

# **MONTEZUMA MINING COMPANY LIMITED**

**ABN 46 119 711 929**

## **INTERIM FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED**

**31 DECEMBER 2013**

**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 2013 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 2013**

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# MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2013

## 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 2013.

### 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:

	2013	
	Revenues	Results
	\$	\$
Consolidated entity	215,844	(1,203,723)

During the period ending 31 December 2013 the Company continued to actively work on its manganese and copper exploration prospects at its 100% owned Butcherbird Project. A 14 hole, HQ sized (63 mm diameter) diamond drilling program totalling 474 metres was completed at Butcherbird. The purpose of the HQ diamond drilling program was to collect core samples for metallurgical studies. Ore Characterisation and preliminary geotechnical logging were also conducted. Subsequent to drilling, the program included detailed geological logging, petrographic and mineralogical studies plus metallurgical test work.

The Company also continued to actively review alternatives with the potential to deliver low risk opportunities, including assets that would provide near term production.

Subsequent to 31 December 2013, the Company received notification that Grosvenor Gold Pty Ltd ("Grosvenor") would exercise its option to acquire 100% of the Peak Hill gold project. Settlement of this transaction occurred on Friday, 31 January 2014. A total of \$2.8M cash was received, plus 8,400,000 fully paid ordinary shares and 2.1M 75 cent options in Resource and Investment NL.

### 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, 11 March 2014

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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 2013 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 11 March 2014



Chartered Accountants

**MONTEZUMA MINING COMPANY LIMITED****31 DECEMBER 2013****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Half-year	
	2013	2012
	\$	\$
<b>REVENUE</b>		
Interest received	140,844	165,225
Revenue from mining properties	75,000	100,000
Fair value gains on financial assets	-	2,071,457
<b>EXPENDITURE</b>		
Depreciation expense	(20,953)	(8,263)
Salaries and employee benefits expense	(98,488)	(65,000)
Exploration expenditure	(821,243)	(1,231,158)
Secretarial and share registry expenses	(69,058)	(82,281)
Administration expenses	(202,306)	(228,678)
Fair value losses on financial assets	(155,062)	-
Share based payment expense	(52,457)	(372,620)
<b>(LOSS)/PROFIT BEFORE INCOME TAX</b>	<b>(1,203,723)</b>	348,682
Income tax benefit	-	235,801
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MONTEZUMA MINING COMPANY LIMITED</b>	<b>(1,203,723)</b>	584,483
Basic and diluted (loss)/earnings per share (cents)	(1.7)	0.9

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

	<b>31 December 2013 \$</b>	<b>30 June 2013 \$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	<b>5,830,030</b>	6,771,107
Trade and other receivables	<b>178,392</b>	189,032
Financial assets at fair value through profit or loss	<b>689,250</b>	844,312
<b>TOTAL CURRENT ASSETS</b>	<b>6,697,672</b>	7,804,451
<b>NON-CURRENT ASSETS</b>		
Receivables	<b>594,300</b>	594,300
Plant and equipment	<b>48,185</b>	66,819
<b>TOTAL NON-CURRENT ASSETS</b>	<b>642,485</b>	661,119
<b>TOTAL ASSETS</b>	<b>7,340,157</b>	8,465,570
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<b>175,539</b>	149,686
<b>TOTAL CURRENT LIABILITIES</b>	<b>175,539</b>	149,686
<b>TOTAL LIABILITIES</b>	<b>175,539</b>	149,686
<b>NET ASSETS</b>	<b>7,164,618</b>	8,315,884
<b>EQUITY</b>		
Issued capital	<b>12,353,350</b>	12,353,350
Reserves	<b>2,810,970</b>	2,758,513
Accumulated losses	<b>(7,999,702)</b>	(6,795,979)
<b>TOTAL EQUITY</b>	<b>7,164,618</b>	8,315,884

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

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2013**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	<b>Contributed Equity</b>	<b>Share-based Payments Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>BALANCE AT 1 JULY 2012</b>	11,793,350	2,327,753	(6,053,557)	8,067,546
Profit for the period	-	-	584,483	584,483
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	-	584,483	584,483
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>				
Shares issued during the period	560,000	-	-	560,000
Employee and contractor share options and performance rights	-	372,620	-	372,620
<b>BALANCE AT 31 DECEMBER 2012</b>	12,353,350	2,700,373	(5,469,074)	9,584,649
<b>BALANCE AT 1 JULY 2013</b>	<b>12,353,350</b>	<b>2,758,513</b>	<b>(6,795,979)</b>	<b>8,315,884</b>
Loss for the period	-	-	(1,203,723)	(1,203,723)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	-	-	(1,203,723)	(1,203,723)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>				
Employee and contractor share options and performance rights	-	52,457	-	52,457
<b>BALANCE AT 31 DECEMBER 2013</b>	<b>12,353,350</b>	<b>2,810,970</b>	<b>(7,999,702)</b>	<b>7,164,618</b>

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

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2013**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Half-year	
	2013	2012
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Proceeds from sale of mining interests	75,000	100,000
Expenditure on mining interests	(822,293)	(1,175,019)
Payments to suppliers and employees	(329,447)	(449,306)
Refund of income taxes	-	202,649
Interest received	137,982	176,396
Proceeds from sale of financial assets at fair value through profit or loss	-	812,145
Payments for financial assets at fair value through profit or loss	-	(336,000)
<b>Net cash used in operating activities</b>	<b>(938,758)</b>	<b>(669,135)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of plant and equipment	-	26,473
Payments for plant and equipment	(2,319)	(27,916)
Refund of security bonds	-	25,000
<b>Net cash (used in)/provided by investing activities</b>	<b>(2,319)</b>	<b>23,557</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	560,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>560,000</b>
Net decrease in cash and cash equivalents	(941,077)	(85,578)
Cash and cash equivalents at the beginning of the half-year	6,771,107	6,847,835
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>5,830,030</b>	<b>6,762,257</b>

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

## MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2013

### 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 2013 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 2013 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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 10 *Consolidated Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 11 *Joint Arrangements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 12 *Disclosure of Interests in Other Entities* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 127 *Separate Financial Statements (2011)* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 128 *Investments in Associates and Joint Ventures (2011)* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*;
- AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (2011)*;
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*;
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*; and
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*.

The above standards have extensive disclosure requirements however, these do not effect this half-year financial report.

The adoption of the above standards has not had a material impact on this half-year financial report.

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2013**

**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	
	2013	2012
	\$	\$
<b>Exploration Segment</b>		
<b>Segment revenue</b>	75,000	100,000
<b>Reconciliation of segment revenue to total revenue before tax:</b>		
Interest revenue	140,844	165,225
Fair value gains on financial assets	-	2,071,457
<b>Total revenue</b>	<b>215,844</b>	<b>2,336,682</b>
<b>Segment results</b>	(746,243)	(1,131,158)
<b>Reconciliation of segment result to net profit/(loss) before tax:</b>		
Other corporate and administration	(457,480)	1,479,840
<b>Net (loss)/profit before tax</b>	<b>(1,203,723)</b>	<b>348,682</b>
	<b>31 December</b>	<b>30 June 2013</b>
	<b>2013</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Segment operating assets</b>	-	-
<b>Reconciliation of segment operating assets to total assets:</b>		
Other corporate and administration assets	7,340,157	8,465,570
<b>Total assets</b>	<b>7,340,157</b>	<b>8,465,570</b>
Total assets includes additions to plant and equipment:		
Other corporate and administration	2,319	41,397
	<b>2,319</b>	<b>41,397</b>

**MONTEZUMA MINING COMPANY LIMITED**

**31 DECEMBER 2013**

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

**NOTE 3: MOVEMENTS OF EQUITY SECURITIES**

	2013 Shares	2013 \$	2012 Shares	2012 \$
<b>Issues of ordinary shares during the half-year</b>				
Issued on conversion of 20 cent options	-	-	2,800,000	560,000
	-	-	2,800,000	560,000

	Number of options	
	2013	2012
<b>Movement of options during the half-year</b>		
Issue of unlisted options, exercisable at 20 cents, on or before 30 July 2016	<b>1,020,000</b>	-
Issue of unlisted options, exercisable at 30 cents, on or before 30 July 2016	<b>1,000,000</b>	-
Issue of unlisted options, exercisable at 20 cents, on or before 19 November 2018	<b>2,000,000</b>	-
Expiry of unlisted options, exercisable at 58 cents, on 14 December 2013	<b>(3,000,000)</b>	-
Exercise/expiry of unlisted options, exercisable at 20 cents, on or before 30 November 2012	-	(3,050,000)
Expiry of unlisted options, exercisable 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
	<b>1,020,000</b>	<b>2,900,000</b>

**NOTE 4: CONTINGENCIES**

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

**NOTE 5: SUBSEQUENT EVENTS**

Subsequent to 31 December 2013, the Company received notification that Grosvenor Gold Pty Ltd (“Grosvenor”), Resource and Investment NL’s (“RNI”) wholly owned subsidiary, would exercise its option to acquire 100% of Peak Hill Metals Pty Ltd, which owned the Peak Hill gold project. Settlement occurred on 31 January 2014. The key terms of the sale agreement were:

- Grosvenor paid Montezuma \$2.8 million in cash, and issued 8,400,000 fully paid ordinary shares in RNI, and 2.1 million 35 cent options in RNI.
- Grosvenor granted Montezuma a 1% Gross Royalty, capped at \$1 million, on all revenue received from production from the Peak Hill Project.

No other matter or circumstance has arisen since 31 December 2013, 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 2013**

**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 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 2013 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, 11 March 2014



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### **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 2013.

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 2013 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 2013 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 11 MARCH 2014



Chartered Accountants