MONTERAY MINING GROUP LTD

A.C.N. 062 959 540

ANNUAL REPORT

for the year ended 30 June 2014

MONTERAY MINING GROUP LTD
ACN: 062 959 540

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This annual report covers the Monteray Mining Group Limited, consisting of Monteray Mining Group Limited ("Monteray" or the "Company") and its subsidiaries. The financial report is presented in Australian dollars.

Monteray Mining Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Monteray Mining Group Limited
Ground Floor
16 Ord Street
West Perth WA 6005

The Company has the power to amend and reissue the financial report.

CORPORATE INFORMATION

Directors:
Mr John Hannaford
Non-Executive Chairman

Mr Alexander John (Sandy) Barblett
Non-Executive Director

Mr Andrew Habets
Non-Executive Director

Chief Executive Officer:
Mr Michael Edwards

Company Secretary:
Mr Brett Tucker

Auditors:
BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Bankers:
ANZ Banking Group Limited
1275 Hay Street
WEST PERTH WA 6005

Registered & Principal Office:
Ground Floor, 16 Ord Street
WEST PERTH WA 6005

Telephone: + 618 9482 0560
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Email: info@monteraymining.com.au
Website: www.monteraymining.com.au

Postal Address:
P.O. Box 902
WEST PERTH WA 6872

Home Securities Exchange:
Australian Securities Exchange Limited
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

ASX Code:
MRY

Share Registry:
Link Market Services Limited
Level 4 Central Park
152 St Georges Terrace
PERTH WA 6000

Telephone: +61 1300 554 474

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of the Group consisting of Monteray Mining Group Limited and the entities it controlled during the period for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The Directors in office at any time during the financial year and until the date of this report are as follows:

Mr John Hannaford- B.Com (UWA), CA, F.Fin.
Non-Executive Director and Chairman

EXPERIENCE AND EXPERTISE

Mr Hannaford has broad financial experience from several corporate roles in Australia, Asia and Europe with resources companies. Mr Hannaford is principal and director of Corporate Advisory firms Ventnor Capital Pty Ltd and Ventnor Securities Pty Ltd which specialise in the provision of corporate and financial advice to junior resource companies. Mr Hannaford has also been involved with several ASX listings and has acted as Director, Company Secretary and Financial Controller to several of these companies.

Mr Hannaford graduated from the University of Western Australia with a Bachelor of Commerce degree in 1986 majoring in Finance and Economics. He qualified as a Chartered Accountant in 1990, gaining experience with the Arthur Andersen audit division in Perth and in Hong Kong. He completed a Diploma of Applied Finance and Investment with the Securities Institute of Australia and was admitted as an Associate of the Institute in 2003.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Non-Executive Director – Bone Medical Limited
Non-Executive Director & Chairman – Orinoco Gold Limited

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Non-Executive Director – Emerald Oil & Gas NL (appointed 14 June 2006, resigned on 16 July 2012)
Non-Executive Chairman – Pacifico Minerals Limited (formerly Jaguar Minerals Limited) (appointed 20 November 2011, resigned on 19 August 2013)

Mr Alexander John (Sandy) Barblett
Non-Executive Director

EXPERIENCE AND EXPERTISE

Mr Barblett is a partner in the London based corporate finance company, Ironbridge Capital Partners. He has over 22 years senior management experience working with private and publicly listed companies.

Mr Barblett has worked in the UK, US and Hong Kong. He has advised companies on raising private equity and general fund raising, corporate strategy and mergers and acquisitions. Mr Barblett previously worked for Minter Ellison as a solicitor, is a member of the Australian Institute of Company Directors and is also a director of AIM listed Solo Oil plc.

Mr Barblett has a bachelor of business degree from Curtin University of Technology in Perth and a bachelor of law degree from the University of Queensland.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

Mr Andrew Habets
Non-Executive Director

EXPERIENCE AND EXPERTISE
Mr Habets has over 25 years' experience working as a geologist in new business development, project generation and field exploration. He has a multi-disciplinary background that supports an extensive knowledge of the natural resource industry and practical and hands-on approach that supports a full spectrum of the supply chain. Mr Habets has extensive experience operating in developing countries, interfacing with government and local authorities, joint venture partners and remote communities.

Mr Habets has strong entrepreneurial skills and project generation experience in over 40 countries which has led to the successful growth and expansion of resources for many of the companies with whom he has been involved. Professional qualifications and memberships include, Fellow Royal Geographic Society, London; MAusIMM, Member Royal Society of Victoria; Member Society of Economic Geology.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES
Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS
Nil

CHIEF EXECUTIVE OFFICER

Mr Michael Edwards

EXPERIENCE AND EXPERTISE
Mr Edwards is a Geologist and Economist with over 20 years' experience in Senior Management in both the private and public sector. He has a Bachelor of Business (Economics and Finance) from Curtin University of Technology and a Bachelor of Science (Geology) from The University of Western Australia. He spent three years with Barclays Australia in their Corporate Finance department and then 8 years as an Exploration and Mine Geologist with companies such as Gold Mines of Australia, Eagle Mining and International Mineral Resources.

Since 2010 Mr Edwards has been consulting to numerous companies conducting project evaluations and deal structuring across a wide range of commodities and countries.

COMPANY SECRETARY

Mr Brett Tucker

EXPERIENCE AND EXPERTISE
Brett has a strong accounting background gained from experience in an international accounting practice, working in both audit and taxation. Brett has exposure to a wide range of industries with a focus on junior resource companies.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL ACTIVITIES

During the year the principal activity of the Group was exploration on its gold permits located in Burkina Faso, West Africa.

RESULTS

The net loss attributable to members of the Group for the year ended 30 June 2014 amounted to $2,825,590 (2013: $1,610,526). The net loss relates to the accounting impairment of the Burkina Faso gold projects, exploration costs and administration costs relating to an ASX listed entity.

DIVIDENDS

There were no dividends paid or declared during the year.

REVIEW OF OPERATIONS AND RESULTS

Operations

Burkina Faso

The Company completed its maiden drilling program at the 'Pepin' licence in the prior year, with final drill results announced to the ASX July 2013. The results received were extremely encouraging and have provided a solid platform for future exploratory work.

During the financial year, as part of the Company strategy to realise value from its large portfolio of Burkinabe exploration projects, management executed an agreement with a subsidiary of SEMAFO Inc (TSX, OMX:SMF) to grant a three year working right and option to acquire its Bilakongo, Tigan and Kana permits in return for agreed exploration funding and cash payments. Under the option agreement, SEMAFO can acquire up to 90% interest in Bilakongo and Tigan permits and 100% of the Kana permit.

The cash payments made to the Company to date under the agreement have served to meet the final acquisition payment to the original Kana permit vendor due by the Company. Details of the option agreement were announced to the ASX on 27 March 2014.

Subsequent to this, the Company signed a further option agreement on 30 May 2014 to grant SEMAFO a working right and option to acquire its Dabokuy permit in return for cash payments of US$70,000 and exploration funding of US$200,000 over two years. Upon SEMAFO acquiring a 100% interest in the Dabokuy permit, the Company is to be granted a net smelter royalty of 1%, with SEMAFO having the option to purchase for US$1m prior to production.

Subsequent to the financial year, following a detailed assessment of results, the Company has initiated a follow up exploration program on the Pepin Permit. The planned program will include in-fill soil sampling and further mapping which will help with further drill target definition. In addition to the planned work at Pepin, exploration has commenced at the contiguous and highly prospective Guimba permit with a regional mapping and rock chip sampling program recently completed. Guimba has remained un-explored to date and may represent a significant greenfields opportunity.

Follow up drilling at the Pepin permit will be considered when further analysis of results is completed and when the Burkina Faso wet season is over. Both programs are planned to be completed in the September 2014 quarter.

Western Australia

Following a detailed assessment of historical exploration results, a decision was made to transfer its remaining Western Australian project, the Triple 3 tenement, back to the original vendor in accordance with the sale and purchase agreement in order to conserve the cash of the Company whilst it focuses on its Burkinabe projects.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report or the financial statements.

DIRECTORS' REPORT (CONTINUED)

LIKELY DEVELOPMENTS & EXPECTED RESULTS OF OPERATIONS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Directors believe that the Company has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

The Company's operations are subject to various environmental regulations under the Federal and State Laws of Australia and environmental laws of Burkina Faso, West Africa. The majority of the Company's activities involve low level disturbance associated with exploration drilling programs. Approvals, licences and hearings and other regulatory requirements are performed as required by the management of Monteray Mining Group Limited for each permit or lease in which the Company has an interest.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 19th August 2014, the Company announced that it had undertaken a non-renounceable entitlements issue one a one for one basis to eligible shareholders on the record date of 26th August 2014, to raise up to $654,004 before costs. The entitlements issue is partially underwritten by Ventnor Securities Pty Ltd to a total of $200,000.

As at the date of this report, the Company received $312,274 in funds in the entitlements issue resulting in a shortfall of $341,729. Ventnor Securities has 3 months from the closing date of 9th September 2014 to place the shortfall.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of $7,182 excluding GST (2013: $6,760) to insure the Directors and Secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in ordinary shares and unlisted options of the Company were:

	Shares		Options	
Director	**Held Directly**	**Held Indirectly**	**Held Directly**	**Held Indirectly**
Mr John Hannaford	292,990	16,117,840	1,000,000	1,250,000
Mr Alexander Barblett	10,000	187,500	1,000,000	-
Mr Andrew Habets	20,000	3,400,000	1,000,000	-
Total	**322,990**	**19,705,340**	**3,000,000**	**1,250,000**

DIRECTORS' REPORT (CONTINUED)

MEETINGS OF DIRECTORS

The number of meetings of the Company's Directors held during the year and the numbers of meetings attended by each Director are:

Board of Directors	Meetings Attended*	Meetings Eligible to Attend*
Mr John Hannaford	10	10
Mr Alexander Barblett	10	10
Mr Andrew Habets	10	10

* Circular resolutions of the Directors are included as a meeting.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company for the year ended 30 June 2014. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the Financial Report.

This remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the following specified executives in the Company:

Key Management Personnel

Directors:

Mr John Hannaford (Non-Executive Director & Chairman)
Mr Alexander Barblett (Non-Executive Director)
Mr Andrew Habets (Non-Executive Director)

Executives:

Mr Michael Edwards (Chief Executive Officer)

Remuneration Policies

Remuneration levels for Directors, secretaries and, if required, senior executives of the Company ("the Directors and senior executives") will be competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Chairman will obtain independent advice on the appropriateness of remuneration packages given trends in comparative companies both locally and internationally and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors and senior executives;
- the Directors and senior executives ability to control the relevant performance;
- the entity's performance; and
- the amount of incentives within each Directors and senior executive's remuneration.

Remuneration packages include a mix of fixed remuneration and variable remuneration and short and long-term performance-based incentives.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Fixed Remuneration

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds.

Remuneration levels are, if necessary reviewed annually by the Chairman through a process that considers individual and overall performance of the entity. If required, external consultants provide analysis and advice to ensure the Directors' and senior executives' remuneration is competitive in the market place. No external consultants were engaged in the current year.

Performance-Linked Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and key management personnel. Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

Principles used to determine the nature and amount of variable remuneration: relationship between remuneration and company performance

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. The main performance criteria used in determining the executive reward remuneration is increasing shareholder value through aligning the Group with high quality exploration assets. Due to the nature of the Group's principal activities the Directors assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX, and the market capitalisation of the Company.

Directors and executives are issued options to encourage the alignment of personal and shareholder interests. Options issued to Directors may be subject to market based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Group believes this policy will be effective in increasing shareholder wealth. Key management personnel are also entitled to participate in the employee share and option arrangements.

On the resignation of Directors any vested options issued as remuneration are retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value.

During the year the Board completed a self-performance evaluation at a Director and Board level.

In considering the entity's performance and benefits for shareholders' wealth, the Chairman has regard to the following indices in respect of the current financial year and the previous four financial years.

	2014	2013	2012	2011	2010
Net profit / (loss)	$(2,825,590)	$(1,610,526)	$(744,648)	$(637,478)	$243,425
Share price	$0.01	$0.03	$0.06	$0.15	$0.16
Change in share price	$(0.02)	$(0.03)	$(0.09)	$(0.01)	$(0.04)
Earnings per share	$(0.04)	$(0.04)	$(0.02)	$(0.01)	0.06

Net profit is considered in setting the short term incentive as one of the financial performance targets is "profit after tax". Changes in share price and dividend are included in the total shareholder return (TSR) calculation which is one of the performance criteria assessed for the long-term incentive. The other performance criteria assessed for the long-term incentive is growth in earnings per share, which again takes into account the entity's net profit and the achievement of strategic milestones.

None of the remuneration provided to Directors and executives during the year was linked to achievement of a performance milestone.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Service Agreements

It is the entity's policy that service contracts for executive Directors and senior executives be entered into.

A service contract with an executive Director or senior executive would provide for the payment of benefits where the contract is terminated by the entity or the individual. The executive Directors and senior executives would also be entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

At any time the service contract can be terminated either by the entity or the executive Director or senior executive providing notice for a period of time in line with market practice at the time the terms are agreed. The Company may make a payment in lieu of notice for the same period of time, equal to 100% of base salary.

An executive Director or senior executive would have no entitlement to termination payment in the event of removal for misconduct.

Major provisions of the agreements existing at balance date relating to executive remuneration are set out below.

Mr Michael Edwards – Chief Executive Officer

- Term of Agreement – ongoing subject to annual review.
- Remuneration – Day rate of $1,000 per day on a consultancy basis as required.
- Termination Provisions – The Executive or Company may terminate the agreement without cause by giving 3 months written notice.

Non-Executive Directors

Upon appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the policies and terms, including compensation, relevant to the office of Director.

The key terms of the Non-Executive Director service agreements are as follows:

- Term of Agreement – ongoing subject to annual review.
- Directors' Fees of $25,000 per annum plus statutory superannuation.
- There is no notice period stipulated to terminate the contract by either party.

Hedging Exposure

It is the entity's policy that Directors and executives of the Company are required to seek the prior written approval of the Board before entering into hedging arrangements in respect to their holdings of Company equity instruments. The executive or Director must provide full details of any such hedging arrangements for consideration by the Board. The Board will consider each approach for approval on its merits, taking into account the size of the holding, the level of exposure, the repayment requirements and the impact any adverse market conditions may have on the capital structure of the Company.

Non-Executive Directors

Total remuneration for all Non-Executive Directors, last voted upon by shareholders, is not to exceed $300,000 per annum and fees are set based on fees paid to other Non-Executive Directors of comparable companies. Directors' base fees are presently set at $25,000 per annum.

The Company does not have a Director's Retirement Scheme in place at present.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of Monteray Mining Group Limited are set out in the following table.

Key Management Personnel of Monteray Mining Group Limited

2014	Short Term Benefits		Post-Employment Benefits	Share Based Payments		
Key Management Personnel	Salary & Fees $	Non-Monetary $	Super-annuation $	Options $	Total $	Performance Related %
Non-Executive Directors						
Mr John Hannaford	25,000	-	2,312	-	27,312	-
Mr Alexander Barblett	25,000	-	2,312	-	27,312	-
Mr Andrew Habets	25,000	-	2,312	-	27,312	-
Total Non-Executive Directors	**75,000**	**-**	**6,936**	**-**	**81,936**	**-**
Executives						
Mr Michael Edwards	82,500	-	-	-	82,500	-
Total	**157,500**	**-**	**6,936**	**-**	**164,436**	**-**

2013	Short Term Benefits		Post-Employment Benefits	Share Based Payments		
Key Management Personnel	Salary & Fees $	Non-Monetary $	Super-annuation $	Options $	Total $	Performance Related %
Non-Executive Directors						
Mr John Hannaford	25,000	-	2,250	-	27,250	-
Mr Alexander Barblett	25,000	-	2,250	-	27,250	-
Mr Andrew Habets (1)	17,147	-	1,543	53,900	72,590	74%
Mr Kevin Dart (2)	21,875	-	1,969	-	23,844	-
Total Non-Executive Directors	**89,022**	**-**	**8,012**	**53,900**	**150,934**	**36%**
Executives						
Mr Michael Edwards (3)	115,000	-	-	-	115,000	-
Total	**204,022**	**-**	**8,012**	**53,900**	**265,934**	**20%**

(1) Mr Andrew Habets was appointed as a Non-Executive Director on 24 October 2012
(2) Mr Kevin Dart resigned as a Non-Executive Director on 15 May 2013
(3) Mr Michael Edwards was appointed as part time Chief Executive Officer on 30 November 2012

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Share Based Compensation

There was no share-based compensation to the Directors or Key Management Personnel for the year ended 30 June 2014.

Share Holdings of Key Management Personnel

The number of ordinary shares of Monteray Mining Group Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2014 is as follows:

Directors	Held at 1 July 2013	Movement during the year	Options Exercised	Held at 30 June 2014
Mr John Hannaford	6,455,415	1,750,000[1]	-	8,205,415
Mr Alexander Barblett	197,500	-	-	197,500
Mr Andrew Habets	3,420,000	-	-	3,420,000
Mr Michael Edwards	495,000	1,330,386[1]	-	1,825,386
Total	**10,567,915**	**3,080,386**	**-**	**13,648,301**

[1] On market trade during the year.

Option Holdings of Key Management Personnel

The number of options of Monteray Mining Group Limited held, directly, indirectly or beneficially, by each Director and key management personnel, including their personally-related entities for the year ended 30 June 2014 is as follows:

Directors	Held at 1 July 2013	Movement during the year	Options Exercised	Held at 30 June 2014	Vested and Exercisable at 30 June 2014
Mr John Hannaford	3,250,000	-	-	3,250,000[1]	3,250,000
Mr Alexander Barblett	1,000,000	-	-	1,000,000	1,000,000
Mr Andrew Habets	1,000,000	-	-	1,000,000	1,000,000
Mr Michael Edwards	-	-	-	-	-
Total	**5,250,000**	**-**	**-**	**5,250,000**	**5,250,000**

[1] 1,000,000 unlisted options subsequently expired on 31 August 2014 with an exercise price of $0.25.

Key Management Personnel Compensation

The aggregated compensation paid to Directors and Key Management Personnel of the Group is as follows:

	Consolidated 2014 $	Consolidated 2013 $
Short-term employee benefits	157,500	204,022
Post-employment benefits	6,936	8,012
Share based payments	-	53,900
Total	**164,436**	**265,934**

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other Transactions with Key Management Personnel

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Ventnor Capital Pty Ltd (Mr John Hannaford – Non-Executive Chairman)

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford is a Director, provides the Group with company secretarial services, office accommodation, bookkeeping, CFO and corporate services in relation to the administration of the Group on normal commercial terms and conditions and at market rates from May 2013.

A summary of the total fees paid to Ventnor Capital Pty Ltd for the year ended 30 June 2014 is as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Serviced office, company secretarial & CFO services, bookkeeping services, IT support, corporate advisory, general administration and registered office	91,050	17,500
Financial accounting and corporate advisory services	17,575	-
Total	**108,625**	**17,500**

The total amount of fees due to Ventnor Capital Pty Ltd as at 30 June 2014 was $24,026 (2013: $11,652).

Shadwick Nominees Pty Ltd (Mr Michael Edwards – Chief Executive Officer)

Shadwick Nominees Pty Ltd, a Company of which Mr Michael Edwards is a Director, provided CEO services to the Company during the year. A total amount of $78,500 (2013: $115,000) was paid to Shadwick Nominees Pty Ltd for the above services for the year ended 30 June 2014. The total amount of fees due to Shadwick Nominees Pty Ltd as at 30 June 2014 was $4,000 (2013: nil).

Voting and comments made at the Company's 2013 Annual General Meeting

The Company received more than 90% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or during the year on its remuneration practices.

*********** END OF AUDITED REMUNERATION REPORT ***********

DIRECTORS' REPORT (CONTINUED)

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the *Corporation Act 2001*.
BDO Audit (WA) Pty Ltd replaced BDO East Coast Partnership as auditor of the Company on 28 November 2013.

NON-AUDIT SERVICES

The Company may 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 Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

During the year, the auditors did not provide any non-audit services to the Group.

DIRECTORS' REPORT (CONTINUED)

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2014 has been received and can be found on page 20.

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 to or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

SHARE OPTIONS

During the year ended 30 June 2014 no options expired unexercised (2013: nil) and no options were exercised (2013: nil). Subsequently 10,145,000 unlisted options with an exercise price of $0.25 each expired on 31st August 2014.

Options over unissued ordinary shares

At the date of this report the following options over ordinary shares in Monteray Mining Group Ltd are on issue and outstanding:

	No. of Options	Exercise Price	Expiry Date
Unlisted Options	2,000,000	$0.25	29/11/2015
	4,000,000	$0.25	29/11/2016
	1,000,000	$0.25	30/11/2016
	1,000,000	$0.30	08/10/2015
	1,000,000	$0.40	08/10/2016
Total	**9,000,000**		

Signed in accordance with a resolution of the Directors.

Mr John Hannaford
Chairman

18 September 2014

Competent Person's Statement
The information included in this report that relates to Historical Exploration Results is based on information compiled by Michael Edwards, B.Sc, B.Bus, Grad dip OEN, a competent person who is a member of the Australian Institute of Geoscientists. Mr Edwards is the Chief Executive Officer (CEO) of the Company. Mr Edwards has worked as a geologist in regional exploration, mine evaluation and resource estimation roles for over 10 years in precious and base metal deposits. Mr Edwards has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Edwards consents to the inclusion in the report of the matters based on his information in the form and context in which it appears
.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control legal compliance and management information systems.

It is also responsible for approving and monitoring financial and other reporting.

Because of the size, activities and scope of the business during the financial year the Board retained responsibility for operation and administration of the Company through the Company Secretary. The Company Secretary currently maintains responsibility for the operation and administration of the Company and reports to the Board. The Board will review the performance of the Company Secretary annually.

Board Processes

The Board has not established an Audit Committee, a Nomination Committee or a Remuneration Committee because of the limited size, nature and scope of operations of the Company, the Board itself undertakes these responsibilities. The Board has established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds scheduled meetings each year and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman. Standing items include the financial reports, strategic matters, governance and compliance. Submissions are circulated in advance.

Director Education

The entity does not have a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of Directors, these matters are dealt with on an informal basis at present. However, when the Company expands its present business activities a formal process will be initiated to educate new and existing Directors on an ongoing basis.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The Director must consult with an adviser suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Composition of the Board

The names of the Directors of the Company in office at the date of this report are set out in the Directors' Report.

Given the Group's present size and scope, it is currently not company policy to have a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company. The Board has an expansive range of relevant industry experience, financial, legal and other skills and expertise to meet its objectives. The current board composition includes two independent Directors and one non-independent Director.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Composition of the Board (Continued)

The future composition of the Board is determined using the following principles:

- the Board should comprise not more than ten Directors and not less than three Directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate materialises;
- a majority of Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- the Chairman should not also be the Chief Executive Officer;
- the Board should comprise Directors with a broad range of expertise both nationally and internationally;
- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter Directors are subject to re-election at least every three years. The tenure for executive Directors is linked to their holding of executive office. There were no executive Directors at the time of this report; and
- the Board assumes the role of Nomination Committee due to the size, nature and scope of the Company.

An independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

- holds less than 5% of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than 5% of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member;
- is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another Group member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Company.

* the Board considers 'material', in this context, to be where any Director-related business relationship has represented, or is likely in the future to represent the lesser of at least 10% of the relevant segment's or the Director-related business' revenue. The Board considered the nature of the relevant industries' competition, and the size and nature of each Director-related business relationship, in arriving at this threshold.

Remuneration

The Board assumes the role of the remuneration committee and the Chairman reviews remuneration packages and policies applicable to the Directors and employees.

The Chairman is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies none of which are applicable to the Company at the present time.

The total remuneration for all non-executive Directors, last voted upon by shareholders, is not to exceed $300,000 per annum. The current remuneration for each non-executive Director is $25,000 per annum. Non-executive Directors do not receive bonuses nor are they issued options on securities. The Chairman currently receives remuneration of $25,000 per annum.

Remuneration Report

The Remuneration Report is set out above and forms part of the Directors' Report for the financial year ended 30 June 2014.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Audit Committee

The Board assumes the role of the Audit Committee because of the limited size and nature of the operations of the Company. The Company has a documented Audit Committee charter, approved by the Board. The external auditors, and the Board conduct the equivalent to Audit Committee meetings. The auditors and Board met twice during the year.

The Chief Executive Officer and Company Secretary has declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2014 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

The responsibilities of the Audit Committee as assumed by the Board include:

- reviewing the annual, half year concise financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- reviewing the Company's policies and procedures for compliance with Australian equivalents to International Financial Reporting Standards;
- assessing the performance and objectivity of the internal audit function;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- organising, reviewing and reporting on any special reviews deemed necessary by the Board;
- reviewing the nomination and performance of the external auditor;
- monitoring the procedures to ensure compliance with Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Board reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half yearly and annual financial report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual and half year financial report, and recommend Board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk Management

Oversight of the Risk Management System

The Board has implemented a Risk Management System for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company because of the limited size and scope of the Company's operations. The Board has assessed the financial reporting risk management and associated compliance and controls and found them to be operating efficiently and effectively. The operational and other risk management compliance and controls, have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the entity and joint ventures.

Risk Profile

The risk management program is aimed at ensuring risks are identified, assessed and appropriately managed. Major risks for the entity arise from such matters as actions by competitors, government policy changes, environment, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

Financial risk exposures arise in the course of the day-to-day operating activities of the entity, largely due to cash flow and interest rate movements. The primary objective of financial exposure management is to reduce the volatility of cash flows and asset values arising from such movements. The cash funds invested by the Company are generally in short term investments with Australian banks.

Risk Management and Compliance and Control

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board's policy on internal controls is comprehensive and comprises the Company's internal compliance and control systems, including:

- financial reporting – there is a budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The entity reports to shareholders half yearly;
- continuous disclosure – the entity has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules;
- a comprehensive process is in place to identify matters that may have a material effect on the price of the Company's securities and notify them to the Board;
- the Company Secretary is responsible for interpreting the Company's policy and where necessary informing the Board;
- the Company Secretary is responsible for all communications with the ASX; and
- investment appraisal – the entity has clearly defined guidelines for capital expenditure. These include detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- business transactions are properly authorised and executed; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

Financial Reporting

The Chief Executive Officer and Company Secretary has declared, in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets and revised forecasts for the year are prepared regularly.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk Management (Continued)

Environmental Regulation

The entity aims to ensure that the highest standard of environmental care is achieved. The Board aims to ensure that the entity and associated investments' environmental policies are adhered to and are in compliance with all relevant environmental legislation.

The Company's operations are subject to relevant environmental regulations under both the Commonwealth and State legislation. Exploration work is intended to be carried out in a way that causes minimum impact on the environment and complies with the relevant environmental regulations.

Assessment of Effectiveness of Risk Management

The Board ensures compliance of the internal controls and risk management programs by reviewing the effectiveness of the compliance and control systems.

Ethical Standards

All Directors, executives and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the entity. The Board reviews the Ethical Standards policy regularly and processes are in place to promote and communicate these policies.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned is not present at the meeting whilst the item is considered. Details of Director-related entity transactions with the entity are set out in note 23.

Code of Conduct

The entity has advised each Director, executive and employee that they must comply with the Ethics Standards policy. The policy covers the following:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- usefulness of financial information by maintaining appropriate accounting policies and practices and disclosure;
- employment practices such as occupational health and safety, employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community, such as environmental protection policies, supporting the community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's;
- conflicts of interest;
- corporate opportunities such as preventing Directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of Company's assets;
- compliance with laws; and
- reporting of unethical behaviour.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Ethical Standards (Continued)

Trading in General Company Securities by Directors and Employees

The key elements of the Trading in General Company Securities by Directors and employees policy set out in the Trading Policy are:

- identification of those restricted from trading – Directors and employees may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options;
  - during any closed period (that is two months immediately prior to the release of the preliminary announcement of the Company's annual or half year results); and
  - whilst in possession of price sensitive information not yet released to the market;
- raising the awareness of legal prohibitions including transactions with colleagues and external advisers;
- requiring details to be provided of intended trading in the Company's shares; and
- requiring details to be provided of the subsequent confirmation of the trade.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website and in the Group's announcements provided to the ASX.

Communication with Shareholders

The Board provides shareholders with information using a comprehensive Continuous Disclosure policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases.

In summary, the Continuous Disclosure policy operates as follows:

- the Company Secretary is responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered, and all senior executives must follow a continuous disclosure discovery process, which involves monitoring all areas of the entity's internal and external environment;
- the annual financial report is provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy), including relevant information about the operations of the entity during the year, changes in the state of affairs of the entity and details of future developments;
- the half yearly report contains summarised financial information and a review of the operations of the entity during the period. The half year reviewed financial report is lodged with the ASX, and sent to any shareholder who requests it;
- proposed major changes in the entity which may impact on share ownership rights are submitted to a vote of shareholders;
- notices of all meetings of shareholders; and
- the external auditor attends the annual general meetings to answer any questions concerning the conduct of the audit, the preparation and content of the auditor's report, the compliance of accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous three years, is made available on the Company's website within one day of public release, and available to all shareholders who lodge their contact details with the Company.

The Board encourages full participation of shareholders at the annual general meeting, to ensure a high level of accountability and identification with the entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the remuneration report and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Gender Diversity

The Company has not adopted an express policy specifically addressing achievement of gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future. Furthermore, the Company has not set any objectives for achieving gender diversity. Should a gender diversity policy be considered appropriate for the Company in the future due to increases in size of the organisation, the policy will specifically deal with the objectives for achieving diversity.

The Company's corporate code of conduct provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.

The company currently has no female board members, senior executives or employees.

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF MONTERAY MINING GROUP LIMITED

As lead auditor of Monteray Mining Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Monteray Mining Group Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 18 September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Revenue			
Finance income	5	8,928	37,956
Total Revenue		8,928	37,956
Administration expenses		(185,843)	(316,655)
Depreciation	12	(400)	(393)
Director's benefit expense	6	(81,936)	(97,034)
Exploration expenditure		(4,212)	(22,413)
Impairment of capitalised exploration expenditure	11	(2,381,222)	(1,014,763)
Professional fees		(92,635)	(143,324)
Project analysis and due diligence		(88,270)	-
Share based payments		-	(53,900)
Total Expenses		(2,834,518)	(1,648,482)
Loss before income tax expense		(2,825,590)	(1,610,526)
Income tax (expense) benefit	8	-	-
Loss after income tax for the year		(2,825,590)	(1,610,526)
Other Comprehensive Income for the year:			
Other comprehensive income for the year, net of income tax		-	-
Total Comprehensive Loss for the year attributed to members of Monteray Mining Group Limited		**(2,825,590)**	**(1,610,526)**
Loss per share for the year attributable to members of Monteray Mining Group Limited			
Basic and Diluted Loss per share – cents per share	7	(4.32)	(3.71)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	342,534	772,672
Trade and other receivables	10	16,901	32,367
Total Current Assets		359,435	805,039
Non-Current Assets			
Exploration and evaluation expenditure	11	-	2,350,747
Property, plant and equipment	12	-	400
Total Non-Current Assets		-	2,351,147
TOTAL ASSETS		**359,435**	**3,156,186**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	107,083	78,244
Total Current Liabilities		107,083	78,244
TOTAL LIABILITIES		**107,083**	**78,244**
NET ASSETS		**252,352**	**3,077,942**
EQUITY			
Issued capital	14	11,909,484	11,909,484
Reserves		2,015,107	2,015,107
Accumulated losses		(13,672,239)	(10,846,649)
TOTAL EQUITY		**252,352**	**3,077,942**

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY
For the year ended 30 June 2014

	Share Capital $	Share Option Reserve $	Accumulated Losses $	Total Equity $
Total Equity at 1 July 2012	10,057,527	1,911,231	(9,236,122)	2,732,636
Total Comprehensive Loss for the Year				
Loss for the year	-	-	(1,610,526)	(1,610,526)
Total other comprehensive income	-	-	-	-
Total Comprehensive Loss for the Year	**-**	**-**	**(1,610,526)**	**(1,610,526)**
Transactions with Equity Holders				
Shares issued, net of transactions	1,851,957	-	-	1,851,957
Options issued	-	103,876	-	103,876
Total Equity at 30 June 2013	**11,909,484**	**2,015,107**	**(10,846,649)**	**3,077,942**
Total Equity at 1 July 2013	11,909,484	2,015,107	(10,846,649)	3,077,942
Total Comprehensive Loss for the Year				
Loss for the year	-	-	(2,825,590)	(2,825,590)
Total other comprehensive income	-	-	-	-
Total Comprehensive Loss for the Year	**-**	**-**	**(2,825,590)**	**(2,825,590)**
Transactions with Equity Holders				
Shares issued, net of transactions	-	-	-	-
Options issued	-	-	-	-
Total Equity at 30 June 2014	**11,909,484**	**2,015,107**	**(13,672,239)**	**252,352**

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		10,733	37,956
Payments to suppliers and employees		(231,681)	(555,916)
Net cash used in operating activities	16	**(220,948)**	**(517,960)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received from working right & option agreement		167,377	-
Payments for acquisition of exploration and evaluation assets		-	(700,807)
Payments for exploration and evaluation expenditure		(265,584)	(1,199,362)
Payments relating to project analysis and due diligence		(110,983)	-
Net cash used in investing activities		**(209,190)**	**(1,900,169)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares and options		-	1,374,987
Capital raising costs		-	(80,030)
Net cash provided by financing activities		**-**	**1,294,957**
Net increase / (decrease) in cash and cash equivalents		(430,138)	(1,123,172)
Cash and cash equivalents at the beginning of the year		772,672	1,895,844
Cash and cash equivalents at the end of the year	9	**342,534**	**772,672**

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 1: REPORTING ENTITY

Monteray Mining Group Ltd is a listed public Company incorporated and domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the “consolidated entity” or “Group”).

A description of the nature of the Company’s operations and its principal activities is included in the Directors’ Report which does not form part of this financial report.

The consolidated financial statements were authorised by the Board of Directors on the date of signing the Directors' Declaration.

NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*.

The Financial Statements and Notes of the Company comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Statements and Notes comply with International Financial Reporting Standards.

Monteray Mining Group Limited is a company limited by shares. The financial report is presented in Australian currency. Monteray Mining Group Limited is a for-profit entity.

This Financial Report was approved by the Board of Directors on 18 September 2014.

<u>Historical Cost Convention</u>

These financial statements have been prepared under the historical cost convention.

<u>Significant Judgements and Key Assumptions</u>

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 11: Exploration and Evaluation Expenditure

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

(b) Revenue Recognition

Interest Revenue

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

(c) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Monteray Mining Group Limited and its wholly-owned Australian subsidiary have not formed an income tax consolidated group under the tax consolidation regime.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expires. Financial assets and financial liabilities classified as held for trading are measured at fair value through the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Upon initial recognition a financial asset or financial liability is designated at fair value through profit or loss when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases.

(ii) a Group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to key management personnel.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated at fair value though the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Financial assets not measured at fair value comprise:

(i) loans and receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method.

(ii) held-to-maturity investments with fixed or determinable payments and fixed maturity that will be held to maturity. These are measured at amortised cost using the effective interest method.

(iii) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost.

Available-for-sale financial assets are non-derivative financial assets which are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in equity, through the Consolidated Statement of Changes in Equity (except for impairment losses and foreign exchange gains and losses) until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Purchases of financial assets are accounted for as follows:

- financial assets held for trading - at trade date;
- held-to-maturity investments - at trade date;
- loans and receivables - at trade date;
- available-for-sale financial assets - at trade date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Assets and Financial Liabilities (Continued)

Except for the following all financial liabilities are measured at amortised cost using the effective interest rate method:

(i) financial liabilities at fair value through profit and loss.

(ii) financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or is accounted for using the continuing involvement approach.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or un-collectability.

(e) Trade and Other Receivables

Trade accounts and other receivables represent the principal amounts due at reporting date less, where applicable, any allowances for doubtful accounts.

(f) Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount values exceeds the estimated recoverable amount the assets are written down to the recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the entity commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10% - 40%

(g) Exploration and Evaluation Expenditures

Exploration and evaluation costs, excluding the costs of acquiring licences, are either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that right of tenure is current and those costs are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and above operations in relation to the area are continuing.

Acquisition costs will be assessed on a case by case basis and, if appropriate, they will be capitalised. These acquisition costs are carried forward only if the rights to tenure of the area of interest are current and either:

- they are expected to be recouped through successful development and exploitation of the area of interest or;
- the activities in the area of interest at the reporting date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs and acquisition costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the area is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Exploration and Evaluation Expenditures (Continued)

The carrying values of all costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(h) Impairment of Assets

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

(i) Trade and Other Payables

Trade accounts and other payables and accrued liabilities represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest.

(j) Cash and Cash Equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Employee Benefits

Provision is made for the consolidated entity'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 benefits 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.

Contributions are made by the consolidated entity to employee's superannuation funds and are charged as expenses when incurred.

(l) Share-Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar service are measured by reference to the fair value at grant date of the equity instrument granted.

(m) Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Earnings per Share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial 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.

(p) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted. Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(q) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset’s useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases (Continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the Consolidated Statement of Financial Position based on their nature.

(r) New Accounting Standards and Interpretations

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting year.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

NOTE 4: GOING CONCERN

The consolidated entity has incurred a loss of $2,825,590 and had net cash outflows from operations of $220,948 for the year ended 30 June 2014. The consolidated entity has no ongoing source of operating income and is dependent on raising capital to fund its ongoing activities.

The financial report has been prepared on a going concern basis which assumes the realisation of assets and the discharge of liabilities in the normal course of business.

The directors believe the going concern basis is appropriate for the following reasons:

- At 30 June 2014 the consolidated entity had cash and cash equivalents of $342,534.

- On the 19th August 2014, the Company announced a non-renounceable entitlements issue to raise up to $654,004 before costs. As at the date of this report, the Company received $312,274 in funds in the entitlements issue resulting in a shortfall of $341,729. Ventnor Securities has 3 months from the closing date of 9th September 2014 to place the shortfall.

- The Directors have prepared cash flow forecasts which include cash outflows to meet all planned expenditure programs. The consolidated entity's indicative cash flow forecast for the next twelve months includes cash out flows in relation to exploration and evaluation expenditure, which if need be, can be deferred or eliminated by the sale, joint venture or relinquishment of mining tenements. The consolidated entity has some discretion over the quantum and timing of this type of expenditure.

- Management of the consolidated entity will actively manage the current level of discretionary expenditures in line with the funds available to the consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 4: GOING CONCERN (CONTINUED)

- The Directors continue the ongoing and active management of expenditure incurred by the consolidated entity to protect current cash levels. In the unlikely event that unbudgeted costs are incurred, the consolidated entity has various alternatives available including the ability to reduce discretionary expenditure whilst additional finance is sought through capital raising arrangements or other means.

Based on the above, the Directors are satisfied that the consolidated entity will be able to fund its operations and continue as a going concern, and it is appropriate that the financial statements have been prepared on that basis.

NOTE 5: REVENUE

	Consolidated	
	2014	**2013**
	$	**$**
Finance Revenue		
Interest revenue	8,928	37,956
Total Finance Revenue	**8,928**	**37,956**

NOTE 6: LOSS

Loss before income tax has been determined after charging the following expenses:

	Consolidated	
	2014	**2013**
	$	**$**
Impairment of capitalised exploration and evaluation expenditure	2,381,222	1,014,763
Director benefit expense:		
Director fees	75,000	89,022
Superannuation	6,936	8,012

NOTE 7: LOSS PER SHARE

	Consolidated	
	2014	**2013**
	$	**$**
Basic and diluted loss per share - cents	(4.32)	(3.71)
Loss used in the calculation of basic and diluted loss per share	(2,825,590)	(1,610,526)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted loss per share	65,400,355	43,392,802

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 8: INCOME TAX

Major components of income tax expense

	Consolidated	
	2014 $	2013 $
Income tax expense	-	-
Reconciliation between income tax expense and Prima facie tax on accounting loss		
Accounting loss before income tax	(2,825,590)	(1,610,526)
Income tax (benefit) at the statutory income tax rate of 30%	(847,677)	(483,158)
Add/(Less):		
Non allowable expenses	714,367	329,599
Temporary differences and tax losses not brought to account	133,310	153,559
Income tax expense/(benefit)	-	-
Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account		
Tax losses - revenue	2,720,922	1,585,794

The temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not, in the Group's current circumstances, probable that future taxable profit will be available against which the Group can realise the benefits therefrom.

NOTE 9: CASH AND CASH EQUIVALENTS

	Consolidated	
	2014 $	2013 $
Reconciliation to Consolidated Statement of Financial Position		
Cash at bank	342,534	772,672
Total Cash and Cash Equivalents (1)	**342,534**	**772,672**

(1) Cash at bank is subject to floating interest rates at an effective interest rate of 2.25% (2013: 4.05%).

NOTE 10: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014 $	2013 $
Current:		
Other receivables	7,211	32,367
Prepaid expenses	9,690	-
Total Other Receivables	**16,901**	**32,367**

The above amounts do not bear interest and their carrying amount is equivalent to their fair value.

No trade and other receivables were impaired during the current year (2013: nil).

The Group's exposure to credit and market risks related to trade and other receivables are disclosed in Note 22.

NOTE 11: EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 2014 $	Consolidated 2013 $
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases	-	2,350,747

Reconciliation:
A reconciliation of the carrying amounts of exploration and evaluation expenditure is set out below:

	2014 $	2013 $
Balance at beginning of the year	2,350,747	891,707
Recognised on acquisition of interest in mining tenements	-	1,298,783
Capitalised exploration expenditure during the year	197,852	1,175,020
Payments received from SEMAFO option agreement [1]	(167,377)	
Impairment of capitalised exploration expenditure [2]	(2,381,222)	(1,014,763)
Total Deferred Exploration Expenditure	**-**	**2,350,747**

[1] The Company signed an agreement with a Burkina Faso subsidiary of SEMAFO Inc during the year to grant SEMAFO a three year working right and option to acquire its Bilakongo, Tigan, Kana and Dabokuy permits in its Burkina Faso portfolio. SEMAFO had paid up to a total of $167,377 (USD$159,990) to the Company as at 30 June 2014 as part of the option agreement.

[2] The capitalised exploration and evaluation expenditure in relation to the Company's Burkina Faso portfolio was fully impaired to nil at 30 June 2014 due to indicators of impairment existing on the projects.

Ultimate recoupment of these costs is dependent on successful development and commercial exploration or alternatively sale of the respective areas of interest.

NOTE 12: PLANT AND EQUIPMENT

Consolidated	Plant & Equipment $	Computer Equipment & Software $	Total $
Opening balance 1 July 2012	**793**	**-**	**793**
Depreciation for the year	(393)	-	(393)
Balance at 30 June 2013	**400**	**-**	**400**
Depreciation for the year	(400)	-	(400)
Balance at 30 June 2014	**-**	**-**	**-**
At 30 June 2014			
Cost	1,192	-	1,192
Accumulated depreciation	(1,192)	-	(1,192)
Net book value	**-**	**-**	**-**
At 30 June 2013			
Cost	1,192	-	1,192
Accumulated depreciation	(792)	-	(792)
Net book value	**400**	**-**	**400**

NOTE 13: TRADE AND OTHER PAYABLES

	Consolidated 2014 $	2013 $
Current:		
Trade payables [(1)]	53,404	30,083
Amounts payable to:		
- Other related parties [(2)]	19,880	17,052
Accruals	33,799	31,109
Total Trade and Other Payables	**107,083**	**78,244**

[(1)] Trade payables are non-interest bearing and are normally settled on 30-day terms.

[(2)] Transactions with related parties are non-interest bearing and are normally settled on 30-day terms. Refer Note 23 for details of related party transactions.

NOTE 14: ISSUED CAPITAL

	2014 Number of Shares	2014 $	2013 Number of Shares	2013 $
Issued Ordinary shares - no par value (fully paid)	65,400,355	11,909,484	65,400,355	11,909,484
Opening balance	65,400,355	11,909,484	31,500,618	10,057,527
October 2012 - Vema acquisition shares	-	-	2,850,000	228,000
October 2012 - Vema performance shares	-	-	-	48,000
October 2012 – Consulting shares	-	-	150,000	9,000
October 2012 - Eburnean acquisition shares	-	-	3,400,000	272,000
February 2013 - Placement to investors	-	-	9,475,155	473,758
March 2013 – Entitlement issue	-	-	6,997,464	349,873
April 2013 – Entitlement issue shortfall	-	-	11,027,118	551,356
Costs of share issues	-	-	-	(80,030)
Total	**65,400,355**	**11,909,484**	**65,400,355**	**11,909,484**

The Company has unlimited authorised capital.

There are no restrictions on distributions of dividends or repayment of capital.

NOTE 15: CAPITAL MANAGEMENT

When managing capital, the Board's objective is to ensure the Group continues as a going concern as well as to maximise the returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly reviewing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may issue new shares, return capital to shareholders or sell assets to reduce debt.

The Group was not subject to any externally imposed capital requirements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 16: OPERATING CASH FLOW INFORMATION

	Consolidated 2014 $	Consolidated 2013 $
Reconciliation of cash flow from operations with loss after income tax		
Loss for the year	(2,825,590)	(1,610,526)
Less – Non-cash items:		
Share based payments	-	53,900
Depreciation	400	393
Expenses settled by way of share issue	-	12,000
Impairment of capitalised exploration and evaluation expenditure	2,381,222	1,014,763
Reclassification of potential acquisition costs from operating activities	202,066	-
Changes in Assets and Liabilities		
(Increase) / Decrease in Receivables	(7,886)	-
Increase / (Decrease) in Payables	28,839	11,510
Cash flows used in operations	**(220,948)**	**(517,960)**

NOTE 17: GROUP ENTITIES

Parent Entity
The parent entity and ultimate controlling party is Monteray Mining Group Limited.

The consolidated financial statements include the financial statements of Monteray Mining Group Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2014	% Equity Interest 2013
Aberystwyth Nominees Pty Ltd	Australia	100%	100%
Eburnean Resources Pty Ltd	Australia	100%	100%
Vema Resources Pty Ltd	Australia	100%	100%
Monteray Mining Burkina SARL	Burkina Faso	100%	100%

NOTE 18: AUDITOR'S REMUNERATION

	Consolidated 2014 $	Consolidated 2013 $
Amounts payable to auditor		
Audit and review services - payable to BDO East Coast Partnership	-	35,057
Audit and review services - payable to BDO Audit (WA) Pty Ltd	25,178	-
Non-audit services	-	-
	25,178	**35,057**

There were no non-audit services provided by auditors during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 19: SHARE BASED PAYMENTS

There were no share based payments made during the year ended 30 June 2014.

No options were exercised or forfeited in terms of the approved Employee Share Option Plan.

	Number of Options	$
Share Options		
Balance as at 1 July 2012	16,145,000	1,911,231
Issue of Vema Resources Acquisition Options	2,000,000	49,976
Issue of Andrew Habets Options	1,000,000	53,900
Balance as at 30 June 2013	**19,145,000**	**2,015,107**
Nil movement	-	-
Balance as at 30 June 2014	**19,145,000**	**2,015,107**

During the year no options were exercised to take up ordinary shares. As at 30 June 2014 the Company had a total of 19,145,000 unissued ordinary shares on which options are outstanding with a weighted average exercise price of 26 cents (2013: 26 cents). Exercise prices are $0.25 to $0.40 in respect to options outstanding at 30 June 2014 (2013: $0.25 to $0.40).

The weighted average remaining contractual life of all share options outstanding at the end of the year is 1.06 years (2013: 2.05 years).

NOTE 20: PARENT ENTITY INFORMATION

	2014 $	2013 $
Assets		
Current Assets	359,378	804,982
Non-current Assets	536	2,351,674
Total Assets	**359,914**	**3,156,656**
Liabilities		
Current Liabilities	105,974	77,135
Total Liabilities	**105,974**	**77,135**
Net Assets	**253,940**	**3,079,521**
Equity		
Issued capital	11,909,484	11,909,484
Reserves	2,015,107	2,015,107
Accumulated losses	(13,670,651)	(10,845,070)
Total Equity	**253,940**	**3,079,521**
Loss of the parent entity	(2,825,475)	(1,610,420)
Total income of the parent entity	8,928	37,802

The Directors are of the opinion that no provisions are required in respect of any contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 21: SEGMENT INFORMATION
Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the consolidated Group. The Group's primary business segment is mineral exploration. The Company operates in two geographical segments; Australia and Burkina Faso, West Africa.

	Mineral Exploration							
	Australia		Burkina Faso		Corporate		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
Segment income								
Interest received	-	-	-	-	8,928	37,956	8,928	37,956
Total income	-	-	-	-	8,928	37,956	8,928	37,956
Segment expenses								
Mineral exploration and evaluation costs	-	-	(4,212)	(22,413)	-	-	(4,212)	(22,413)
Impairment of capitalised exploration expenditure	-	(1,014,763)	(2,381,222)	-	-	-	(2,381,222)	(1,014,763)
Net other costs	-	-	-	-	(448,684)	(610,913)	(448,684)	(610,913)
Loss before depreciation	-	(1,014,763)	(2,385,434)	(22,413)	(439,756)	(572,957)	(2,825,190)	(1,610,133)
Depreciation	-	-	-	-	(400)	(393)	(400)	(393)
Loss before income tax	-	(1,014,763)	(2,385,434)	(22,413)	(440,156)	(573,350)	(2,825,590)	(1,610,526)
Segment assets and liabilities								
Property, plant and equipment	-	-	-	-	-	400	-	400
Exploration and evaluation	-	-	-	2,350,747	-	-	-	2,350,747
Other current assets	-	-	-	-	359,435	805,039	359,435	805,039
Liabilities	-	-	-	-	(107,083)	(78,244)	(107,083)	(78,244)
Net assets	-	-	-	2,350,747	252,352	727,195	252,352	3,077,942

NOTE 21: SEGMENT INFORMATION (CONTINUED)

The following table presents the geographical information from the Group's two geographical locations, Australia and Burkina Faso, West Africa.

	Australia $	West Africa $	Total $
30 June 2014			
Other revenue	8,928	-	8,928
Non-current assets	-	-	-
30 June 2013			
Other revenue	37,802	154	37,956
Non-current assets	400	2,350,747	2,351,147

NOTE 22: FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, receivables, payables and related party loans.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified.

The Group manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the Group's risk management policy. The primary objective of the policy is to reduce the volatility of cash flows and asset values arising from such movements.

The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring the levels of exposure to interest rate risk, ageing analysis and monitoring of credit allowances to manage credit risk and the use of future cash flow forecasts to monitor liquidity risk.

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(c) Categorisation of Financial Instruments

Details of each category in accordance with Australian Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement*, are disclosed either on the face of the Statement of Financial Position or in the notes.

(d) Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the Consolidated Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

There are no financial instruments at fair value at 30 June 2014 (2013: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit Risk

(i) Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated 2014 $	Consolidated 2013 $
Financial Assets - Current		
Cash and cash equivalents	342,534	772,672
Trade and other receivables	16,901	32,367
Total Financial Assets	**359,435**	**805,039**

(ii) Interest Rate Risk

The Group's maximum exposure to interest rates at the reporting date was:

			Interest Rate Exposure			
2014	**Range of Effective Interest Rate (%)**	**Carrying Amount $**	**Variable Interest Rate $**	**Non Interest Bearing $**	**Floating Interest Rate $**	**Total $**
Financial Assets - Current						
Cash and cash equivalents	Nil to 5.50	342,534	342,534	-	-	342,534
2013						
Financial Assets - Current						
Cash and cash equivalents	Nil to 5.50	772,672	71,398	-	701,274	772,672

(iii) Trade and Other Receivables

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date was:

			Past due but not impaired			
2014	**Carrying Amount $**	**Not past due and not impaired $**	**1-3 Months $**	**3 Months to 1 Year $**	**1 Year to 5 Years $**	**Impaired Financial Assets $**
Financial Assets - Current						
Trade and other receivables	16,901	16,901	-	-	-	-
2013						
Financial Assets - Current						
Trade and other receivables	32,367	32,367	-	-	-	-

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

(f) Liquidity Risk

(i) Exposure to Liquidity Risk

The carrying amount of the Group's financial liabilities represents the maximum liquidity risk. The Group's maximum exposure to liquidity risk at the reporting date was:

	Consolidated 2014 $	Consolidated 2013 $
Financial Liabilities - Current		
Trade and other payables	107,083	78,244
Total Financial Liabilities	**107,083**	**78,244**

(ii) Contractual Maturity Risk

The following table discloses the contractual maturity analysis at the reporting date:

	Carrying Amount	Maturity Dates: Less than 1 month	1-3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years
2014	**$**	**$**	**$**	**$**	**$**	**$**
Financial Liabilities - Current						
Trade and other payables	107,083	107,083	-	-	-	-
2013						
Financial Liabilities - Current						
Trade and other payables	78,244	78,244	-	-	-	-

(g) Market Risk

(i) Currency Risk

The Group is not exposed to any foreign currency risk at the report date.

(ii) Interest Rate Risk

The Group's only exposure to interest rate risk is Cash as set out in Note 22(e)(ii). The group is not exposed to debt interest rate risk as there is nil debt for 2014 (2013: nil).

(iii) Other Price Risk

There are no other price risks of which the Group is aware.

NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

(g) Market Risk (Continued)

(iv) Sensitivity Disclosure Analysis

Taking into account past performance, future expectations and economic forecasts, the Group believes the following movements are 'reasonably possible' over the next 12 months (base rates are sourced from the Reserve Bank of Australia).

It is considered that 100 basis points is a 'reasonably possible' estimate of potential variations in the interest rate.

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Group at year end as presented to key management personnel, if changes in the relevant risk occur.

		Interest Rate Risk			
	Carrying	+1%		-1%	
	Amount	Profit	Equity	Profit	Equity
2014	$	$	$	$	$
Financial Assets - Current					
Cash and cash equivalents	342,534	3,425	3,425	(3,425)	(3,425)
2013					
Financial Assets - Current					
Cash and cash equivalents	772,672	7,727	7,727	(7,727)	(7,727)

NOTE 23: RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

Information on remuneration of all Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report.

The aggregated compensation paid to Directors and Key Management Personnel of the Group is as follows:

	Consolidated	
	2014	2013
	$	$
Short-term employee benefits	157,500	204,022
Post-employment benefits	6,936	8,012
Share based payments	-	53,900
Total	**164,436**	**265,934**

(b) Loans to Key Management Personnel

No loans have been made to key management personnel, including their personally related parties, of Monteray Mining Group Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2014

NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Other Transactions with Key Management Personnel

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Ventnor Capital Pty Ltd (Mr John Hannaford – Non-Executive Chairman)

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford is a Director, provides the Group with company secretarial services, office accommodation, bookkeeping, CFO and corporate services in relation to the administration of the Group on normal commercial terms and conditions and at market rates from May 2013.

A summary of the total fees paid to Ventnor Capital Pty Ltd for the year ended 30 June 2014 is as follows:

	Consolidated	
	2014 $	**2013 $**
Serviced office, company secretarial & CFO services, bookkeeping services, IT support, corporate advisory, general administration and registered office	91,050	17,500
Financial accounting and corporate advisory services	17,575	-
Total	**108,625**	**17,500**

The total amount of fees due to Ventnor Capital Pty Ltd as at 30 June 2014 was $24,026 (2013: $11,652).

Shadwick Nominees Pty Ltd (Mr Michael Edwards – Chief Executive Officer)

Shadwick Nominees Pty Ltd, a Company of which Mr Michael Edwards is a Director, provided CEO services to the Company during the year. A total amount of $78,500 (2013: $115,000) was paid to Shadwick Nominees Pty Ltd for the above services for the year ended 30 June 2014. This has been included in remuneration of Key Management Personnel in the Remuneration Report. The total amount of fees due to Shadwick Nominees Pty Ltd as at 30 June 2014 was $4,000 (2013: nil).

NOTE 24: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 19th August 2014, the Company announced that it had undertaken a non-renounceable entitlements issue one a one for one basis to eligible shareholders on the record date of 26th August 2014, to raise up to $654,004 before costs. The entitlements issue is partially underwritten by Ventnor Securities Pty Ltd to a total of $200,000.

As at the date of this report, the Company received $312,274 in funds in the entitlements issue resulting in a shortfall of $341,729. Ventnor Securities has 3 months from the closing date of 9th September 2014 to place the shortfall.

Apart from the event discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 25: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2014.

DIRECTOR'S DECLARATION

In the Directors' opinion:

(a) the accompanying financial statements set out on pages 21 to 43 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and

ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;

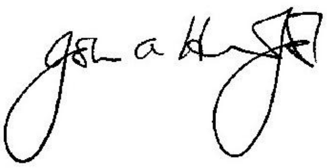
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2014.

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

On behalf of the Directors



Mr John Hannaford
Chairman

18 September 2014

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Monteray Mining Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Monteray Mining Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Monteray Mining Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Monteray Mining Group 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 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Monteray Mining Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Dean Just
Director

Perth, 18 September 2014

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issued capital of the Company at 16 September 2014 is 96,627,768 ordinary fully paid shares. All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 16 SEPTEMBER 2014

		No. of Shares Held	% Held
1	Riverview Corporation Pty Ltd	8,126,354	8.41%
2	JAEK Holdings Pty Ltd	7,031,992	7.28%
3	Troca Enterprises Pty Ltd <Coulson Super A/c>	6,078,628	6.29%
4	Mr Walter Scott Wilson & Mrs Maria Andrea Wilson <Wilson S/F A/c>	4,612,168	4.77%
5	Ossart Holdings Pty Ltd <The OT Family A/c>	4,500,000	4.66%
6	Celery Pty Ltd	3,416,986	3.54%
7	Eburnean Resources Limited	3,400,000	3.52%
8	Mr Simon Saliba	3,202,080	3.31%
9	Navigator Australia Ltd <MLC Investment Sett A/c>	2,582,976	2.67%
10	Tukdah Pty Ltd <Singalea Super Fund A/c>	2,222,222	2.30%
11	Nist Enterprises Pty Ltd	2,150,000	2.23%
12	Ajava Holdings Pty Ltd	2,000,000	2.07%
13	Mr Jan Christopher Zwolinski & Mrs Janet Elizabeth Zwolinski <Ocelli Superfund A/c>	1,957,444	2.03%
14	Westoria Resource Investments Limited	1,800,000	1.86%
15	Phoenix JDK Pty Ltd <Angelopoulos Family A/c>	1,700,000	1.76%
16	Mr Lindsay George Dudfield & Mrs Yvonne Sheila Doling Dudfield <LG Dudfield Pension Fund A/c>	1,421,834	1.47%
17	Mr Colin Weekes	1,200,000	1.24%
18	Cadex Petroleum Pty Ltd	1,150,000	1.19%
19	Mr Morgan James Barron & Mrs Morag Elspeth Ferguson Barron <Barron Super Fund A/c>	1,141,112	1.18%
20	Little Nell Investments Pty Ltd	1,000,000	1.03%
		60,693,796	**62.81%**

Shares Range	**No. of Holders**	**No. of Shares**
1 - 1,000	1,600	188,566
1,001 – 5,000	90	228,120
5,001 – 10,000	59	507,468
10,001 – 100,000	177	6,743,303
100,001 and over	99	88,960,311
Total	**2,025**	**96,627,768**
Holdings less than a marketable parcel	**1,869**	**3,622,278**

Shareholders by Location	**No. of Holders**	**No. of Shares**
Australian holders	1,906	95,897,682
Overseas holders	119	730,086
Total	**2,025**	**96,627,768**

VOTING RIGHTS

The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

ASX ADDITIONAL INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS AS AT 16 SEPTEMBER 2014

		No. of Shares Held	% Held
1	Riverview Corporation Pty Ltd	8,126,354	8.41%
2	JAEK Holdings Pty Ltd	7,031,992	7.28%
3	Troca Enterprises Pty Ltd <Coulson Super A/c>	6,078,628	6.29%

OPTION HOLDINGS

The Company has the following classes of options on issue at 16 September 2014 as detailed below. Options do not carry any rights to vote.

Class		Terms	No. of Options
MRYOP2	Unlisted Options	Exercisable at $0.25 expiring on or before 29 November 2015	2,000,000
MRYOP3	Unlisted Options	Exercisable at $0.25 expiring on or before 29 November 2016	4,000,000
MRYOP4	Unlisted Options	Exercisable at $0.30 expiring on or before 8 October 2015	1,000,000
MRYOP5	Unlisted Options	Exercisable at $0.40 expiring on or before 8 October 2016	1,000,000
MRYOP6	Unlisted Options	Exercisable at $0.25 expiring on or before 30 November 2016	1,000,000
			9,000,000

	Unlisted Options	
Options Range	**No. of Holders**	**No. of Options**
1 - 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	11	9,000,000
	11	**9,000,000**

The following Option holders hold more than 20% of a particular class of the Company's Unlisted Options.

	Unlisted Options				
Holder	**MRYOP2**	**MRYOP3**	**MRYOP4**	**MRYOP5**	**MRYOP6**
Ventnor Capital Pty Ltd	2,000,000	-	-	-	-
Mr. K Dart	-	1,000,000	-	-	-
Mr. A Barblett	-	1,000,000	-	-	-
Mr. J Hannaford	-	1,000,000	-	-	-
Mr. S Cole	-	1,000,000	-	-	-
Vema Resources Pty Ltd	-	-	1,000,000	1,000,000	-
Mr. A Habets	-	-	-	-	1,000,000

SCHEDULE OF MINING TENEMENTS

Burkina Faso

Name	Permit	Registered Holder
Pepin	2011-320	100% Monteray Mining Burkina
Guimba	2011-060	100% Monteray Mining Burkina
Bilakongo	2011-006	100% Monteray Mining Burkina
Kana	2009-270	100% Monteray Mining Burkina
Dobokuy	2011-005	100% Monteray Mining Burkina
Tigan	2012-072	100% Vema Resources
Kara	2012-075	100% Vema Resources
Bouna	2012-073	100% Vema Resources