<u>-</u>
Loss for the year		<u>(73,675,411)</u>	<u>(4,274,429)</u>
Loss attributable to the members of Monto Minerals Limited		<u>(73,675,411)</u>	<u>(4,274,429)</u>
		Cents	Cents
(Loss) / profit per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic (loss) / profit per share	21	(0.0005)	0.0019
Diluted loss per share	21	(0.0005)	0.0019
Loss per share for loss from discontinued operations attributable to the ordinary equity holders of the Company:			
Basic loss per share	21	(0.1882)	(0.0145)
Diluted loss per share	21	(0.1882)	(0.0145)
Loss per share for loss from overall operations attributable to the ordinary equity holders of the Company:			
Basic loss per share	21	(0.1887)	(0.0126)
Diluted loss per share	21	(0.1887)	(0.0126)

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

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Monto Minerals Limited
Balance Sheet
30 June 2009

ASSETS	Note	2009	2008
		\$	\$
Current assets			
Cash and cash equivalents	9	239,119	3,012,711
Trade and other receivables	10	141,197	1,853,776
Total current assets		380,316	4,866,487
Non current assets			
Security deposit paid		32,000	-
Investment in other entity		-	101
Trade and other receivables		-	88,866,955
Property, plant and equipment	11	-	25,488
Total non current assets		32,000	88,892,544
Total assets		412,316	93,759,031
LIABILITIES			
Current liabilities			
Trade and other payables	12	4,450,991	1,011,789
Interest bearing liabilities		-	568,804
Total current liabilities		4,450,991	1,580,593
Non current liabilities			
Interest bearing liabilities		-	22,801,551
Total non current liabilities		-	22,801,551
Total liabilities		4,450,991	24,382,144
NET (LIABILITIES) / ASSETS		(4,038,675)	69,376,887
EQUITY			
Contributed equity	13(a)&(b)	83,965,715	83,705,866
Paid up options	13(c)&(d)	2,905,160	2,905,160
Share based payment reserve	13(c)&(d)	967,241	967,241
Accumulated losses	14	(91,876,791)	(18,201,380)
TOTAL (DEFICIENCY) / EQUITY		(4,038,675)	69,376,887

The above balance sheet should be read in conjunction with the accompanying notes.

Monto Minerals Limited
Statement of Changes in Equity
For the year ended 30 June 2009

	Ordinary shares	Paid up options	Share reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
2008					
Balance 1 July 2007	75,070,451	2,905,160	859,641	(13,926,951)	64,908,301
Loss for the year	-	-	-	(4,274,429)	(4,274,429)
	75,070,451	2,905,160	859,641	(18,201,380)	60,633,872
Shares issued	8,967,830	-	-	-	8,967,830
Share based payments	-	-	107,600	-	107,600
Transaction costs	(332,415)	-	-	-	(332,415)
Balance 30 June 2008	83,705,866	2,905,160	967,241	(18,201,380)	69,376,887
2009					
Balance 1 July 2008	83,705,866	2,905,160	967,241	(18,201,380)	69,376,887
Loss for the year	-	-	-	(73,675,411)	(73,675,411)
	83,705,866	2,905,160	967,241	(91,876,791)	(4,298,524)
Shares issued	261,824	-	-	-	261,824
Transaction costs	(1,975)	-	-	-	(1,975)
Balance 30 June 2009	83,965,715	2,905,160	967,241	(91,876,791)	(4,038,675)

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

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Monto Minerals Limited
Cash Flow Statement
For the year ended 30 June 2009

	Note	2009 \$	2008 \$
Cash flow statement			
Receipts from customers and government		-	70,000
Interest received		403,936	1,659,000
Finance costs		(104,388)	-
Payments to suppliers and employees		(566,491)	(373,000)
Cash outflow) / inflow from continuing operating activities		(266,943)	1,356,000
Receipts from customers and government		554,129	-
Finance costs		(441,576)	(1,019,000)
Payments to suppliers and employees		(3,115,767)	(1,594,000)
Cash outflow from discontinued activities		(3,003,214)	(2,613,000)
Net cash outflow from continuing operating and discontinued activities	20	(3,270,157)	(1,257,000)
Cash flows from investing activities			
Payments for plant & equipment		-	(10,000)
Proceeds from the sale of plant and equipment		1,523	-
Proceeds from the sale of subsidiary		803,251	-
Net cash inflow (outflow) from investing activities		804,774	(10,000)
Cash flows from financing activities			
Proceeds from the issue of shares		1,490,829	3,436,000
Loans to controlled entities		(1,603,840)	(29,273,000)
Costs associated with capital raising		(30,000)	(332,000)
Proceeds from borrowings		-	12,000,000
Payments to reduce debt		(14,851)	-
Repayment of loan		(111,714)	-
Net cash outflow from financing activities		(269,576)	(14,169,000)
Net decrease in cash and cash equivalents		(2,734,959)	(15,436,000)
Net foreign exchange difference		(38,633)	2,000
Cash and cash equivalents at the beginning of the financial year		3,012,711	18,447,000
Cash and cash equivalents at the end of the financial year		239,119	3,013,000

The above cash flow statement should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

This financial report includes the financial statements and notes of Monto Minerals a public limited entity.

(a) Basis of preparation

The financial report is a general purpose financial report that has 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 a financial report 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. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non – current assets, financial assets and financial liabilities.

The company has not prepared consolidated financial statements in accordance with AASB 127 “Consolidated and Separate Financial Statements” as a result of the loss of control of its subsidiaries during the financial year. At 30 June 2009, the Company did not have any subsidiaries and the financial statements have been prepared on a parent entity basis only.

(b) Going Concern Basis of Accounting

The general purpose financial report has been prepared on the basis of a going concern. The Company’s ability to continue as a going concern is contingent upon raising additional capital to complete the recapitalisation to fund exploration commitments, other principal activities and for working capital. If additional capital is not raised, the going concern basis may not be appropriate with the result that the Company may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

On 28 August 2009 Shareholders approved the Recapitalisation Proposal and following the meeting settlement occurred and the Company was released from Administration on 28 August 2009. All creditors are bound by the Varied Deed of Company Arrangement and all claims against the Company have been released as of 28 August 2009 and there are no residual liabilities or potential recovery from former creditors against the Company as of 28 August 2009.

(c) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

1 Summary of significant accounting policies (continued)

(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.

Revenue is recognised for the major business activities as follows. Interest income is recognised on a time proportion basis using the effective interest method. Grants received from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

(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.

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 Company 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 income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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1 Summary of significant accounting policies (continued)

(f) Impairment of Assets (continued)

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) Cash and Cash Equivalents

For cash flow statement 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.

(h) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 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.

A provision for doubtful receivables is established when there is objective evidence that the Company 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 income statement.

(i) Trade and Other Payables

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

(j) Issued Capital

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.

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1 Summary of significant accounting policies (continued)

(k) 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.

(l) 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 balance sheet.

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.

(m) Exploration and Development 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.

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1 Summary of significant accounting policies (continued)

(m) Exploration and Development Expenditure (continued)

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.

(n) Property, Plant and Equipment

Property, plant and equipment are carried at cost less, where applicable, any accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Company entity includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

(o) Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land is depreciated over their useful lives to the economic entity commencing from the time the asset is held ready for use. Depreciation is calculated on a straight line basis.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets	Depreciation Rate
Motor vehicles	12.5 – 20 %
Office equipment	10 – 40 %
Furniture & fittings	5 - 12.5 %
Plant & equipment	5 - 12.5 %
Buildings	5 %

(p) Equity Settled Compensation

The Company 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)

(q) Employee Benefits

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

(r) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rate of exchange applicable at the date of the transaction.

Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

Exchange differences arising on hedging transactions undertaken to hedge foreign currency exposures, other than those for the sale of goods are brought to account in the Income Statement when the exchange rates change. Any material gain or loss arising at the time of entering into a hedge transaction is deferred and brought to account in the Income Statement over the life of the hedge.

Costs or gains arising at the time of entering hedged transactions, entered into for the sale of goods are deferred and exchange differences that occur up to the date of sale are deferred and included in the measurement of the sale.

(s) 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.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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1 Summary of significant accounting policies (continued)

(s) Financial Instruments

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(t) Provisions

Provisions are recognised when the Company 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.

(u) New Accounting Standards and Australian Accounting Interpretations

No new Australian accounting standards, that are not yet effective, have been applied to this financial report. There are no new Australian accounting standards, that are not yet effective, that are expected to have a material impact on future financial reports.

(v) Provisions for Restoration and Rehabilitation

The obligation to make good environmental or other damages is provided for in full immediately. Additionally the cost of an asset includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

2 Financial Risk Management

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

The Company's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company'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 Company. Risk management is carried out by the board of directors under policies approved by the Board. The board identifies and evaluates financial risks and provides written principles for overall risk management.

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

Interest Rate Risk

As the Company has no significant interest-bearing assets other than cash at bank, the Company's income and operating cash flows are not materially exposed to changes in market interest rates.

2 Financial Risk Management (continued)

Interest Rate Risk (continued)

2009	Floating interest rate	Fixed interest rate maturing 1 year or less	Non-interest bearing	Total	Weighted average effective interest rate
Financial Instruments	\$	\$	\$	\$	%
<i>(i) Financial assets</i>					
Cash assets	239,119	-	-	239,119	2.75
Security deposit	-	-	32,000	32,000	
Withholding tax	-	-	29	29	
Trade and other receivables	-	-	141,168	141,168	
Total financial assets	239,119	-	173,197	412,316	

(ii) Financial liabilities

Trade and other payables	-	-	4,450,991	4,450,991	
Total financial liabilities	-	-	4,450,991	4,450,991	

2008	Floating interest rate	Fixed interest rate maturing 5 years or less	Non-interest bearing	Total	Weighted average effective interest rate
Financial Instruments	\$	\$	\$	\$	%
<i>(i) Financial assets</i>					
Cash assets	3,012,711	-	-	3,012,711	7.05
Capitalised finance costs	-	-	1,333,334	1,333,334	
Trade and other receivables	-	-	90,720,731	90,720,731	
Total financial assets	3,012,711	-	92,054,065	95,066,776	
<i>(ii) Financial liabilities</i>					
Interest bearing liabilities	-	24,703,689	-	24,703,689	7.21
Trade and other payables	-	-	1,011,789	1,011,789	
Total financial liabilities	-	24,703,689	1,011,789	25,715,478	

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

	2009	2008
Change in loss:	\$	\$
Increase by 2%	11,358	2,002,559
Decrease by 2%	(11,358)	(2,002,559)
Change in equity:		
Increase by 2%	11,358	2,002,559
Decrease by 2%	(11,358)	(2,002,559)

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2 Financial Risk Management (continued)

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due.

Subsequent to 30 June 2009, \$3,976,796 of the Company's trade and other payables have been forgiven. The remaining balance of \$474,195 has been or will be settled or forgiven within 30 days of year end.

Credit Risk

The Company has no significant concentrations of credit risk.

Price risk

The Company 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.

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

4 Segment Information

Business Segment

The Company operates in the mineral exploration business segment.

Geographical Segment

The Company is domiciled in Australia and currently operates within Australia.

5(a) Revenue from continuing operations	2009	2008
	\$	\$
Interest received	403,936	1,567,311
Net foreign exchange gain	-	2,125
	<u>403,936</u>	<u>1,569,436</u>
5(b) Revenue from discontinued operations	2009	2008
	\$	\$
R & D tax offset and Government assistance	182,993	146,595
	<u>182,993</u>	<u>146,595</u>

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6 Expenses from continuing operations	2009	2008
	\$	\$
Administration expenses	(58,810)	(50,713)
Corporate compliance costs	(118,727)	(209,470)
Audit and non audit service fees	(22,743)	(39,241)
Occupancy costs	(48,888)	(62,946)
Employee benefits expense	(232,557)	(372,610)
Travel expenses	(40,939)	-
Public and investor relations	(35,979)	(52,877)
Marketing costs	(8,614)	(26,558)
Insurance	(21,234)	(28,765)
Legal fees	-	(86,100)
Total expenses	(588,491)	(929,280)
7 Discontinued operations	2009	2008
	\$	\$
7(a) Profit / (loss) from discontinued operations		
Net debts forgiven	9,283,719	-
Employee benefits expense	(607,895)	(1,518,270)
Administrators fees and expenditure	(1,090,668)	-
Consultants fees and expenses	(237,164)	(927,118)
Legal fees	(453,223)	-
Travel expenses	-	(286,596)
Depreciation and amortisation	-	(462,204)
Finance costs	(439,811)	(1,866,992)
	6,454,958	(5,061,180)
7(b) Loss on sale of subsidiary		
Proceeds from sale	803,251	-
Investment in subsidiary	(606,402)	-
Inter-company loan written off	(80,325,656)	-
	(80,128,807)	-

Discontinued Operations

On 29 August 2008, following the appointment of the Administrators, the securities of the Company were suspended from quotation on the Official List of the ASX.

A Deed of Company Arrangement was executed by the Company and the Administrators on 8 January 2009.

Following the second meeting of creditors of the Company, the Deed Administrators considered and put to creditors for approval the Recapitalisation Proposal made by Ascent Capital Holdings Pty Ltd.

The Reconstruction Deed was executed by the Company, the Deed Administrators and Ascent Capital on 22 June 2009 and the Varied Deed of Company Arrangement was also executed by the Company and the Deed Administrators on 22 June 2009.

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7 Discontinued operations (continued)

The Reconstruction Deed and Varied Deed of Company Arrangement required that an amount of \$500,000 plus any bond amount for the Middle Island and Hummock Hill Island Tenements and certain assets and rights of the Company be made available for the satisfaction of the claims of creditors and to meet the costs of the Administrators and Deed Administrators.

Ascent Capital provided the funding to meet the costs associated with the Notice of Meeting and arranged \$500,000 plus any bond amount for the Middle Island and Hummock Hill Island Tenements in additional loan funds, via a conditional loan agreement, to enable the Company to meet the terms of the Reconstruction Deed and Varied Deed of Company Arrangement.

The Middle Island and Hummock Hill Island Tenements remained as assets of the Company and all other assets were disposed of by either, the BPI & Panorama Acquisition, the Administrators or the Deed Administrators. All creditors are bound by the Varied Deed of Company Arrangement and on completion on 28 August 2009 all claims against the Company have been released and there are no residual liabilities or potential recovery from former creditors against the Company.

The Company will seek the reinstatement of the quotation of its securities on ASX. and intends to continue with its mineral exploration business. The Middle Island and Hummock Hill Island Tenements remain as unencumbered assets of the Company. These tenements are currently in the process of being renewed.

The Company proposes to raise sufficient working capital to review, evaluate and develop the Middle Island and Hummock Hill Island Tenements and, as part of the working capital budget, pursue new projects in the minerals sector by way of acquisition or investment.

Comparative financial information

On 30 September 2008 the Australian Securities and Investment Commission issued an order under section 340 subsection (1) of the Corporations Act 2001 relieving the company from compliance with the requirements of Part 2M.3 of the Act in relation to the financial year ended 30 June 2008 and the half year ended 31 December 2008.

The reporting relief granted means that the company is exempt from the requirement to prepare, have audited and lodge financial reports and directors reports for 30 June 2008 and 31 December 2008 and from the requirement to distribute those reports to shareholders.

8 Income Tax Expense

The Company is currently assessing the impact of the recapitalisation and effect of the external administration on the carry-forward tax loss position.

9 Current Assets – Cash and Cash Equivalents	2009	2008
	\$	\$
Cash at bank and in hand	<u>239,119</u>	<u>3,012,711</u>

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10 Trade and other receivables	2009	2008
Current	\$	\$
Withholding tax	29	-
Trade and other receivables	141,168	1,853,776
	<u>141,197</u>	<u>1,853,776</u>
Non current		
Trade and other receivables	<u>-</u>	<u>88,866,755</u>

11 Property, plant and equipment	<u>-</u>	<u>25,488</u>
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12 Trade and other payables		
Current - Unsecured		
Trade and other payables	4,450,991	-
	<u>4,450,991</u>	<u>-</u>

13 Contributed Equity				
(a) Share Capital	2009	2009	2008	2008
	Shares	\$	Shares	\$
Ordinary shares fully paid	<u>390,966,461</u>	<u>83,965,715</u>	388,437,711	83,705,866

(b) Movement in Ordinary Share Capital

Date	Details	Number of shares	Issue price	Amount \$
1/7/2008	Opening balance	388,437,711	-	83,705,866
17/9/2008	Issue of shares	2,528,750	10.35 cents	261,824
17/9/2009	Cost of share issue	-		(1,975)
30/6/2009	Balance	<u>390,966,461</u>		<u>83,965,715</u>

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

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

(c) Other Equity Securities

2009	Expiry Date	Exercise Price	Number under option
Unlisted UK director remuneration options	25-May-2012	\$0.002	335,365
Unlisted options	28-May-2012	\$0.190	2,000,000
			<u>2,335,365</u>

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13 Contributed Equity (continued)

(c) **Other Equity Securities** (continued)

2008	Expiry Date	Exercise Price	Number under option
Unlisted directors options	25-May-2011	\$0.455	1,900,000
AIM listed options	25-May-2009	\$0.354	26,609,526
Unlisted options	25-May-2009	\$0.283	1,397,000
Unlisted UK director remuneration options	25-May-2012	\$0.002	335,365
Unlisted options	28-May-2012	\$0.190	2,000,000
Employee options	01-Feb-2011	\$0.156	2,880,000
			35,121,891

(d) **Movement in Other Equity Securities**

Date	Details	Number of options	Issue price	Amount \$
1/7/2008	Opening balance	35,121,891	-	3,872,401
25/5/2009	Options expired	(28,006,526)	-	-
	Options cancelled	(4,780,000)	-	-
30/6/2009	Balance	2,335,365		3,872,401

14 Accumulated Losses

	2009	2008
	\$	\$

Movements in accumulated losses:		
Balance at the beginning of the year	(18,201,380)	(13,926,951)
Options cancelled	-	-
Net (loss) / profit from continuing operations	(1,562)	786,751
Net loss from discontinued operations	(73,673,849)	(5,061,180)
Balance at the end of the year	(91,876,791)	(18,201,380)

15 Dividends

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

16 Key Management Personnel Disclosures

(a) **Directors**

The following persons were directors during the financial year and remain in office at the date of this report:

David Christian Steinepreis appointed a director on 26 June 2009 and continues in office at the date of this report.

Gary Christian Steinepreis appointed a director on 26 June 2009 and continues in office at the date of this report.

Patrick Nicolas Burke appointed a director on 26 June 2009 and continues in office at the date of this report.

16 Key Management Personnel Disclosures (continued)

(a) Directors (continued)

The following persons were directors during the year and resigned prior to the date of this report:

Peter Slaughter appointed on 28 May 2002 and resigned on 3 September 2008.

Richard Cottee appointed on 13 December 2002 and resigned on 3 September 2008.

Richard Barrington appointed on 1 June 2007 and resigned on 3 September 2008.

Peter Freeman appointed on 25 May 2006 and resigned on 2 September 2008.

(b) Key Management

The following persons were key management personnel of Monto Minerals Limited during the financial year:

Mike Christie Chief Executive Officer – appointed 16 June 2008

Murray Moor Marketing Manager – appointed 29 November 2007

Phillip McMurtrie Operations Manager

Gayle Brown Chief Financial Officer

(c) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Options and rights holdings

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

2009		Granted as compensation	Options cancelled		Vested at	Vested and exercisable
Name	1/7/2008			30/6/2009	30/6/2009	30/6/2009
D Steinepreis	-	-	-	-	-	-
G Steinepreis	-	-	-	-	-	-
P Burke	-	-	-	-	-	-
P Slaughter	500,000	-	(500,000)	-	-	-
R Cottee	300,000	-	(300,000)	-	-	-
P Freeman	335,365	-	-	335,365	335,365	335,365
C Barrington	-	-	-	-	-	-
P McMurtrie	536,000	-	(536,000)	-	-	-
G Brown	536,000	-	(536,000)	-	-	-
Total	2,207,365	-	(1,072,000)	335,365	335,365	335,365

2008		Granted as compensation	Expiry of options		Vested at	Vested and exercisable
Name	1/7/2007			30/6/2008	30/6/2008	30/6/2008
P Slaughter	500,000	-	-	500,000	500,000	500,000
P Dowling	300,000	-	-	300,000	300,000	300,000
G Moore	500,000	-	-	500,000	500,000	500,000
R Cottee	300,000	-	-	300,000	300,000	300,000
P Freeman	335,365	-	-	335,365	335,365	335,365
C Barrington	-	-	-	-	-	-
M McCauley	-	-	-	-	-	-
P McMurtrie	-	1,340,000	-	1,340,000	536,000	536,000
G Brown	-	1,340,000	-	1,340,000	536,000	536,000
Total	1,935,365	2,680,000	-	4,615,365	3,007,365	3,007,365

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16 Key Management Personnel Disclosures (continued)

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

(ii) 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:

2009 Name	1/7/2008	Granted as compensation	Exercise of options or rights	Other changes	Balance 30/6/2009	Balance held nominally
D Steinepreis	-	-	-	-	-	-
G Steinepreis	-	-	-	-	-	-
P Burke	-	-	-	-	-	-
P Slaughter	334,958	-	-	-	334,958	-
R Cottee	60,260	-	-	-	60,260	60,260
P Freeman	469,526	-	-	-	469,526	469,526
C Barrington	-	-	-	-	-	-
P McMurtrie	505,215	-	-	-	505,215	-
G Brown	100,000	-	-	-	100,000	100,000
M Moor	20,000	-	-	-	20,000	20,000
Total	1,489,959	-	-	-	1,489,959	649,786

2008 Name	1/7/2007	Granted as compensation	Exercise of options or rights	Other changes	Balance 30/6/2008	Balance held nominally
P Slaughter	334,958	-	-	-	334,958	-
P Dowling	224,306	-	-	-	224,306	224,306
G Moore	242,208	-	-	-	242,208	238,608
R Cottee	60,260	-	-	-	60,260	60,260
P Freeman	469,526	-	-	-	469,526	469,526
C Barrington	-	-	-	-	-	-
M McCauley	-	-	-	-	-	-
P McMurtrie	505,215	-	-	-	505,215	-
Ge Brown	100,000	-	-	-	100,000	100,000
M Moor	20,000	-	-	-	20,000	20,000
Total	1,956,473	-	-	-	1,956,473	1,112,700

(d) Other Transactions with Key Management Personnel

Consulting services - All consulting fees were in the ordinary course of business and were on commercial terms and conditions.

	2009 \$	2008 \$
Consulting services provided by key management personnel and recognised as an expense		
Chris Barrington	-	2,247
Mike Christie	154,685	27,050
Murray Moor	31,500	108,375
Phillip McMurtrie	135,973	315,893
	<u>322,158</u>	<u>453,565</u>

16 Key Management Personnel Disclosures (continued)

(d) Other Transactions with Key Management Personnel (continued)

Aggregate amounts of liabilities at balance date relating to consulting services, Directors fees, superannuation on unpaid Directors fees, and interest due to Directors of the Group are as follows:

	2009	2008
	\$	\$
Current liabilities	-	880,925
	-	880,925
Interest expense recognised on amounts owed to key management personnel		
Peter Slaughter	1,365	9,281
Geoffrey Moore	6,343	41,474
	7,708	50,755

17 Remuneration of Auditors

Assurance Services

Audit Services

Amounts paid/payable to BDO Kendalls for audit and review of the financial reports

	18,993	20,370
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Amounts paid/payable to BDO Kendalls for non-audit services:

- Taxation services	-	9,190
- R&D advisory services	3,750	8,281
- Other advisory services	-	1,400
	3,750	18,871

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

These assignments are principally tax advice and due diligence reporting on acquisitions, or where BDO Kendalls are awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major material consulting projects.

18 Commitments

Mineral Tenement Commitments

The Company has certain minimum obligations in pursuance of the terms and conditions of tenement licences in the forthcoming year. Whilst these obligations are capable of being varied from time to time, in order to maintain current rights of tenure to mining tenements, the Company maintains the tenements in good standing. These obligations are expected to be fulfilled in the normal course of operations.

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19 Events Occurring After the Balance Sheet Date

Shareholders approved the Recapitalisation Proposal on 28 August 2009 and the settlement of the Varied Deed of Company Arrangement occurred on 28 August 2009. As a result, the Company was released from external administration on 28 August 2009.

Ascent Capital has provided the funding to meet the costs associated with the Notice of Meeting, paid \$500,000 to the Deed Administrators for the benefit of Creditors and put in place a bond of \$32,000 for the Middle Island and Hummock Hill Island Tenements. These loan funds have been provided via a conditional loan agreement, to enable the Company to meet the terms of the Reconstruction Deed and Varied Deed of Company Arrangement.

All creditors are bound by the Varied Deed of Company Arrangement and on completion, 28 August 2009, all claims against the Company were released and there are no residual liabilities or potential recovery from former creditors against the Company after that date (28 August 2009).

Other than as disclosed in the financial report, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

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

20 Reconciliation of Loss After Income Tax to Net Cash Outflow from Continuing Operating and Discontinued Activities	2009	2008
	\$	\$
Loss for the year	(73,675,411)	(4,274,429)
Non operating cash flow items:		
Depreciation and amortisation	-	462,000
Non cash interest on loan	-	751,000
Non-cash share based payments	-	107,000
Unrealised loss / (gain) on foreign exchange	-	(2,000)
Net debts forgiven	(9,283,719)	-
Proceeds from sale of investment	(803,251)	-
Write off of investment in subsidiary	606,402	-
Write off of inter company loan	80,325,656	-
Changes in operating assets and liabilities:		
Net movement in trade receivables and trade payables	(439,834)	1,699,000
Net cash outflow from operating and discontinued activities	(3,270,157)	(1,257,429)

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21	Loss Per Share	Company 2009	Company 2008
		Cents	Cents
(a) Basic and Diluted Loss Per Share			
	(Loss) / profit from continuing operations attributable to the ordinary equity holders of the Company	(0.0005)	0.0019
	Loss from discontinued operations	(0.1882)	(0.0145)
	Loss attributable to the ordinary equity holders of the Company	<u>(0.1887)</u>	<u>(0.0126)</u>
(b) Reconciliation of Loss used in Calculating Loss Per Share			
		Company 2009	Company 2008
		\$	\$
Basic and diluted loss per share			
	(Loss) / profit from continuing operations attributable to the ordinary equity holders of the Company	(184,555)	640,156
	Loss from discontinued operations	(73,490,856)	(4,914,585)
	Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	<u>(73,675,411)</u>	<u>(4,274,429)</u>
(c) Weighted Average Number of Shares Used as the Denominator			
		Company 2009	Company 2008
		Number	\$
	Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	<u>390,419,143</u>	<u>339,240,397</u>

(d) Information Concerning the Classification of Securities

Options

Options are considered to be potential ordinary shares. The options 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.

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The Directors' of the Company declare that:

- 1 The financial statements and notes as set out on pages 13 to 35 are in accordance with the *Corporations Act 2001*, and
 - (i) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) give a true and fair view of the financial position of the Company as at 30 June 2009 and of its performance for the year ended on that date.
- 2 The directors' acting in the capacity of Chief Executive Officer and Chief Financial Officer declare that:
 - (i) The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (ii) the financial statements and notes for the financial year comply with the accounting standards; and
 - (iii) the financial statements and notes for the financial year give a true and fair view.
- 3 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.
- 4 The remuneration disclosures included in the remuneration report as part of the Directors' Report, comply with section 300A of the *Corporations Act 2001*.

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



Gary Steinepreis
Director
West Perth
30 September 2009



BDO Kendalls

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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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity's internal controls. 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* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

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Qualifications

On 29 August 2008 the company entered into voluntary administration. On 30 September 2008 the company was granted relief by the Australian Securities and Investments Commission from the requirement to prepare, have audited and lodge a financial report and directors' report for the year ended 30 June 2008.

The comparative disclosures in the financial report have not been audited. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to comparative information contained within the financial report and are not in a position to express an opinion on the comparative information.

We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the carrying amount of the assets and liabilities as at 1 July 2008 (opening balances). As some of these opening balances enter into the determination of the income statement, statement of changes in equity and cash flow statement for the year ended 30 June 2009, we are not in a position to express an opinion on the income statement, statement of changes in equity and cash flow statement or related notes for the year ended 30 June 2009.

As stated in note 1, consolidated financial statements have not been prepared in accordance with AASB 127 "Consolidated and Separate Financial Statements" as during the year the company lost control of its subsidiaries.

Qualified Auditor's Opinion

Due to the limitation on the scope of our work as described in the qualification section, and the effect of such adjustments, if any, as might have been determined to be necessary had the limitation on scope not existed, we are unable and do not express an opinion on the comparative financial information and related disclosures, the income statement, statement of changes in equity, cash flow statement and related notes of the company for the year ended 30 June 2009.

In our opinion, except for the effect on the financial report of not complying with AASB 127 "Consolidated and Separate Financial Statements", as referred to in the qualification section, the balance sheet of Monto Minerals Limited gives a true and fair view, as required by the Corporations Act 2001, of the financial position of the company as at 30 June 2009, and is presented in accordance with the Corporations Act 2001, Australian Accounting Standards (including the Australian Accounting Interpretations), and the Corporations Regulations 2001.

Emphasis of Matter

Without further qualification to the opinion expressed above, we draw attention to the following matter. As set out in note 1 to the financial statements, the financial report has been prepared on a going concern basis. The ability of the company to continue as a going concern is dependent upon the raising of additional capital to complete the recapitalisation to fund exploration expenditure, other principal activities and for use as working capital.

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

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Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors Report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporation Act 2001. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Qualification

On 29 August 2008 the company entered into voluntary administration. On 30 September 2008 the company was granted relief by the Australian Securities and Investments Commission from the requirement to prepare, have audited and lodge a financial report and directors' report for the year ended 30 June 2008. The comparative disclosures in the Remuneration Report have not been audited.

Qualified Auditors Opinion

Due to the limitation of scope of our work as described in the qualification section, and the effect of such adjustments, if any, as might have been determined to be necessary had the limitation in scope not existed, we are unable and do not express an opinion on the comparative financial information and related disclosures in the Remuneration Report.

In our opinion, the Remuneration Report for Monto Minerals Limited for the year ended 30 June 2009, excluding the comparative financial information and related disclosures, complies with section 300A of the Corporations Act 2001.

BDO Kendalls (QLD)*BDO Kendalls*

A J Whyte
Partner

Brisbane
30 September 2009

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Corporate Governance Statement

Monto Minerals Ltd (the Company) 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 Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

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

Corporate Governance Compliance

A description of the Company'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 Company and the release from external administration. The Company has considered the ASX Corporate Governance Principles and the corresponding Best Practice 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 3.1	✓	
Recommendation 3.2	✓	
Recommendation 4.1		✓
Recommendation 4.2		✓
Recommendation 4.3	✓	
Recommendation 5.1	✓	
Recommendation 6.1	✓	
Recommendation 7.1	✓	
Recommendation 7.2		✓
Recommendation 7.3	✓	
Recommendation 8.1		✓
Recommendation 8.2	✓	

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Disclosure – Principles & Recommendations - financial year 2008/2009

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.

Disclosure:

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

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the Board. Due to the size of the Company and current operations there is no CEO and it is the intention to appoint a CEO when required, however, the Corporate Governance Charter contains a statement of practices and processes the Board has adopted to discharge its responsibilities. It includes the processes the Board has implemented to undertake its own tasks and activities, the matters it has reserved for its own consideration and decision-making, the authority delegated to the CEO, including limits on how the CEO can execute that authority and provides guidance on the relationship between the Board and the CEO.

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 (and when appointed the CEO) 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 performance evaluation of the senior executives during the financial year as the Company was under external administration.

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The Company does not have a majority of independent directors.

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

Recommendation 2.1: (continued)

Disclosure: (continued)

Consistent with the size of the Company 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 Company and its activities warrants such a structure.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

The Chair of the Board is David Steinepreis who is not independent. It is the Board's intention to comply with its policy at a time when the size of the Company and its activities warrants such a structure.

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*.

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Recommendation 2.6: (continued)

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 Company. 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 Company 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 company'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 Company has a Code of Conduct that applies to all Directors, senior executives, employees and contractors.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has a trading policy that applies to all Directors, senior executives, employees and contractors.

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.

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Principle 4 – Safeguard integrity in financial reporting (continued)

Recommendation 4.1 (continued)

Disclosure: (continued)

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.

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 Company but not with the ASX Corporate Governance Principles and the corresponding Best Practice Recommendations.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company 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 Company's auditor will be invited to attend all Audit Committee meetings held during the financial year.

The Company 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 Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company'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.

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Principle 5 – Make timely and balanced disclosure (continued)

Recommendation 5.1: (continued)

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 Company 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 Company has an effective risk management system and that major risks to the Company 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 Company 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 Company'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 Company'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 Company's management of its material business risks.

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Recommendation 7.2: (continued)

Disclosure:

Management designs, implements and maintains risk management and internal control systems to manage the Company'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 Company 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 Company'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 Company, 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 Company. There are no documented agreements providing for termination or retirement benefits to non-executive directors (other than for superannuation). There are currently no options issued to non-executive directors.

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 options granted at the discretion of the Board and subject to obtaining the relevant approvals.

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