

2 May 2012

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# HERBERTON AND BAAL GAMMON PROJECT UPDATES

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## Herberton Exploration Update

### *Phase 1 Drilling – Confederation Prospect*

Reverse Circulation (RC) drilling has now been completed at the Confederation copper/tin prospect with over 1,800m drilled. Diamond drilling commenced 22 April 2012 and is likely to continue into mid-May. The RC and diamond drilling is designed to test the continuity and extensions to copper mineralisation from previous drilling and will also target tin mineralisation historically mined at the prospect.

The first batch of samples has been dispatched to the laboratory following encouraging results from initial screening by hand-held XRF. Results will be released in mid-May, with subsequent results released continuously thereafter as they are received from the laboratory.

The phase 1 drilling programme which is currently nearing completion is the first of three planned phases of drilling totalling over 7,000m, all of which is to be completed prior to October 2012.

### *Herberton Project Exploration*

Monto Minerals Ltd (Monto) have also continued significant geological reconnaissance work over the Herberton Project and are well advanced in preparation for the forthcoming Phase 2 drilling programme. Modern geophysical data, including detailed 100m line-spacing aeromagnetics and Induced Polarisation (IP) surveys (collected by the previous owner of the project) are currently being re-processed and, in conjunction with the detailed mapping, soil and rock chip sampling already completed, will assist greatly with targeting for the forthcoming drill programmes.

Phase 2 drilling targeting high grade tin is expected to commence shortly after completion of the current diamond drilling component of the phase 1 programme.

## Baal Gammon Update

Monto and its subsidiary company, Baal Gammon Copper Pty Ltd (**BG**), provide an update on Baal Gammon following the appointment of voluntary administrators by Kagara Limited (administrators appointed) (**Kagara**).

Mining of the Baal Gammon deposit by Kagara is subject to a Mineral Rights Agreement (**MRA**). Under the MRA, BG is entitled to a 2.5% NSR (**Net Smelter Royalty**) payable on all metals for the first 550,000t of ore processed and a 2% NSR payable on all metals over 550,000t of ore processed. Kagara, as operator, is responsible under the MRA for funding all costs and obligations with respect to BG mine development and operations. If Kagara does not comply with its obligations then BG is responsible as the holder of the mining lease and environmental authority.

BG has issued Kagara with a notice of default under the MRA with respect to the following matters:

- (a) Provision of detailed quarterly reports detailing Kagara's activities on the Baal Gammon project. Some information has been provided to Monto but requires further clarification and detail.
- (b) Kagara is required to comply with any Native Title entitlement that may exist over the Baal Gammon Project including under any ILUA agreement with a native title party. There remain outstanding obligations including a reimbursement to BG.
- (c) Kagara has failed to pay the NSR to Monto in respect of sale of concentrate in accordance with the MRA.
- (d) Kagara is responsible for all costs relating to mining on the Baal Gammon Project, development of, and approvals required for, mining, environmental and/or performance bonds, including rehabilitation and the reporting obligations and good-standing of the Tenement. Kagara has failed to pay the annual fee payable under the Environmental Protection Act to the Department of Environment and Resource Management in the amount of \$59,752.
- (e) Kagara is responsible for the lodgement of a performance bond (referred to as the Financial Assurance). BG has been advised by the Department of Employment, Economic Development and Innovation that Kagara has failed to lodge the Financial Assurance bond required for mining and rehabilitation in the amount of \$3,750,572. The lodgement of the financial assurance is a condition of the mining lease.

Monto has previously advised that the Queensland Department of Environmental and Resource Management (**DERM**) has issued a notice to conduct an environmental evaluation (**EE**) under the Environmental Protection Act BG and Kagara with respect to a release of potentially contaminated water from the Baal Gammon copper mine operated by Kagara.

The EE requires that BG and Kagara conduct a detailed environmental investigation with respect to the incident and provide DERM with a series of reports over the next three months. BG, with Kagara, has commenced the investigation in accordance with the EE with the intention of satisfying their obligations in this regard.

BG has confirmed to Kagara that it reserves all of its rights under the MRA and is currently assessing its position. BG will pursue all remedies available to it to seek payment of outstanding royalty amounts and other damages caused by breach of the MRA by Kagara.

BG will continue to work closely with Kagara to move forward on the Baal Gammon Project and address the areas of default in a timely manner. BG believes that this asset is important for the recapitalisation and restructure of the Kagara. Prior to suspending operations on 12 April 2012, the mine had removed all transitional ore and is poised to access the high grade sulphide ore body.

The Board of Monto will provide regular updates when further information is provided on the status of Kagara and the Baal Gammon project.

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