



Monteray Mining Group Ltd
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**DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

The Directors of Monteray Mining Group Ltd present the following report for the half-year ended 31 December 2013:

DIRECTORS

The Directors in office at any time during the half year and until the date of this report are set out below:

Name	Period of Directorship
John Hannaford Non-Executive Chairman	Appointed 21 December 2010
Alexander Barblett Non-Executive Director	Appointed 21 December 2010
Andrew Habets Non-Executive Director	Appointed 24 October 2012
Michael Edwards Chief-Executive Officer	Appointed 30 November 2012

REVIEW OF OPERATIONS AND RESULTS

Net loss after income tax of the Company for the six months ended 31 December 2013 was \$193,495 (2012: loss \$247,437). This loss was impacted by the evaluation of potential projects and general administration costs associated with an ASX listed company.

BURKINA FASO

Monteray Mining Group Ltd has a portfolio of eight gold exploration permits located in western & central Burkina Faso, West Africa covering 1,178km² of unexplored Birimian greenstone belt.

During the half year, the Company received its remaining assays from drilling at the Tanghin prospect at the Pepin North tenement, following a maiden RC/AC drilling program. Drilling on the Tanghin prospect consisted of 2 RC holes for 298m and 20 AC holes for 1,084m, located in the centre of the Pepin North auger grid.

The best results included 4m at 2.51g/t Au from 24m and 4m at 1.78g/t from 60m. Lithology intercepted in the drilling was mostly back shale with some mafic intrusives. Gold is associated with grey quartz veins within the black shale.

Mineralisation intercepted at the Tanghin prospect has been shown to be of the mesothermal orogenic style and similar to High River Gold's Bissa project (5 Moz total resource) along strike to the northeast.

A further ~1.3km strike extent of artisanal workings remains to be tested at the Tanghin prospect and these results have given early encouragement given the program's limited scope of 2 RC holes and 20 AC holes.

The results of the maiden drill program at the Pepin North prospects; Kosongo, Tanghin and The Granite prospect, have given impetus for further targeted drilling as well as investigation by ground magnetic surveys to gain a better understanding of the structural architecture related to mineralisation.

As announced to the ASX on 31 January 2014, the Company suspended exploration activities on its Burkina Faso projects and will look to resume exploration during more favourable market conditions.

The Company has advanced discussions with a party regarding a joint venture arrangement over a number of its Burkina Faso tenements in order to realise value from its prospective portfolio. The Company will update shareholders in due course and is also considering introducing additional funding partners to assist in the development of its other tenements in order to realise value for shareholders.

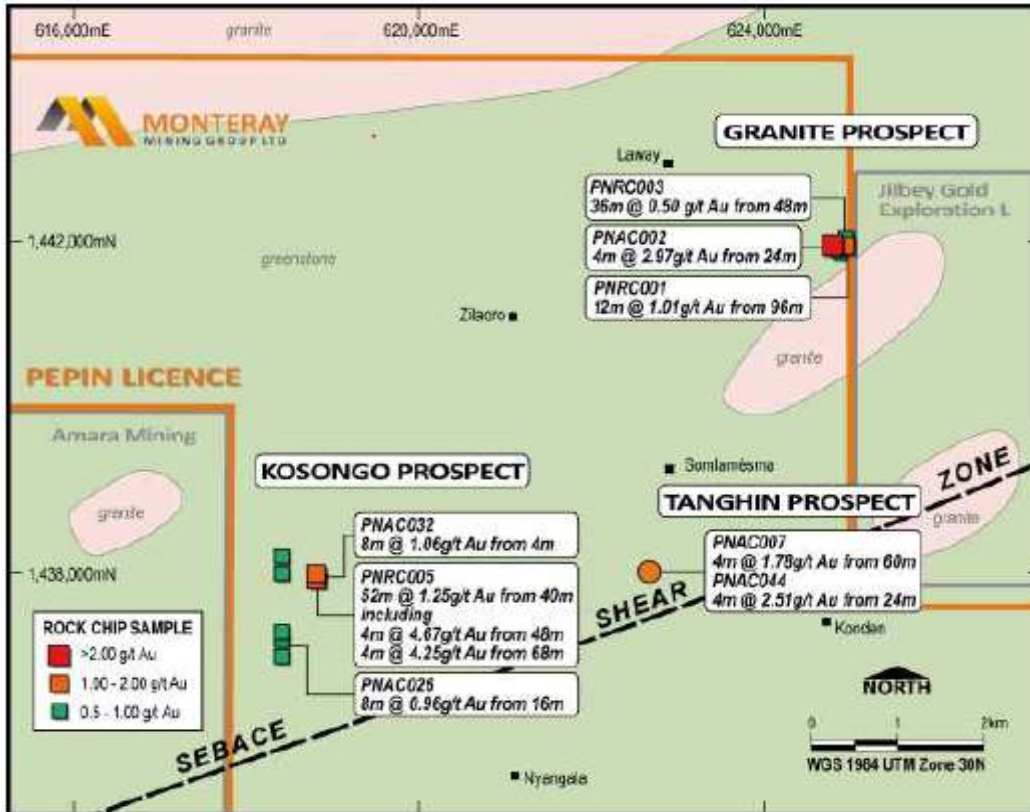
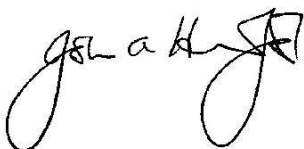


Figure 1 – Best Drill Results at Kosongo, Granite and Tanghin Prospects

AUDITOR’S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Auditor’s Independence Declaration is set out on page 4 and forms part of the Directors’ Report for the half year ended 31 December 2013.

Signed in accordance with a resolution of the Directors.



John Hannaford
Chairman

7th March 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.

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

As lead auditor for the review of Monteray Mining Group Limited for the half-year ended 31 December 2013, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Dean Just

Director

Perth, 7 March 2014

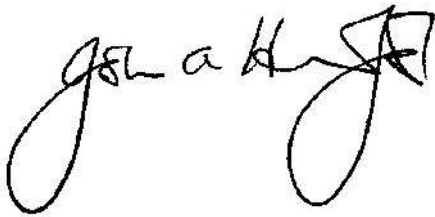
**DIRECTORS' DECLARATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors



John Hannaford
Chairman

7th March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	NOTE	CONSOLIDATED	
		31-Dec-13 \$	31-Dec-12 \$
Revenue		6,698	26,219
Administration expenses		(88,020)	(121,516)
Directors' benefit expense		(40,969)	(45,940)
Share based payments		-	(7,398)
Exploration expenses		(47,560)	(37,216)
Other expenses		(23,644)	(61,586)
Loss before income tax		(193,495)	(247,437)
Income tax expense		-	-
Loss for the year after tax		(193,495)	(247,437)
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive loss for the year		(193,495)	(247,437)
Earnings per share			
Loss per share for the year attributable to the members of Monterey Mining Group Limited			
Basic loss per share (cents per share)		(0.30)	(0.65)
Diluted loss per share (cents per share)		(0.30)	(0.65)

The above statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2013**

	NOTE	CONSOLIDATED	
		31-Dec-13 \$	30-June-13 \$
CURRENT ASSETS			
Cash and cash equivalents		472,085	772,672
Trade and other receivables		43,243	32,367
Total current assets		515,328	805,039
NON CURRENT ASSETS			
Exploration and evaluation	3	2,398,184	2,350,747
Property, plant and equipment		-	400
Total non-current assets		2,398,184	2,351,147
TOTAL ASSETS		2,913,512	3,156,186
CURRENT LIABILITIES			
Trade and other payables		29,065	78,244
Total current liabilities		29,065	78,244
TOTAL LIABILITIES		29,065	78,244
NET ASSETS		2,884,447	3,077,942
EQUITY			
Issued capital		11,909,484	11,909,484
Reserves		2,015,107	2,015,107
Accumulated losses		(11,040,144)	(10,846,649)
TOTAL EQUITY		2,884,447	3,077,942

The above statement of financial position is to be read in conjunction with the attached notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	Share Capital	Share Option Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2012	10,057,527	1,911,231	(9,236,122)	2,732,636
Total comprehensive income for the period				
Loss	-	-	(247,437)	(247,437)
<i>Other comprehensive income</i>	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(247,437)	(247,437)
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Shares issued, net of transactions	509,000	-	-	509,000
Options issued	-	57,374	-	57,374
Total transactions with owners	509,000	57,374	-	566,374
Balance at 31 December 2012	10,566,527	1,968,605	(9,483,559)	3,051,573
Balance at 1 July 2013	11,909,484	2,015,107	(10,846,649)	3,077,942
Total comprehensive income for the period				
Loss	-	-	(193,495)	(193,495)
<i>Other comprehensive income</i>	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(193,495)	(193,495)
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 31 December 2013	11,909,484	2,015,107	(11,040,144)	2,884,447

The above statement of changes in equity is to be read in conjunction with the attached notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	NOTE	CONSOLIDATED	
		31-Dec-13 \$	31-Dec-12 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		8,503	26,065
Payments to suppliers and employees		(185,438)	(212,534)
Net cash utilised in operating activities		(176,935)	(186,469)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of exploration assets		-	(700,808)
Payments for exploration expenditure		(123,652)	(351,685)
Net cash utilised in investing activities		(123,652)	(1,052,493)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		-	-
Capital raising costs		-	-
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash held		(300,587)	(1,238,962)
Cash and cash equivalents at beginning of period		772,672	1,895,844
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		472,085	656,882

The above statement of cash flows is to be read in conjunction with the attached notes.

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

1. SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half-year financial report should be read in conjunction with the annual financial report of Monteray Mining Group Ltd as at 30 June 2013 which was prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the company during the period 1 July 2013 to the date of this report in accordance with the continuous disclosure obligations of the ASX listing rules.

(a) Basis of accounting

The half-year financial report has been prepared on the basis of historical cost, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

(b) Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, other than for the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities, AASB 13 Fair Value Measurement and AASB 119 Employee Benefits which came into effect on 1 July 2013 from Monteray's perspective.

Monteray have reviewed the impact of applying these new standards compared to the previous standards AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards and concluded that there is no material impact on the Group's performance and position arising from the initial application of these standards and, apart from additional note disclosures required under AASB 13, they are therefore immaterial in the context of Monteray's financial report for the interim half-year reporting period ended 31 December 2013 or the comparative information.

(c) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with the current period's disclosures.

The half year financial report was approved by the Board of Directors on 7th March 2014.

**NOTES TO THE INTERIM FINANCIAL REPORT
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**
2. 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.

	Mineral Exploration							
	Australia		Burkina Faso		Unallocated		Consolidated	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Segment income								
Interest received	-	-	-	-	6,698	26,219	6,698	26,219
Total income	-	-	-	-	6,698	26,219	6,698	26,219
Segment expenses								
Mineral exploration and evaluation costs	-	-	(47,560)	(37,216)	-	-	(47,560)	(37,216)
Net other costs	-	-	-	-	(152,233)	(236,242)	(152,233)	(236,242)
Loss before depreciation	-	-	(47,560)	(37,216)	(145,535)	(210,023)	(193,095)	(247,239)
Depreciation	-	-	-	-	(400)	(198)	(400)	(198)
Loss before income tax	-	-	(47,560)	(37,216)	(145,935)	(210,221)	(193,495)	(247,437)
Segment assets and liabilities								
Property, plant and equipment	-	-	-	-	-	595	-	595
Exploration and evaluation	-	1,013,383	2,398,184	1,542,353	-	-	2,398,184	2,555,736
Other current assets	-	-	-	-	515,328	675,892	515,328	675,892
Liabilities	-	-	-	-	(29,065)	(180,650)	(29,065)	(180,650)
Net assets	-	1,013,383	2,398,184	1,542,353	486,263	495,837	2,884,447	3,051,573

**NOTES TO THE INTERIM FINANCIAL REPORT
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**
2. SEGMENT INFORMATION continued

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

CONSOLIDATED	Australia	West Africa	Total
	\$	\$	\$
31 December 2013			
Revenue from external customers	-	-	-
Non-current assets	-	2,398,184	2,398,184

CONSOLIDATED			
31 December 2012			
Revenue from external customers	-	-	-
Non-current assets	1,013,978	1,542,353	2,556,331

3. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED	
	31-Dec-13	31-Dec-12
	\$	\$
Costs carried forward in respect of area of interest in:		
Exploration and evaluation phases	2,398,184	2,555,736
	2,398,184	2,555,736
Opening balance	2,350,747	891,707
Expenditure during the year	47,437	413,246
Acquisitions during the period	-	1,250,783
Closing balance	2,398,184	2,555,736

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

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

4. GOING CONCERN

The consolidated entity has incurred a loss of \$193,495 and had net cash outflows from operations of \$176,935 for the period ended 31 December 2013. The consolidated entity has no ongoing source of operating income and it 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 31 December 2013 the consolidated entity had cash and cash equivalents of \$472,085.
- 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.
- 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.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

5. FAIR VALUE MEASUREMENT

Financial Assets and Financial Liabilities that are not measured at fair value on a recurring basis

At 31 December 2013 and 30 June 2013, the carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

6. CONTINGENT LIABILITIES AND ASSETS

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 31 December 2013.

7. SIGNIFICANT AFTER BALANCE DATE EVENTS

There are no matters or circumstances that have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial periods other than those mentioned in the interim financial report.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Monteray Mining Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Monteray Mining Group Limited, which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Monteray Mining Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Monteray Mining Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 4 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 4, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd



Dean Just
Director

Perth, 7 March 2014