

MONTEZUMA MINING COMPANY LIMITED

ABN 46 119 711 929

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2009

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 2009 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 2009

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MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2009

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 2009.

DIRECTORS

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

Denis O'Meara

Justin Brown

Ian Cornelius

REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and results for the half-year is set out below:

	2009	
	Revenues	Results
	\$	\$
Consolidated entity	2,244,758	1,315,163

The strategy for the current half-year has been to continue to underpin the funding of work at Peak Hill by developing and enhancing the capital generating potential of other Company assets. The Mt Padbury iron ore sale with Midwest Corporation Limited will see a cash payment of \$4M to the Company on definition of a JORC Resource in excess of 10Mt grading over 50% Fe.

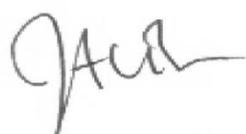
The Company currently has in place a Tribute Mining Agreement with Resource Gold Pty Ltd ("RGL") to process suitable material from within the Peak Hill Project using RGL's gravity plant. This has provided the Company with gold production where all costs and environmental liabilities are carried by RGL. The Company receives 25% of all metal produced.

Company funds will be focused on accelerating the exploration at Peak Hill and the surrounding tenure as well as at the Company's exciting new copper/manganese project at Butcher Bird to the northeast.

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

Managing Director

Perth, 2 March 2010

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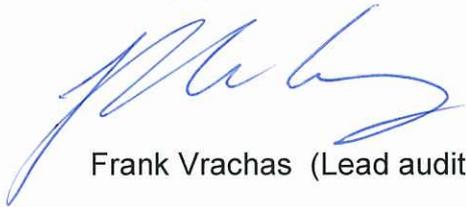
96 Parry Street, Perth WA 6000 P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9227 0552 www.rothsay.com.au

The Directors
Montezuma Mining Company Ltd
PO Box 8535
Perth Business Centre WA 6849

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 2009 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Frank Vrachas (Lead auditor)

Rothsay Chartered Accountants

Dated 2 March 2010



Chartered Accountants

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

MONTEZUMA MINING COMPANY LIMITED**31 DECEMBER 2009****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Half-year	
	2009	2008
	\$	\$
REVENUE		
Interest received	51,359	90,418
Revenue from mining properties	174,299	1,000,000
Fair value gains on financial assets	2,019,100	-
EXPENDITURE		
Depreciation expense	(5,187)	(7,138)
Salaries and employee benefits expense	(56,625)	(70,118)
Exploration expenditure	(547,522)	(565,023)
Secretarial and share registry expenses	(25,459)	(53,637)
Administration expenses	(112,536)	(71,328)
Share based payment expense	(168,450)	(23,640)
Other expenses	(13,816)	(291,639)
PROFIT BEFORE INCOME TAX	1,315,163	7,895
Income tax benefit / (expense)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED	1,315,163	7,895
Basic earnings per share (cents)	3.1	0.0
Diluted earnings per share (cents)	2.9	0.0

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

MONTEZUMA MINING COMPANY LIMITED**31 DECEMBER 2009****CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	31 December 2009 \$	30 June 2009 \$
CURRENT ASSETS		
Cash and cash equivalents	1,452,740	2,243,208
Trade and other receivables	90,510	41,784
Financial assets at fair value through profit or loss	2,209,690	118,590
TOTAL CURRENT ASSETS	3,752,940	2,403,582
NON-CURRENT ASSETS		
Receivables	594,300	594,300
Plant and equipment	29,674	30,280
TOTAL NON-CURRENT ASSETS	623,974	624,580
TOTAL ASSETS	4,376,914	3,028,162
CURRENT LIABILITIES		
Trade and other payables	187,027	391,888
TOTAL CURRENT LIABILITIES	187,027	391,888
TOTAL LIABILITIES	187,027	391,888
NET ASSETS	4,189,887	2,636,274
EQUITY		
Issued capital	5,720,610	5,650,610
Reserves	647,572	479,122
Accumulated losses	(2,178,295)	(3,493,458)
TOTAL EQUITY	4,189,887	2,636,274

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2009

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Contributed Equity	Share-based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
BALANCE AT 1 JULY 2008	5,608,610	451,982	(3,842,603)	2,217,989
Total comprehensive income for the period	-	-	7,895	7,895
Shares issued during the period	42,000	-	-	42,000
Employees, contractors and supplier share options	-	27,140	-	27,140
BALANCE AT 31 DECEMBER 2008	5,650,610	479,122	(3,834,708)	2,295,024
BALANCE AT 1 JULY 2009	5,650,610	479,122	(3,493,458)	2,636,274
Total comprehensive income for the period	-	-	1,315,163	1,315,163
Shares issued during the period	70,000	-	-	70,000
Employees and contractors share options	-	168,450	-	168,450
BALANCE AT 31 DECEMBER 2009	5,720,610	647,572	(2,178,295)	4,189,887

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2009

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Half-year	
	2009	2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds/royalties from sale of mining interests	154,299	1,100,000
Expenditure on mining interests	(750,063)	(546,879)
Payments to suppliers and employees	(188,602)	(201,578)
Interest received	35,479	38,392
Net cash (used in)/provided by operating activities	(748,887)	389,935
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(4,581)	(7,789)
Payments for financial assets at fair value through profit or loss	(72,000)	-
Net cash used in investing activities	(76,581)	(7,789)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	35,000	-
Net cash provided by financing activities	35,000	-
Net (decrease)/increase in cash and cash equivalents	(790,468)	382,146
Cash and cash equivalents at the beginning of the half-year	2,243,208	1,352,312
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	1,452,740	1,734,458

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 2009 and any public announcements made by Montezuma Mining Company Limited during the interim 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, except as set out below.

Changes in Accounting Policy

Montezuma Mining Company Limited had to change some of its accounting policies as the result of new or revised accounting standards which become operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Presentation of financial statements – revised AASB 101 *Presentation of Financial Statements*.
- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*.
- Business combinations – revised AASB 3 *Business Combinations*.
- Segments – new AASB 8 *Operating Segments*.

Presentation of financial statements

AASB 101 (revised) prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- Other financial statements are renamed in accordance with the Standard.

Principles of consolidation

AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the Group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in profit or loss. This is consistent with the Group's previous accounting policy if significant influence is not retained.

The Group in future will allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT (continued)

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the Group's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as there are no non-controlling interests within the Group. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity and no dividends paid out of pre-acquisition profits.

Business combinations

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as there were no acquisitions by the Group during the period.

Segment reporting

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. There has been no change to the reportable segments required to meet the new standard.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the full Board of Directors.

NOTE 2: SEGMENT INFORMATION

The company operates in predominantly one business and geographical segment, being mineral exploration in Australia.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: MOVEMENTS OF EQUITY SECURITIES

	2009 Shares	2009 \$	2008 Shares	2008 \$
Issues of ordinary shares during the half-year				
Issued on conversion of 20 cent options	175,000	35,000	-	-
Issued as consideration for consulting services	233,333	35,000	-	-
Issued as consideration for the acquisition of tenements	-	-	400,000	42,000
	408,333	70,000	400,000	42,000

	Number of options	
	2009	2008
Movement of options during the half-year		
Exercise of unlisted options at 20 cents, on or before 2 March 2012	(175,000)	400,000
Cancellation of unlisted options, exercisable at 20 cents, on or before 2 March 2012	(300,000)	-
Issue of unlisted options, exercisable at 20 cents, on or before 30 November 2012	1,500,000	2,000,000
Issue of listed options, exercisable at 20 cents, on or before 31 August 2011	-	100,000
	1,025,000	2,500,000

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 2009, 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

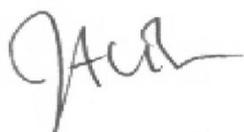
31 DECEMBER 2009

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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

Managing Director

Perth, 2 March 2010

ROTHSAY

96 Parry Street, Perth WA 6000 P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9227 0552 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 2009.

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 2009 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 2009 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



Frank Vrachas
Partner

Dated 2 March 2010



Chartered Accountants

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under the Professional Standards Act 1994 (NSW).