

MONTEZUMA MINING COMPANY LIMITED

ABN 46 119 711 929

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2012

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 2012 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 2012

Contents	Page
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10
DIRECTORS' DECLARATION	13
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS	14

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2012

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 2012.

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 results for the half-year is set out below:

	2012	
	Revenues	Results
	\$	\$
Consolidated entity	2,336,682	584,483

Work during the period ending 31 December 2012 comprised the advancement of the Company's manganese and copper exploration prospects at its 100% owned Butcherbird Project as well as entering into an option agreement with Grosvenor Gold Pty Ltd ("Grosvenor"), a wholly owned subsidiary of Resource and Investment NL ("RNI"), whereby Grosvenor may acquire 100% of Montezuma's interest in the Peak Hill Project by the acquisition of Peak Hill Metals Pty Ltd (a wholly owned subsidiary of Montezuma).

During the period ending 31 December 2012 tenure E52/2727 was granted providing the Company access to approximately 15km of strike length of the prospective, copper-cobalt hosting, Butcherbird shear. The Butcherbird Project now comprises of three contiguous granted exploration licences totalling 687km². The Company has defined copper-cobalt mineralisation over approximately 700 m of strike at the Butcherbird Project. High-grade copper intercepts have been returned from the Butcherbird Project with mineralisation intersected to date appearing to be confined and discontinuous particularly at shallow depths. However mineralisation is still open along strike and at depth. Further infill and extension drilling at Butcherbird is warranted with applications for appropriate government approvals and heritage clearance to be submitted.

The Company entered into an option agreement with Grosvenor, whereby Grosvenor may acquire 100% of Montezuma's interest in the Peak Hill Project by the acquisition of Peak Hill Metals Pty Ltd (a wholly owned subsidiary of Montezuma). The key terms of the agreement are as follows:

- Grosvenor paid the Company an initial option fee of \$100,000 for an exclusive option until 29 March 2013.
- Grosvenor may exercise the option at any time prior to expiry by paying to the Company \$2.8M in cash and issuing 8,400,000 fully paid ordinary shares and 2.1M 75 cent options in RNI.
- If the option is exercised, Grosvenor must grant the Company a 1% Gross Royalty, capped at \$1M, on all revenue received from production from the Peak Hill Project.
- Grosvenor must meet minimum expenditure commitments on the project during the option period.
- Grosvenor may extend the option period to 28 June 2013 by paying Montezuma an additional \$50,000.

Montezuma Mining Company Ltd shareholders approved the disposal of Peak Hill Metals Pty Ltd as its Annual General Meeting held in November 2012.

MONTEZUMA MINING COMPANY LIMITED

ABN 72 112 320 251

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 5.

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

A handwritten signature in blue ink, appearing to be 'JB', is written over a faint, light blue grid background.

Justin Brown

Executive Director

Perth, 7 March 2013

*R*OTHSAY

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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 2012 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 Chartered Accountants

Dated 7 March 2013



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

MONTEZUMA MINING COMPANY LIMITED**31 DECEMBER 2012****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Half-year	
	2012	2011
	\$	\$
REVENUE		
Interest received	165,225	260,536
Revenue from mining properties	100,000	-
Fair value gains on financial assets	2,071,457	58,181
EXPENDITURE		
Depreciation expense	(8,263)	(10,650)
Salaries and employee benefits expense	(65,000)	(100,832)
Exploration expenditure	(1,231,158)	(1,700,504)
Secretarial and share registry expenses	(82,281)	(100,403)
Administration expenses	(228,678)	(156,807)
Share based payment expense	(372,620)	(188,100)
PROFIT/(LOSS) BEFORE INCOME TAX	348,682	(1,938,579)
Income tax benefit	235,801	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED	584,483	(1,938,579)
Basic and diluted earnings/(loss) per share (cents)	0.9	(3.1)

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

MONTEZUMA MINING COMPANY LIMITED**31 DECEMBER 2012****CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	31 December 2012 \$	30 June 2012 \$
CURRENT ASSETS		
Cash and cash equivalents	6,762,257	6,847,835
Trade and other receivables	157,172	231,571
Financial assets at fair value through profit or loss	2,205,525	610,213
TOTAL CURRENT ASSETS	9,124,954	7,689,619
NON-CURRENT ASSETS		
Receivables	594,300	619,300
Plant and equipment	41,341	76,877
TOTAL NON-CURRENT ASSETS	635,641	696,177
TOTAL ASSETS	9,760,595	8,385,796
CURRENT LIABILITIES		
Trade and other payables	175,946	318,250
TOTAL CURRENT LIABILITIES	175,946	318,250
TOTAL LIABILITIES	175,946	318,250
NET ASSETS	9,584,649	8,067,546
EQUITY		
Issued capital	12,353,350	11,793,350
Reserves	2,700,373	2,327,753
Accumulated losses	(5,469,074)	(6,053,557)
TOTAL EQUITY	9,584,649	8,067,546

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2012

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Contributed Equity	Share-based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
BALANCE AT 1 JULY 2011	7,298,749	2,133,907	(2,046,510)	7,386,146
Loss for the period	-	-	(1,938,579)	(1,938,579)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(1,938,579)	(1,938,579)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	4,444,601	-	-	4,444,601
Employee and contractor share options	-	188,100	-	188,100
BALANCE AT 31 DECEMBER 2011	11,743,350	2,322,007	(3,985,089)	10,080,268
BALANCE AT 1 JULY 2012	11,793,350	2,327,753	(6,053,557)	8,067,546
Profit for the period	-	-	584,483	584,483
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	584,483	584,483
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	560,000	-	-	560,000
Employee and contractor share options and performance rights	-	372,620	-	372,620
BALANCE AT 31 DECEMBER 2012	12,353,350	2,700,373	(5,469,074)	9,584,649

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2012

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Half-year	
	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of mining interests	100,000	-
Expenditure on mining interests	(1,175,019)	(1,912,316)
Payments to suppliers and employees	(449,306)	(345,561)
Refund/(payment) of income taxes	202,649	(7,156)
Interest received	176,396	214,482
Proceeds from sale of financial assets at fair value through profit or loss	812,145	2,866,244
Payments for financial assets at fair value through profit or loss	(336,000)	-
Net cash (used in)/provided by operating activities	(669,135)	815,693
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of plant and equipment	26,473	-
Payments for plant and equipment	(27,916)	(44,703)
Refund of security bonds	25,000	-
Net cash provided by/(used in) investing activities	23,557	(44,703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	560,000	4,444,601
Net cash provided by financing activities	560,000	4,444,601
Net (decrease)/increase in cash and cash equivalents	(85,578)	5,215,591
Cash and cash equivalents at the beginning of the half-year	6,847,835	3,398,780
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	6,762,257	8,614,371

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2012

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 2012 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 2012 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.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012.

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

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 2012. 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.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

For management purposes, the Group has identified only one reportable segment being exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

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.

	Half-year	
	2012	2011
	\$	\$
Exploration Segment		
Segment revenue	100,000	-
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	165,225	260,536
Fair value gains on financial assets	2,071,457	58,181
Total revenue	2,336,682	318,717
Segment results	(1,131,158)	(1,700,504)
Reconciliation of segment result to net profit/(loss) before tax:		
Other corporate and administration	1,479,840	(238,075)
Net profit/(loss) before tax	348,682	(1,938,579)
	31 December	30 June 2012
	2012	2012
	\$	\$
Segment operating assets	-	-
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	9,760,595	8,385,796
Total assets	9,760,595	8,385,796
Total assets includes additions to plant and equipment:		
Other corporate and administration	26,473	67,006

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: MOVEMENTS OF EQUITY SECURITIES

	2012	2012	2011	2011
	Shares	\$	Shares	\$
Issues of ordinary shares during the half-year				
Issued on conversion of 20 cent options	2,800,000	560,000	11,928,825	2,367,165
Issued for cash at 20 cents per share	-	-	1,637,180	327,436
Issued on conversion of 35 cent options	-	-	5,000,000	1,750,000
	2,800,000	560,000	18,566,005	4,444,601

	Number of options	
	2012	2011
Movement of options during the half-year		
Exercise of listed options at 20 cents, on or before 31 August 2011	-	(11,278,825)
Exercise of unlisted options at 20 cents, on or before 31 August 2011	-	(600,000)
Exercise of unlisted options at 20 cents, on or before 2 March 2012	-	(50,000)
Exercise/expiry of unlisted options at 20 cents, on or before 30 November 2012	(3,050,000)	-
Exercise of unlisted options at 35 cents, on or before 23 July 2011	-	(1,500,000)
Exercise of unlisted options at 35 cents, on or before 31 August 2011	-	(3,500,000)
Expiry of unlisted options at 35 cents, on 30 November 2012	(50,000)	-
Issue of unlisted options, exercisable at 32.5 cents, on or before 30 November 2016	3,000,000	-
Issue of unlisted options, exercisable at 38 cents, on or before 30 November 2017	3,000,000	-
Issue of unlisted options, exercisable at 41 cents, on or before 21 October 2015	-	375,000
Issue of unlisted options, exercisable at 80 cents, on or before 30 November 2015	-	1,500,000
	2,900,000	(15,053,825)

NOTE 4: CONTINGENCIES

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

NOTE 5: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2012, 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 2012

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 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 2012 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, 7 March 2013

ROTHSAY

Level 18, Central Park Building, 152-158 St Georges Terrace, Perth WA 6000
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Phone (08) 6364 5076 www.rothsay.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 2012.

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 2012 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 2012 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



Graham R Swan
Partner

Dated 7 March 2013



Chartered Accountants

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under the Professional Standards Act 1994 (NSW).