

MONTO MINERALS LIMITED

ABN 71 063 144 865

Annual Report

For the Year Ended 30 June 2011

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Corporate Directory

Directors

James Allchurch
Managing Director

Gary Steinepreis
Executive Chairman

Patrick Burke
Non-Executive

Company Secretary

Gary Steinepreis

Registered Office

Level 1, 33 Ord Street
West Perth Western Australia 6005
Telephone: 08 94209300

Share Register

Link Market Services Limited
Ground Floor
178 St Georges Terrace
Perth Western Australia 6000
Telephone: 08 92116654

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco Western Australia 6008
Telephone: 08 63824600

Bankers

Westpac Banking Corporation
109 St Georges Terrace
Perth Western Australia 6000

Stock Exchange Listing

Monto Minerals Limited's shares are listed on
the Australian Securities Exchange, home
branch, Perth.
Code: MOO

Website

www.montominerals.com

Your directors present their financial report on Monto Minerals Limited and its subsidiaries (Monto or the Company or the Group) for the year ended 30 June 2011.

Directors

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

Gary Steinepreis
Patrick Burke
James Allchurch

Company Secretary

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

Principal Activity

The principal continuing activity of the Company is mineral exploration.

Review of Operations

Acquisition

On 4 February 2011 the Company entered into an agreement to acquire tin exploration ground (Herberton Tin project) and an advanced copper project (Baal Gammon Copper project) in Queensland from Conquest Mining Limited.

Herberton Tin Project

The project is located 70km's south west of Cairns in Far North Queensland and incorporates the regional towns of Herberton, Irvinebank, Watsonville and Mt Garnet. The Herberton Tin Field has historically produced over 109,000t of tin concentrates and is currently the pre-eminent area for hard rock tin exploration in Australia. Infrastructure in the immediate area is excellent with respect to sealed road access, power, workforce, suppliers and proximity to port (sealed road access to Cairns and Townsville).

The project comprises four granted exploration permits (mineral) (EPM) with a combined total area of 534.6km² as well as 11 granted Mining Leases (ML) and 9 Mining Lease Applications (MLA).

Baal Gammon Copper Project

The Baal Gammon Copper Project is located 7km's west of Herberton immediately adjacent to the main sealed road between Herberton and Watsonville. Baal Gammon is located on granted MLs located with the broader Herberton Tin project area. The Baal Gammon deposit comprises an area of around 1km².

Consideration for the Acquisition

- A cash payment of \$1,500,000;
- The issue 300,000,000 fully paid ordinary shares;
- The issue of 150,000,000 options exercisable at 3 cents each on or before 30 June 2014; and
- A cash payment of \$1,500,000 to Conquest Mining upon a decision to mine with respect to the Baal Gammon Copper Project.

Incorporation of Subsidiaries

On 28 February 2011, Herberton Tin Pty Ltd (ACN 149 585 393) and Baal Gammon Copper Pty Ltd (ACN 149 583 933) were incorporated. Monto Minerals Limited is the sole shareholder of both of these entities owning 100% of the issued capital. These wholly owned subsidiaries were incorporated as part of the acquisition of the Herberton Tin and Baal Gammon Copper tenements and respectively own those tenements.

Review of Operations (continued)

Middle Island and Hummock Hill Island Project

Middle and Hummock Hill Islands are entirely contained within EPM 4335 and EPM 7164. Middle Island is located 76km by road south of Gladstone in Central Queensland. Middle Island is mostly a sand body of about 20 metres in thickness, whilst the topography of Hummock Hill Island is dominated by the central high ridge of Hummock Hill, which is flanked by broad, low sand cover spreading to the east and west and with a maximum thickness of about 21 metres. Previous explorers identified HM sands on Middle Island and during the 1960s and 70s drilling programs were undertaken. Further exploration was undertaken in 1986 upon grant of the EPMs and over 50,000 metres of drilling was completed which culminated in the generation of a detailed PFS released in 1994.

Monto has completed a preliminary technical review of the Middle Island and Hummock Hill Island Projects and has generated geo-referenced plans for both Middle and Hummock Hill Island which detail all drill lines and HM sands deposits. The Company is currently assessing its options with regard to the Middle Island and Hummock Hill Island Tenements.

Operating Result

The loss from continuing operations for the financial year after providing for income tax was \$321,892 (2010:\$356,824). The profit from discontinued operations for the financial year was \$Nil (2010:\$3,538,675). Additional information on the operations and financial position of the Company and its business strategies and prospects is set out in this directors' report and the financial report.

Dividends

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

After Balance Date Events

On 11 May 2011, Monto Minerals Limited, signed an agreement with Kagara Ltd (ASX: KZL) for the rights to mine the Baal Gammon copper deposit for the following consideration:

- a) \$6,000,000 as an initial capital payment payable in Kagara shares;
- b) 2.5% NSR payable on all metals for the first 550,000t of ore processed; and
- c) 2% NSR payable on all metals over 550,000t of ore processed.

The mine development to commence immediately, with ore processing targeted for October 2011.

On 22 July 2011, Kagara issued to Monto Minerals 9,360,000 ordinary shares in Kagara, at an issue price of approximately \$0.64, as satisfaction of the \$6,000,000 initial capital payment in (a) above.

Monto and Kagara have also formed a strategic alliance to investigate tin extraction and processing options at Mt Garnet for the Baal Gammon ore and Monto's Herberton Tin Project.

The Baal Gammon transaction with Kagara is a significant step forward as not only does it represent an upfront injection of capital for the company, it also provides the opportunity for Monto to participate in the potential increase in spot-metal prices and mining upside (increased grade and tonnage) through an ongoing NSR (Net Smelter Royalty).

The strategic tin alliance formed with Kagara potentially provides Monto with ore processing options for their flagship Herberton Tin Project, where drilling is planned to start in August 2011, and may also result in the increased profitability of Baal Gammon through the sale of tin in the production concentrate.

In keeping with the strategic alliance, Monto and Kagara will form a joint venture which will provide Kagara with the right to explore for base metals (excluding tin) over Monto's Herberton tenements.

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

James Allchurch (Managing director, age 34)

Experience and Expertise

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

Other Current Directorships

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

Former Directorships in the Last Three Years

WAG Limited 15 February 2008 to 22 February 2010.

Special Responsibilities

Managing Director

Gary Christian Steinepreis (Executive Chairman, age 45)

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.

Other Current Directorships

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

Minerals Corporation Limited since 17 February 2011;

New Horizon Minerals Limited since 4 June 2010;

WAG Limited since 2 November 2006; and

Agri Energy Limited since 22 June 2009.

Former Directorships in the Last Three Years

Laguna Resources NL 11 October 2007 to 15 October 2009;

Avalon Minerals Ltd 20 December 2006 to 1 March 2011;

RMG Limited 31 January 2006 to 30 April 2011;

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

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

Sirius Resources NL 12 July 2007 to 31 August 2009.

Special Responsibilities

Company Secretary

Patrick Burke (Non-Executive director, age 42)

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.

INFORMATION ON CURRENT DIRECTORS (continued)

Patrick Burke (Non-Executive director, age 42) (continued)

Experience and Expertise (continued)

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

Other Current Directorships

WAG Limited since 20 December 2006;
Agri Energy Limited since 22 July 2009;
New Horizon Minerals Limited since 4 June 2010;
Minerals Corporation Limited since 17 February 2011; and
AAQ Holdings Limited since 14 March 2011;

Former Directorships in the Last Three Years

Zylotech Limited 4 December 2009 to 20 July 2010;
Laguna Resources NL 11 October 2007 to 19 August 2009;
North River Resources Plc 22 November 2006 to 23 November 2009; and
Sirius Resources NL 12 July 2007 to 31 August 2009.

Special Responsibilities

None

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

Name of Director	Number of Meetings - A	Number of Meetings - B
Gary Steinepreis	11	11
Patrick Burke	11	11
James Allchurch	10*	11

A = Number of meetings attended

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

* = The decisions taken at the meeting not attended by Mr Allchurch were in relation to Mr Allchurch hence he was unable to attend or vote at the meeting.

REMUNERATION REPORT (AUDITED)

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

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

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

REMUNERATION REPORT (AUDITED) (continued)

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

- (iv) transparency; and
- (v) capital management.

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

Alignment to shareholders' and program participants' interests:

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

Executive and non-executive directors

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

2 Details of Remuneration

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

James Allchurch	Director
Patrick Burke	Director
Gary Steinepreis	Director / Secretary

The directors and key management personnel are amongst the 5 highest paid executives as required to be disclosed under the Corporations Act 2001. The Company has no employees or key management personnel other than the directors. The amount of remuneration of the directors and key management personnel is set out below:

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

The services agreement between the Company and James Allchurch the Managing Director was reviewed and the agreement dated 9 December 2009 was amended to reflect the current operations of the Company. The basic terms of the new agreement are set out at point 3 following.

Name	Short term employee benefits		Post employment benefits	Total
	Salary	Consulting fees	Superannuation	
	\$	\$	\$	\$
James Allchurch	63,000	-	5,670	68,670
Patrick Burke	-	24,000	-	24,000
Gary Steinepreis	-	50,500	-	50,500
David Steinepreis	-	26,500	-	26,500
TOTAL	63,000	101,000	5,670	169,670

3 Employment Contracts of Directors and Senior Executives

As at the date of this report there are no executives or key management personnel, other than the directors, engaged by the Company. The directors, other than the managing director James Allchurch, serve on a month to month basis on a fee for service basis at the rate of \$3,000 per month and there are no termination payments payable.

REMUNERATION REPORT (AUDITED) (continued)

3 Employment Contracts of Directors and Senior Executives (continued)

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

- Term is for one year commencing on 1 May 2011;
- A salary of \$180,000 per year is payable monthly in arrears;
- A bonus payment of \$20,000 was made in relation to the acquisition of mineral assets from Conquest Mining Limited;
- A further bonus payment of \$30,000 is payable upon completion of the first drilling programme completed in the Herberton region;
- The contract can be terminated by one month's written notice given by either party;
- Entitled to four weeks annual leave for each completed year of service; and
- Superannuation is payable in addition to the salary in accordance with relevant legislation.

4 Performance-based Remuneration

Executive directors and key management personnel did not receive share based payments as part of their compensation package during the years ended 30 June 2011 and 30 June 2010.

End of the audited remuneration report.

INDEMNIFYING OF OFFICERS OR AUDITOR

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

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 30 June 2011, Directors, in office, held a relevant interest in the following securities of the Company:

2011 Name	Ordinary Shares	Options
James Allchurch	26,400,000	-
Patrick Burke	19,200,000	-
Gary Steinepreis	133,200,000	-
<hr/>		
2010 Name	Ordinary Shares	Options
James Allchurch	12,000,000	10,000,000
Patrick Burke	11,000,000	5,000,000
Gary Steinepreis	89,000,000	22,000,000
<hr/>		

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

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

Gary Steinepreis holds his interests in shares and options indirectly through:

Jacqueline Steinepreis his spouse;

LeisureWest Consulting Pty Ltd as Trustee of the LeisureWest Trust of which he is a director and potential beneficiary;

Oakhurst Enterprises Pty Ltd of which he is a director and shareholder; and

Ascent Capital Holdings Pty Ltd, of which, he is a director and Oakhurst Enterprises is a 50% shareholder.

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:

OPTIONS (continued)

2011 Date of issue	No. of Options Outstanding	Expiry Date	Exercise Price
5/5/2011	150,000,000	30/06/2014	\$0.030
29/10/2009	10,182,273	31/12/2013	\$0.005
26/03/2007	11,179	25/05/2012	£0.030
31/05/2007	66,666	28/05/2012	\$5.700
TOTAL	160,260,118		

2010 Date of issue	No. of Options Outstanding	Expiry Date	Exercise Price
29/10/2009	97,300,000	31/12/2013	\$0.005
26/03/2007	11,179	25/05/2012	£0.030
31/05/2007	66,666	28/05/2012	\$5.700
TOTAL	97,377,845		

The names of persons who currently hold options are entered in a register kept by the Company pursuant to Section 170 of the Corporations Act 2001, which may be inspected free of charge. No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of the Company or any other corporation. Subsequent to year end no options have been exercised.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

AUDITOR

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

Non-Audit Services

There were no non-audit services provided by the auditor during the financial year, however the Company may in the future decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

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

Audit Services

During the financial year \$29,000 was paid or is payable for audit services provided by the auditor.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9 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. Please refer to the corporate governance statement included with this report.

Signed in accordance with a resolution of the board of directors

Gary Steinepreis – Director



West Perth, 12 August 2011

12 August 2011

The Directors
Monto Minerals Ltd
33 Ord Street,
WEST PERTH WA 6005

Dear Sirs,

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

As lead auditor of Monto Minerals Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- any applicable code of professional conduct in relation to the audit.

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



Peter Toll
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

Monto Minerals Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2011

	Note	Consolidated 2011 \$	Company 2010 \$
Revenue from continuing operations	5	126,232	61,642
Administration expenses	6	(121,328)	(113,652)
Corporate compliance costs		(41,537)	(73,314)
Occupancy costs		(77,291)	(63,620)
Corporate management fees		(72,000)	(14,530)
Employee benefits expense		(125,557)	(68,670)
Exploration expenditure written off		(10,411)	(84,680)
Expenses from continuing operations		(448,124)	(418,466)
Loss before income tax		(321,892)	(356,824)
Income tax expense		-	-
Loss after tax from continuing operations		(321,892)	(356,824)
Profit from discontinued operations	7	-	3,538,675
Profit / (loss) for the year		(321,892)	3,181,851
Other comprehensive income net of tax		-	-
Total comprehensive income / (loss) attributable to the members of Monto Minerals Ltd		(321,892)	3,181,851
		Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the Company: Basic / diluted loss per share	22	(0.046)	(0.001)
Profit per share for profit from discontinued operations attributable to the ordinary equity holders of the Company: Basic / diluted profit per share	22	-	0.009
Profit / (loss) per share from overall operations attributable to the ordinary equity holders of the Company: Basic / diluted profit / (loss) per share	22	(0.046)	0.008

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

Monto Minerals Limited
Consolidated statement of financial position
30 June 2011

ASSETS	Note	Consolidated 2011 \$	Company 2010 \$
Current assets			
Cash and cash equivalents	9	5,101,848	1,662,603
Trade and other receivables	10	34,991	14,359
Total current assets		5,136,839	1,676,962
Non current assets			
Exploration and evaluation expenditure	11	10,499,568	-
Security / assurance deposit		52,500	32,000
Total non current assets		10,552,068	32,000
Total assets		15,688,907	1,708,962
LIABILITIES			
Current liabilities			
Deferred Liability	12	1,500,000	-
Trade and other payables	12	21,877	20,848
Total current liabilities		1,521,877	20,848
Total liabilities		1,521,877	20,848
NET ASSETS		14,167,030	1,688,114
EQUITY			
Contributed equity	13(a)&(b)	14,042,442	2,544,938
Option premium reserve	13(c)&(d)	1,303,304	-
Share based payment reserve	13(c)&(d)	967,241	967,241
Accumulated losses	14	(2,145,957)	(1,824,065)
TOTAL EQUITY		14,167,030	1,688,114

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

Monto Minerals Limited
Consolidated statement of changes in equity
For the year ended 30 June 2011

2011	Ordinary shares	Option premium reserve	Share based payment reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance 1 July 2010	2,544,938	-	967,241	(1,824,065)	1,688,114
Loss for the year	-	-	-	(321,892)	(321,892)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(321,892)	(321,892)
Transactions with owners in their capacity as owners:					
Options exercised	435,589	-	-	-	435,589
Rights issue	1,734,623	-	-	-	1,734,623
Placement	3,525,000	-	-	-	3,525,000
Acquisition issue	6,000,000	1,303,304	-	-	7,303,304
Transaction costs	(197,708)	-	-	-	(197,708)
Balance 30 June 2011	14,042,442	1,303,304	967,241	(2,145,957)	14,167,030
2010	Ordinary shares	Option premium reserve	Share based payment reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance 1 July 2009	83,965,715	2,905,160	967,241	(91,876,791)	(4,038,675)
Profit for the year	-	-	-	3,181,851	3,181,851
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	-	3,181,851	3,181,851
Transactions with owners in their capacity as owners					
Reconstruction	(83,965,715)	(2,905,160)	-	86,870,875	-
Shares issued	2,587,250	-	-	-	2,587,250
Transaction costs	(42,312)	-	-	-	(42,312)
Balance 30 June 2010	2,544,938	-	967,241	(1,824,065)	1,688,114

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

Monto Minerals Limited
Consolidated statement of cash flows
For the year ended 30 June 2011

	Note	Consolidated 2011 \$	Company 2010 \$
Cash flows from operating activities			
Receipts from customers		10,500	11,250
Interest received		96,365	37,841
Net GST IAS PAYG refunded		972	11,275
Payments to suppliers and employees		(449,332)	(410,701)
Cash outflow from continuing operating activities		(341,495)	(350,335)
Payments by deed administrator		-	(239,119)
Payment for deed of company arrangement		-	(532,000)
Cash outflow from discontinued activities	7 (b)	-	(771,119)
Net cash outflow from continuing operating and discontinued activities	21	(341,495)	(1,121,454)
Cash flows from investing activities			
Payments for the purchase of mineral tenements		(1,500,000)	-
Payments for costs associated with mineral tenement purchase		(130,910)	-
Payments for exploration costs capitalised		(65,354)	-
Payments for assurance bonds		(20,500)	-
Net cash inflow from investing activities		(1,716,764)	-
Cash flows from financing activities			
Proceeds from the issue of shares		5,695,212	2,587,250
Costs associated with capital raising		(197,708)	(42,312)
Net cash inflow from financing activities		5,497,504	2,544,938
Net increase / (decrease) in cash and cash equivalents		3,439,245	1,423,484
Cash and cash equivalents at the beginning of the financial year		1,662,603	239,119
Cash and cash equivalents at the end of the financial year		5,101,848	1,662,603

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

1 Summary of significant accounting policies

(a) Basis of preparation

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

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

(b) Going Concern Basis of Accounting

The general purpose financial statements have been prepared on the basis of a going concern.

(c) Segment Reporting

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

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

The directors are of the opinion that the current financial position and performance of the Company is equivalent to the operating segments identified.

(d) Revenue Recognition

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

Revenue is recognised for the major business activities as follows. Interest income is recognised on a time proportion basis using the effective interest method.

(e) Income Tax

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(e) Income Tax (continued)

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

(g) Cash and Cash Equivalents

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

(h) Trade and Other Receivables

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

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

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

(i) Trade and Other Payables

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

(j) Contributed Equity

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

1 Summary of significant accounting policies (continued)

(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 statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(m) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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

(n) 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)

(o) Employee Benefits

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

(p) 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.

Impairment

At each reporting date, the Group 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 event has arisen. Impairment losses are recognised in the statement of comprehensive income.

(q) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Monto Minerals Limited ("company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Monto Minerals Limited and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

1 Summary of significant accounting policies (continued)

(q) Consolidation (continued)

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

(r) Provisions

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

(s) Discontinued Operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

(t) New Accounting Standards and Australian Accounting Interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard

AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

(u) Equity Settled Compensation

The Group operated an equity-settled share-based payment employee share and option scheme. 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.

2 Financial Risk Management

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

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

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

2 Financial Risk Management (continued)

Interest Rate Risk

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

2011 Consolidated	Floating	Fixed interest	Non-interest	Total	Weighted
Financial Instruments	interest rate	rate maturing	bearing		average effective
	\$	1 year or less	\$	\$	interest rate
					%
<i>(i) Financial assets</i>					
Cash assets	1,100,526	4,000,000	1,322	5,101,848	4.95
Security deposit	-	-	52,500	52,500	
Trade and other receivables	-	-	34,991	34,991	
Total financial assets	1,100,526	4,000,000	88,813	5,189,339	
<i>(ii) Financial liabilities</i>					
Deferred Liability	-	-	1,500,000	1,500,000	
Trade and other payables	-	-	21,877	21,877	
Total financial liabilities	-	-	1,521,877	1,521,877	
2010 Company					
Financial Instruments	Floating	Fixed interest	Non-interest	Total	Weighted
	\$	rate maturing	bearing		average effective
		1 year or less	\$	\$	interest rate
					%
<i>(i) Financial assets</i>					
Cash assets	462,603	1,200,000	-	1,662,603	3.80
Security deposit	-	-	32,000	32,000	
Trade and other receivables	-	-	14,359	14,359	
Total financial assets	462,603	1,200,000	46,359	1,708,962	
<i>(ii) Financial liabilities</i>					
Trade and other payables	-	-	20,848	20,848	
Total financial liabilities	-	-	20,848	20,848	

Net Fair Values

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

Sensitivity Analysis – Interest Rate Risk

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

	Consolidated	Company
Change in loss:	2011	2010
	\$	\$
Increase by 2% (2010: 2%)	22,011	9,252
Decrease by 2% (2010: 2%)	(22,011)	(9,252)
Change in equity:		
Increase by 2% (2010: 2%)	22,011	9,252
Decrease by 2% (2010: 2%)	(22,011)	(9,252)

2 Financial Risk Management (continued)

Liquidity Risk

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

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

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

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

As at 30 June 2010	Less than	6-12	1-2	3-5	Over 5	Total	Carrying
Company	6 months	months	years	years	years	contractual	amount
Trade and other	\$					\$	\$
payables	20,848	-	-	-	-	20,848	20,848

Credit Risk

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

Cash at bank and short term bank deposits	Consolidated	Company
	2011	2010
	\$	\$
Westpac Banking Corporation - AA	5,100,526	1,662,603

Price risk

The Group is not exposed to commodity price risk.

3 Critical Accounting Estimates, Judgements and Assumptions

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

Exploration and evaluation assets

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. Should the assumptions used in these calculations differ, the amounts recognised could significantly change. Details of estimates used can be found in note 24.

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

4 Segment Information

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

4 Segment Information (continued)

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

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

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

Segment information 2011	Monto Minerals	Herberton Tin	Baal Gammon Copper	Consolidated
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	5,049,355	52,493	-	5,101,848
Trade and other receivables	33,875	1,116	-	34,991
Capitalised exploration	-	4,999,374	5,500,194	10,499,568
Security deposits	52,500	-	-	52,500
	5,135,730	5,052,983	5,500,194	15,688,907

Liabilities				
Deferred liability	-	-	1,500,000	1,500,000
Trade and other payables	21,877	-	-	21,877
	21,877	-	1,500,000	1,521,877

Net Assets	5,113,853	5,052,983	4,000,194	14,167,030
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Segment information 2010	Monto Minerals	Herberton Tin	Baal Gammon Copper	Consolidated
Income	61,642	-	-	61,642
Expenses	(418,466)	-	-	(418,466)
Operating loss	(356,824)	-	-	(356,824)
Profit from discontinued operations	3,538,675	-	-	3,538,675
Profit for the year	3,181,851	-	-	3,181,851

Assets				
Cash and cash equivalents	1,662,603	-	-	1,662,603
Trade and other receivables	14,359	-	-	14,359
Security deposits	32,000	-	-	32,000
	1,708,962	-	-	1,708,962

Liabilities				
Trade and other payables	20,848	-	-	20,848
	20,848	-	-	20,848

Net Assets	1,688,114	-	-	1,688,114
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5 Revenue from continuing operations	Consolidated 2011	Company 2010
	\$	\$
Interest received	115,732	50,392
Consulting fees received	10,500	11,250
	126,232	61,642

Monto Minerals Limited
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6 Expenses from continuing operations	Consolidated 2011	Company 2010
	\$	\$
Accounting fees	(24,000)	(18,000)
AGM costs	(5,220)	-
Advertising & marketing costs	(4,400)	-
Information technology expenses	(6,102)	(155)
Meetings & conferences	(2,672)	(1,523)
Project generation costs	(8,580)	-
Travel costs	(29,706)	(30,719)
Legal fees	(7,727)	(27,678)
Audit costs	(27,490)	(34,622)
Other expenses	(5,431)	(955)
Total administration expenses	(121,328)	(113,652)

7 Discontinued operations	Consolidated 2011	Company 2010
	\$	\$
(a) Profit / (loss) from discontinued operations	\$	\$
Net debts extinguished under a deed of company arrangement	-	4,070,675
Creditors trust payment - Deed of company arrangement	-	(532,000)
Profit from discontinued operations	-	3,538,675
(b) Cash flow from discontinued operations	Consolidated 2011	Company 2010
	\$	\$
Net cash (outflow) from operating activities	-	(771,119)
Net decrease in cash used due to discontinued operations	-	(771,119)

Discontinued Operations

On 29 August 2008 the securities of the Company were suspended from quotation on the Official List of the ASX. A Deed of Company Arrangement was executed on 8 January 2009. A Reconstruction Deed and Varied Deed of Company Arrangement were executed on 22 June 2009. On 28 August 2009 the Company was released from external administration and all claims against the Company were released and there are no residual liabilities or potential recovery from former creditors against the Company as of that date.

8 Income Tax Expense	Consolidated 2011	Company 2010
	\$	\$
a. The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
b. The prima facie tax payable/(benefit) on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from continuing activities before income tax at 30% (2010: 30%)	(96,568)	(107,047)
Prima facie tax payable on profit from discontinued activities before income tax at 30% (2010: 30%)	-	1,061,602
	(96,568)	954,555
Add tax effect of:		
- Revenue losses and other deferred tax balances not recognised	96,553	97,920
- Other non-allowable items	15	9,127
	-	1,061,602
Less tax effect of:		
- Discontinued operations	-	1,061,602
Income tax	-	-

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8	Income Tax Expense	Consolidated	Company
		2011	2010
		\$	\$
c.	Deferred tax recognised		
	Deferred tax liabilities:		
	Other	(2,709,444)	(3,764)
	Deferred tax assets:		
	Carry forward revenue losses	2,709,444	3,764
	Net deferred tax	<u>-</u>	<u>-</u>
d.	Unrecognised deferred tax assets:		
	Carry forward revenue losses	188,271	77,560
	Capital raising costs	60,367	17,223
	Provisions and accruals	4,800	3,750
	Other	960	-
		<u>254,398</u>	<u>98,533</u>

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

- (a) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the Group continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits.

The Directors are of the opinion that none of the losses incurred prior to the settlement of the Deed of Company Arrangement are available to be utilised by the Group.

9	Current assets – cash and cash equivalents	Consolidated	Company
		2011	2010
		\$	\$
	Cash at bank and in hand	<u>5,101,848</u>	<u>1,662,603</u>

The Group's exposure to interest rate risk is discussed in note 2.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash at bank and in hand.

10	Trade and other receivables - current	Consolidated	Company
		2011	2010
		\$	\$
	Trade and other receivables	34,991	14,359
		<u>34,991</u>	<u>14,359</u>

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

As at 30 June 2011, no trade receivables were past due or impaired.

11	Capitalised Exploration Expenditure	Consolidated	Company
		2011	2010
		\$	\$
	Opening net book amount	-	-
	Purchase consideration shares	6,000,000	-
	Purchase consideration options	1,303,304	-
	Purchase consideration cash	1,500,000	-
	Acquisition costs cash	130,978	-
	Exploration costs cash	65,286	-
	Deferred cash settlement	1,500,000	-
	Closing net book amount	<u>10,499,568</u>	<u>-</u>

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

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12 Trade and other payables - current - unsecured	Consolidated 2011	Company 2010
	\$	\$
Deferred acquisition consideration	1,500,000	-
Trade and other payables	21,877	20,848
	<u>1,521,877</u>	<u>20,848</u>

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

13 Contributed Equity	2011 Shares	2011 \$	2010 Shares	2010 \$
(a) Share Capital				
Ordinary shares fully paid	<u>1,307,440,555</u>	<u>14,042,442</u>	569,681,332	2,544,938

(b) Movement in Ordinary Share Capital

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

2010		Number of shares	Issue price	Amount \$
Date	Details			
1/7/2009	Opening balance	390,966,461		83,965,715
11/9/2009	Consolidation 1:30	(377,935,129)		-
		13,031,332		83,965,715
30/11/2009	Reconstruction	-		(83,965,715)
29/10/2009	Issue of shares	40,000,000	\$0.0001	4,000
29/10/2009	Issue of shares	513,950,000	\$0.005	2,569,750
5/5/2010	Issue of shares on option exercise	2,700,000	\$0.005	13,500
30/11/2009	Cost of share issue	-		(42,312)
30/6/2010	Balance	<u>569,681,332</u>		<u>2,544,938</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Other Equity Securities

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

2010	Expiry Date	Exercise Price	Number under option
Unlisted options	31-Dec-2013	\$0.005	97,300,000
Unlisted UK director options	25-May-2012	£0.030	11,179
Unlisted options	28-May-2012	\$5.700	66,666
			<u>97,377,845</u>

13 Contributed Equity (continued)

(d) Movement in Other Equity Securities

(i) Share Based Payment Reserve

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

2010		Number of	Issue	Amount
Date	Details	options	price	\$
1/7/2009	Opening balance	2,335,365	-	967,241
11/9/2009	Consolidation 30:1	(2,257,520)		-
30/6/2010	Balance	77,845		967,241

(ii) Option Premium Reserve

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

2010		Number of	Issue	Amount
Date	Details	options	price	\$
1/7/2009	Opening balance	-	-	2,905,160
30/11/2009	Reconstruction	-	-	(2,905,160)
29/10/2009	Issue of options	100,000,000	-	-
5/5/2010	Exercise of options	(2,700,000)	-	-
30/6/2010	Balance	97,300,000		-

Nature and Purpose of Reserves

(1) Share Based Payment Reserve

The share based payment reserve is used to recognise:

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

(2) Option Reserve

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

(e) Capital Risk Management

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

Monto Minerals Limited
Notes to the Financial Statements
For the year ended 30 June 2011

14 Accumulated Losses	Consolidated 2011	Company 2010
Movements in accumulated losses:	\$	\$
Balance at the beginning of the year	(1,824,065)	(91,876,791)
Reconstruction	-	86,870,875
Net loss from continuing operations	(321,892)	(356,824)
Net profit from discontinued operations	-	3,538,675
Balance at the end of the year	(2,145,957)	(1,824,065)

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:

James Allchurch appointed on 9 December 2009.

Gary Steinepreis appointed on 26 June 2009.

Patrick Burke appointed on 26 June 2009.

(b) Key Management

There were no key management personnel other than the directors during the financial year.

Services provided by key management personnel and recognised as an expense	Consolidated 2011	Company 2010
	\$	\$
Short term employee benefits	212,000	164,000
Post-employment benefits	12,600	5,670
	224,600	169,670

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

(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:

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

2010	Held at 1/7/2009	Options acquired	Other Changes	Held at 30/6/2010	Vested and exercisable at 30/6/2010
Name					
James Allchurch	-	10,000,000	-	10,000,000	10,000,000
Gary Steinepreis	-	22,000,000	-	22,000,000	22,000,000
Pat Burke	-	5,000,000	-	5,000,000	5,000,000
David Steinepreis	-	22,000,000	(22,000,000)	-	-
Total	-	59,000,000	(22,000,000)	37,000,000	37,000,000

David Steinepreis: Adjustment due to resignation as a director and interest no longer reportable.

(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:

16 Key Management Personnel Disclosures (continued)

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

(ii) *Shareholdings* (continued)

2011 Name	Held at 1/7/2010	Shares acquired*	Other changes#	Balance 30/6/2011	Balance held nominally
J Allchurch (1)	12,000,000	4,400,000	10,000,000	26,400,000	-
G Steinepreis (3)	89,000,000	22,200,000	22,000,000	133,200,000	-
P Burke (2)	11,000,000	3,200,000	5,000,000	19,200,000	-
Total	112,000,000	29,800,000	37,000,000	178,800,000	-

* = Shares acquired via entitlement issue of shares offered to all shareholders.

= Shares acquired due to exercise of options.

- (1) **James Allchurch** holds his interests in shares and options indirectly through the Manstein Holdings Trust of which he is the sole beneficiary.
- (2) **Pat Burke** holds his interests in shares and options indirectly through Rowan Hall Pty Ltd as trustee of the Rowan Hall Investment Trust of which he is a beneficiary.
- (3) **Gary Steinepreis** holds his interests in shares and options indirectly through:
 Jacqueline Steinepreis his spouse;
 LeisureWest Consulting Pty Ltd as Trustee of the LeisureWest Trust of which he is a director and potential beneficiary;
 Oakhurst Enterprises Pty Ltd of which he is a director and shareholder; and
 Ascent Capital Holdings Pty Ltd, of which, he is a director and Oakhurst Enterprises Pty Ltd is a 50% shareholder.

2010 Name	Held at 1/7/2009	Shares acquired	Other changes	Balance 30/6/2010	Balance held nominally
J Allchurch	-	12,000,000	-	12,000,000	-
G Steinepreis	-	89,000,000	-	89,000,000	-
P Burke	-	11,000,000	-	11,000,000	-
D Steinepreis	-	78,000,000	(78,000,000)	-	-
Total	-	190,000,000	(78,000,000)	112,000,000	-

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

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

Services provided by key management personnel and recognised as an expense	Company 2011	Company 2010
Short term benefits – Office accommodation	\$ 42,000	\$ 35,000
	<u>42,000</u>	<u>35,000</u>

17 Related Party Transactions

(a) **Subsidiaries**

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

During the financial year Monto Minerals provided funding to its subsidiaries as follows:

Inter Company Transactions	2011	2010
Herberton Tin Pty Ltd	\$	\$
Loan from Monto Minerals	5,068,432	-

17 Related Party Transactions (continued)

(a) Subsidiaries (continued)

Baal Gammon Copper Pty Ltd	2011	2010
	\$	\$
Loan from Monto Minerals	4,006,020	-
Loan from Herberton Tin	416	-
	<u>4,006,436</u>	<u>-</u>

(b) Key Management Personnel

Disclosures relating to key management personnel are set out on note 16.

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

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

(d) Loans to / from Related Parties

There are no loans to or from related parties.

18 Remuneration of Auditors

Assurance Services	2011	2010
	\$	\$
<i>Audit Services</i>		
Amounts paid/payable to BDO (Audit) WA Pty Ltd (BDO) for audit and review of the financial reports	<u>29,000</u>	<u>34,622</u>

It is the Company's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Company are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where BDO are awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major material consulting projects.

19 Mineral Tenement Commitments

	Consolidated	Company
	2011	2010
	\$	\$
Within one year	253,382	18,090
Later than one year but not later than five years	609,500	72,360
	<u>862,882</u>	<u>90,450</u>

20 Events Occurring After the Reporting Period

On 11 May 2011, Monto Minerals Limited, signed an agreement with Kagara Ltd (ASX: KZL) for the rights to mine the Baal Gammon copper deposit for the following consideration:

- a) \$6,000,000 as an initial capital payment payable in Kagara shares;
- b) 2.5% NSR payable on all metals for the first 550,000t of ore processed; and
- c) 2% NSR payable on all metals over 550,000t of ore processed.

The mine development to commence immediately, with ore processing targeted for October 2011.

On 22 July 2011, Kagara issued to Monto Minerals 9,360,000 ordinary shares in Kagara, at an issue price of approximately \$0.64, as satisfaction of the \$6 million initial capital payment in (a) above.

Monto and Kagara have formed a strategic alliance to investigate tin extraction and processing options at Mt Garnet for the Baal Gammon ore and Monto's Herberton Tin Project.

The Baal Gammon transaction with Kagara is a significant step forward as not only does it represent an upfront injection of capital for the company, it also provides the opportunity for Monto to participate in the potential increase in spot-metal prices and mining upside (increased grade and tonnage) through an ongoing NSR (Net Smelter Royalty).

The strategic tin alliance formed with Kagara potentially provides Monto with ore processing options for their flagship Herberton Tin Project, where drilling is planned to start in August 2011, and may also result in the increased profitability of Baal Gammon through the sale of tin in the production concentrate.

20 Events Occurring After the Reporting Period (continued)

In keeping with the strategic alliance, Monto and Kagara will form a joint venture which will provide Kagara with the right to explore for base metals (excluding tin) over Monto's Herberton tenements.

Other than as disclosed above and 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.

21 Reconciliation of Loss After Income Tax to Net Cash Outflow from Continuing Operating and Discontinued Activities	Consolidated 2011 \$	Company 2010 \$
Profit / (loss) for the year	(321,892)	3,181,851
Non operating cash flow items:		
Net debts forgiven	-	(4,309,794)
Changes in operating assets and liabilities:		
Net movement in trade receivables and payables		-
(Increase) / decrease in trade and other receivables	(20,632)	(14,359)
Increase / (decrease) in trade and other payables	1,029	20,848
Net cash outflow from operating and discontinued activities	<u>(341,495)</u>	<u>(1,121,454)</u>
22 Loss Per Share	Consolidated 2011 Cents	Company 2010 Cents
(a) Basic and Diluted Loss Per Share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.046)	(0.001)
Profit from discontinued operations	-	0.009
Profit / (loss) attributable to the ordinary equity holders of the Company	<u>(0.046)</u>	<u>0.008</u>
(b) Reconciliation of Loss used in Calculating Loss Per Share	Consolidated 2011 \$	Company 2010 \$
Loss from continuing operations attributable to the ordinary equity holders of the Company	(321,892)	(356,824)
Profit from discontinued operations	-	3,538,675
Profit / (loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	<u>(321,892)</u>	<u>3,181,851</u>
(c) Weighted Average Number of Shares Used as the Denominator	Company 2011 Number	Company 2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	<u>695,567,374</u>	<u>385,275,031</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.

23 Monto Minerals Limited Parent Company Information

Financial Position	2011	2010
	\$	\$
Current assets		
Cash and cash equivalents	5,049,355	1,662,603
Trade and other receivables	33,875	14,359
Total current assets	5,083,230	1,676,962
Non-current assets		
Loans to subsidiaries	9,074,453	-
Security / assurance deposit	52,500	32,000
Total non-current assets	9,126,953	32,000
Total assets	14,210,183	1,708,962
Current liabilities		
Trade and other payables	21,878	20,848
Total liabilities	21,878	20,848
NET ASSETS	14,188,305	1,688,114
EQUITY		
Contributed equity	14,042,442	2,544,938
Option premium reserve	1,303,304	-
Share based payment reserve	967,241	967,241
Accumulated losses	(2,124,682)	(1,824,065)
TOTAL EQUITY	14,188,305	1,688,114
Financial Performance	2011	2010
	\$	\$
Revenue from continuing operations	125,789	61,642
Expenses from continuing operations	(426,407)	(418,466)
Loss before income tax	(300,618)	(356,824)
Income tax expense	-	-
Loss after tax from continuing operations	(300,618)	(356,824)
Profit from discontinued operations	-	3,538,675
Profit / (loss) for the year	(300,618)	3,181,851
Other comprehensive income net of tax	-	-
Total comprehensive income / (loss) attributable to the members of Monto Minerals Ltd	(300,618)	3,181,851

24 Share Based Payments 2011

(a) Ordinary shares	Price per Share	Number of Shares	2011 \$
Opening balance 1 July 2010		-	-
Issue due to acquisition of exploration tenements	\$0.02	300,000,000	6,000,000
Closing Balance 30 June 2011		300,000,000	6,000,000
	Price per Share	Number of Shares	2010 \$
Opening balance 1 July 2009		-	-
Closing Balance 30 June 2010		-	-

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

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

24 Share Based Payments (continued)	Price per	Number of	2010
(b) Options (continued)	Option	Options	\$
Opening balance 1 July 2009		-	-
Closing Balance 30 June 2010		-	-

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

The underlying security spot price	\$0.02
Exercise price of options	\$0.03
Risk free interest rate	5.09%
Dividend rate	0.00%
Issue / valuation date	28 April 2011
Expiry date of options	30 June 2014
Volatility	75%
Number of options vested and exercisable	150,000,000
Time to expiry of options	3.2 years

The expected price volatility is based on the historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publically available information.

The options granted carry no dividend or voting rights.

Contingent Liability

As at 30 June 2011 and 2010, the Company had no contingent liabilities.

Commitments

As at 30 June 2011 and 2010, the Company had no commitments other than exploration commitments disclosed in note 19.

The Directors' of the Company declare that:

- 1 The financial statements and notes as set out on pages 12 to 31 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 2011 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 The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- 4 In the opinion of the directors' there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 5 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

12 August 2011

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

We have audited the accompanying financial report of Monto Minerals Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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 of Monto Minerals Limited at the time that this auditor's report was made.



Auditor's Opinion

In our opinion:

- (a) the financial report of Monto Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (a) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Monto Minerals Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

BDO


BDO Audit (WA) Pty Ltd

Peter Toll
Director

Perth, Western Australia
Dated this 12th day of August 2011.

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 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	✓	

Disclosure – Principles & Recommendations - financial year 2009/2010

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 and the Managing Director who acts in the capacity as 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 is responsible for evaluating the senior executives. Induction procedures are in place and senior executives have formal job descriptions which includes the process for evaluating their performance.

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

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The Company does not have a majority of independent directors.

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:

Gary Steinepreis acts as Chair of the Board 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*.

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.

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 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.

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.

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.

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

1 Distribution of Equity Securities (Current as at 10 August 2011)

Analysis of numbers of ordinary shareholders by size of holding:

			Number of Shareholders	Number of Shares
1	-	1,000	1,858	416,899
1,001	-	5,000	251	574,448
5,001	-	10,000	31	221,739
10,001	-	100,000	221	11,565,068
100,001		and over	490	1,294,662,401
			2,851	1,307,440,555

There were 2,183 holders of less than a marketable parcel of ordinary shares.

2 Unquoted Equity Securities – Options (Current as at 4 August 2011)

	Number on issue	Number of holders
Options expiring 30 June 2014 at an exercise price of \$0.03 per option	150,000,000	1
Options expiring 31 December 2013 at an exercise price of \$0.005 per option	10,182,273	3
Options expiring 25 May 2012 at an exercise price of 6 cents per option	11,179	
Options expiring 28 May 2012 at an exercise price of \$5.70 per option	66,666	

Holders of more than 20% of unlisted options

	Number of options	Percentage of issued options
Options expiring 30 June 2014 at an exercise price of \$0.03 per option:		
Conquest Mining Limited	150,000,000	100%
Options expiring 31 December 2013 at an exercise price of \$0.005 per option:		
Roger Steinepreis <FT #2 A/C>	5,829,547	57.26%
Mrs Andrea Murray <Murray Family Fund No 2 A/C>	2,176,363	21.37%
Mrs Meleisha Foster <The Foster Family No2 A/C>	2,176,363	21.37%
	10,182,273	100%

3 Substantial Holders (Current as at 12 August 2011)

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

Ordinary Shares		Percentage of issued shares
Name	Number held	
Conquest Mining Limited	300,000,000	22.95%
Ascent Capital Pty Ltd, David Steinepreis and Gary Steinepreis	204,166,666	15.61%

4 Restricted Securities

There are 300,000,000 ordinary shares in escrow until 5 May 2012.

5 Voting Rights

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

1 Ordinary Shares

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

2 Options

These securities have no voting rights.

6 Equity Security Holders (Current as at 4 August 2011)

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

Ordinary Shares

Rank	Name	Number of shares	%
1	Conquest Mining Limited	300,000,000	22.95
2	Mr Donald Robin Walker	50,333,333	3.85
3	LeisureWest Consulting Pty Ltd <LeisureWest Trust A/C>	42,000,000	3.21
4	Ascent Capital Holdings Pty Ltd	37,800,000	2.89
5	David Christian Steinepreis	36,000,000	2.75
6	Joke Pty Ltd <Kenny Family Fund A/C>	36,000,000	2.75
7	Helmet Nominees Pty Ltd <Tim Weir Family Fund A/C>	36,000,000	2.75
8	Oakhurst Enterprises Pty Ltd	36,000,000	2.75
9	JP Morgan Nominees Australia Limited <Cash Income A/C>	31,950,301	2.44
10	Pheakes Pty Ltd <Senate A/C>	26,525,454	2.03
11	James Peter Allchurch <Manstein Holdings A/C>	26,400,000	2.02
12	N & J Mitchell Holdings Pty Ltd <Steinepreis Super Fund A/C>	25,200,000	1.93
13	North Asia Metals Ltd	24,259,358	1.86
14	Rowan Hall Pty Ltd <Rowan Hall Trading A/C>	19,200,000	1.47
15	Mr David Arthur Paganin <DA Paganin Family No 2 A/C>	14,303,063	1.09
16	Yarrumup Pty Ltd <Capulet Super Fund A/C>	13,900,000	1.06
17	Megatop Nominees Pty Ltd <Morris Super Fund A/C>	13,000,000	0.99
18	M & M Family Pty Ltd	12,840,000	0.98
19	HSBC Custody Nominees (Australia) Limited –A/C 2	12,365,819	0.95
20	Raejan Pty Ltd <The Marzec Family Account>	12,200,000	0.93
TOTAL FOR TOP 20:		806,277,328	61.67%

7 On-Market Buy-Back

There is no current on-market buy-back.

8 Tenement Schedule

Herberton Tin Project

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

Baal Gammon Project

ML 20388;
ML 20568

Middle Island (EPM 4335 & part EPM 7164)

Hummock Hill Island (part EPM 7164)