

# **MONTEZUMA MINING COMPANY LIMITED**

**ABN 46 119 711 929**

## **INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED**

**31 DECEMBER 2016**

**This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Montezuma Mining Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2016**

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# MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2016

## DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of Montezuma Mining Company Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

### DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Seamus Cornelius

Justin Brown

John Ribbons

### REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and loss after tax for the half-year is set out below:

	2016	
	Revenues	Results
	\$	\$
Consolidated entity	1,146,678	(197,759)

During the period ending 31 December 2016 the Company successfully raised \$2,210,000 from the issue of 13,000,000 fully paid ordinary shares at 17 cents per share.

In addition, the Company continued to explore its 100% owned Yamarna Project area during the period. Drilling was completed at the Jatz, Le Snak and Salada prospects following a regional integrated structural review using the available aeromagnetic, gravity and drilling datasets. The favourable geology was associated with significant gold anomalism in places and further confirmed the kilometre scale Jatz trend.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of directors.



**Justin Brown**

Executive Director

Perth, 27 February 2017

# ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

The Directors  
Montezuma Mining Company Ltd  
PO Box 910  
West Perth WA 6872

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2016 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham R Swan (Lead auditor)

Rothsay Auditing

27/2/2017

Dated



Chartered Accountants

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Half-year	
	2016	2015
	\$	\$
<b>REVENUE AND OTHER INCOME</b>		
Interest received	56,370	77,490
Net gain on sale of mining interests	840,000	-
Fair value gains on financial assets	250,308	-
Other income	-	5,202
<b>EXPENDITURE</b>		
Depreciation expense	(11,190)	(18,894)
Salaries and employee benefits expense	(56,060)	(59,000)
Exploration expenditure	(939,588)	(979,353)
Secretarial and share registry expenses	(98,235)	(74,265)
Administration expenses	(156,183)	(187,873)
Fair value losses on financial assets	-	(642,252)
Share-based payments expense	(82,566)	(276,710)
<b>LOSS BEFORE INCOME TAX</b>	<b>(197,144)</b>	<b>(2,155,655)</b>
Income tax expense	-	-
<b>LOSS FOR THE HALF-YEAR AFTER TAX</b>	<b>(197,144)</b>	<b>(2,155,655)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(615)	(15,234)
Other comprehensive income for the period, net of tax	(615)	(15,234)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MONTEZUMA MINING COMPANY LIMITED</b>	<b>(197,759)</b>	<b>(2,170,889)</b>
Basic and diluted loss per share (cents)	<b>(0.2)</b>	<b>(3.1)</b>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Notes	31 December 2016 \$	30 June 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,629,101	3,692,673
Trade and other receivables		90,684	154,891
Financial assets at fair value through profit or loss	3	5,535,275	4,499,127
<b>TOTAL CURRENT ASSETS</b>		<b>10,255,060</b>	<b>8,346,691</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		5,601	16,791
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,601</b>	<b>16,791</b>
<b>TOTAL ASSETS</b>		<b>10,260,661</b>	<b>8,363,482</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		215,379	287,907
<b>TOTAL CURRENT LIABILITIES</b>		<b>215,379</b>	<b>287,907</b>
<b>TOTAL LIABILITIES</b>		<b>215,379</b>	<b>287,907</b>
<b>NET ASSETS</b>		<b>10,045,282</b>	<b>8,075,575</b>
<b>EQUITY</b>			
Issued capital	4	14,351,850	12,353,350
Reserves		3,410,995	3,242,644
Accumulated losses		(7,717,563)	(7,520,419)
<b>TOTAL EQUITY</b>		<b>10,045,282</b>	<b>8,075,575</b>

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

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>BALANCE AT 1 JULY 2015</b>	12,353,350	2,971,802	(7,146)	(6,486,080)	8,831,926
Loss for the period	-	-	-	(2,155,655)	(2,155,655)
<b>OTHER COMPREHENSIVE INCOME</b>					
Exchange differences on translation of foreign operations	-	-	(15,234)	-	(15,234)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	-	-	(15,234)	(2,155,655)	(2,170,889)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>					
Employee and contractor share options	-	276,710	-	-	276,710
<b>BALANCE AT 31 DECEMBER 2015</b>	12,353,350	3,248,512	(22,380)	(8,641,735)	6,937,747
<b>BALANCE AT 1 JULY 2016</b>	<b>12,353,350</b>	<b>3,265,162</b>	<b>(22,518)</b>	<b>(7,520,419)</b>	<b>8,075,575</b>
Loss for the period	-	-	-	(197,144)	(197,144)
<b>OTHER COMPREHENSIVE INCOME</b>					
Exchange differences on translation of foreign operations	-	-	(615)	-	(615)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	-	-	(615)	(197,144)	(197,759)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>					
Shares issued during the period	2,210,000	-	-	-	2,210,000
Share issue transaction costs	(211,500)	-	-	-	(211,500)
Employee, contractor and supplier share options	-	168,966	-	-	168,966
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>14,351,850</b>	<b>3,434,128</b>	<b>(23,133)</b>	<b>(7,717,563)</b>	<b>10,045,282</b>

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

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Half-year	
	2016	2015
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Expenditure on mining interests	(976,034)	(782,312)
Payments to suppliers and employees	(328,600)	(363,323)
Other income received	50,000	-
Interest received	53,007	86,615
Proceeds from sale of financial assets at fair value through profit or loss	54,160	178,513
Payments for financial assets at fair value through profit or loss	-	(87,568)
<b>Net cash used in operating activities</b>	<b>(1,147,467)</b>	<b>(968,075)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issues of ordinary shares	2,210,000	-
Payments for share issue transaction costs	(125,100)	-
<b>Net cash inflow from financing activities</b>	<b>2,084,900</b>	-
Net increase/(decrease) in cash and cash equivalents	937,433	(968,075)
Cash and cash equivalents at the beginning of the half-year	3,692,673	6,674,413
Effects of exchange rate changes on cash and cash equivalents	(1,005)	2,416
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>4,629,101</b>	<b>5,708,754</b>

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

## MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2016

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Montezuma Mining Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

#### **New and amended standards adopted by the Group**

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the interim reporting period.

#### **Impact of standards issued but not yet applied by the Group**

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. 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 its business and, therefore, no change necessary to Group accounting policies.

#### **Critical accounting estimates and judgements**

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. In preparing this half-year financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2016.

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 2: SEGMENT INFORMATION**

For management purposes, following the incorporation of Cordier Mines SAS (refer note 5), the Group has identified two reportable segments based on geographic location, being exploration activities undertaken in Australia and Europe. These segments include activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in the respective geographic locations.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

	Australia		Europe		Total	
	Half-year		Half-year		Half-year	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
<b>Segment revenue</b>	<b>840,000<sup>(1)</sup></b>	-	-	-	<b>840,000</b>	-
<b>Reconciliation of segment revenue to total revenue:</b>						
Interest revenue					56,370	77,490
Fair value gains on financial assets					250,308	-
Other income					-	5,202
<b>Total revenue and other income</b>					<b>1,146,678</b>	<b>82,692</b>
<b>Segment results</b>	<b>(70,463)</b>	<b>(943,721)</b>	<b>(29,125)</b>	<b>(35,632)</b>	<b>(99,588)</b>	<b>(979,353)</b>
<b>Reconciliation of segment result to net loss before tax:</b>						
Fair value losses on financial assets					-	(642,252)
Other corporate and administration					(97,556)	(534,050)
<b>Net loss before tax</b>					<b>(197,144)</b>	<b>(2,155,655)</b>
	<b>31 Dec 2016</b>	<b>30 June 2016</b>	<b>31 Dec 2016</b>	<b>30 June 2016</b>	<b>31 Dec 2016</b>	<b>30 June 2016</b>
	\$	\$	\$	\$	\$	\$
<b>Segment operating assets</b>	-	-	-	-	-	-
<b>Reconciliation of segment operating assets to total assets:</b>						
Other corporate and administration assets					10,260,661	7,334,494
<b>Total assets</b>					<b>10,260,661</b>	<b>7,334,494</b>

(1) During October 2016, the Group completed the sale of exploration licence E15/1447 to Lefroy Exploration Limited ("LEX"). In consideration for the sale, Montezuma was issued 4.2 million fully paid ordinary shares in LEX at a deemed value of \$0.20 per share.

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 3: AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Australian listed equity securities	<b>5,535,275</b>	4,499,127

The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

Due to their short-term nature, the carrying amount of current receivables and current payables is assumed to approximate their fair value.

**NOTE 4: EQUITY SECURITIES ISSUED**

	<b>2016 Shares</b>	<b>2016 \$</b>	<b>2015 Shares</b>	<b>2015 \$</b>
<b>As at 1 July</b>	<b>70,464,350</b>	<b>12,353,350</b>	70,464,350	12,353,350
<b>Issues of ordinary shares during the half-year</b>				
Issued for cash at \$0.17 per share	<b>13,000,000</b>	<b>2,210,000</b>	-	-
Share issue costs	-	<b>(211,500)</b>	-	-
<b>As at 31 December</b>	<b>83,464,350</b>	<b>14,351,850</b>	70,464,350	12,353,350

	<b>Number of options</b>	
	<b>2016</b>	<b>2015</b>
<b>As at 1 July</b>	<b>18,320,000</b>	18,745,000
<b>Movement of options during the half-year</b>		
Issued, exercisable at 20 cents, on or before 24 November 2021 <sup>(1)</sup>	<b>2,000,000</b>	-
Issued, exercisable at 22 cents, on or before 2 December 2019 <sup>(1)</sup>	<b>200,000</b>	-
Issued, exercisable at 27.5 cents, on or before 15 September 2017 <sup>(1)</sup>	-	500,000
Issued, exercisable at 30 cents, on or before 2 December 2019 <sup>(1)</sup>	<b>200,000</b>	-
Issued, exercisable at 30 cents, on or before 22 August 2020 <sup>(2)</sup>	<b>2,000,000</b>	-
Issued, exercisable at 32 cents, on or before 22 October 2018 <sup>(1)</sup>	-	250,000
Issued, exercisable at 35 cents, on or before 20 November 2018 <sup>(1)</sup>	-	200,000
Issued, exercisable at 35 cents, on or before 20 November 2020 <sup>(1)</sup>	-	2,200,000
Expired on 30 July 2016, exercisable at 20 cents	<b>(1,020,000)</b>	-
Expired on 30 July 2016, exercisable at 30 cents	<b>(1,000,000)</b>	-
Expired on 30 November 2016, exercisable at 32.5 cents	<b>(3,000,000)</b>	-
Expired on 21 October 2015, exercisable at 41 cents	-	(325,000)
Expired on 30 November 2015, exercisable at 65 cents	-	(1,000,000)
Expired on 30 November 2015, exercisable at 80 cents	-	(1,500,000)
<b>As at 31 December</b>	<b>17,700,000</b>	19,070,000

## MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2016

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### NOTE 4: EQUITY SECURITIES ISSUED (continued)

- (1) The weighted average fair value of employee and consultant options granted during the half-year was 3.7 cents (2015: 8.8 cents), for a total value of \$82,566 (2015: \$276,710) included within share-based payments expense. The fair values were calculated by using the Black-Scholes European Option Pricing Model applying the following weighted average inputs:

	2016	2015
Weighted average exercise price (cents)	21.0	33.6
Weighted average life of the option (years)	4.6	4.2
Weighted average underlying share price (cents)	12.5	25.7
Weighted average expected share price volatility	50.0%	50.0%
Weighted average risk free interest rate	2.4%	2.2%

- (2) The fair value of options granted as part consideration for capital raising fees during the half-year was 4.3 cents (2015: N/A), for a total value of \$86,400 (2015: N/A) included within share issue costs as part of contributed equity. The fair value was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2016	2015
Exercise price (cents)	30.0	-
Life of the option (years)	4.0	-
Underlying share price (cents)	17.0	-
Expected share price volatility	50.0%	-
Risk free interest rate	1.8%	-

#### NOTE 5: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

#### NOTE 6: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2016**

**DIRECTORS' DECLARATION**

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Montezuma Mining Company Limited will be able to pay its debts as and when they become due and payable.

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



**Justin Brown**

Executive Director

Perth, 27 February 2017



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone 9486 7094 www.rothsayresources.com.au

### **Independent Review Report to the Members of Montezuma Mining Company Ltd**

#### **The financial report and directors' responsibility**

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Montezuma Mining Company Ltd for the half-year ended 31 December 2016.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### **Review approach**

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2016 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Montezuma Mining Company Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*.

#### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Montezuma Mining Company Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2016 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay Auditing

Graham R Swan  
Partner

Dated 27/2/2017



Chartered Accountants