

QUARTERLY REPORT

MONTEZUMA
MINING COMPANY LTD

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ABN 46 119 711 929

Three Months Ending: 30 September 2009

ASX CODE: MZM
ISSUED SHARES: 41.93M
52 WEEK HIGH: \$0.30
52 WEEK LOW: \$0.02
CASH ON HAND: \$1.7M

CONTACT:

JUSTIN BROWN
Managing Director
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BOARD:

Denis O'Meara: Chairman
Justin Brown: MD
Ian Cornelius: Non-Exec

KEY PROJECTS:

PEAK HILL (100%)
Gold

DURACK (earning 85%)
Gold

BUTCHER BIRD (100%)
*under application
Manganese, Copper

MT PADBURY (100%)
Gold, Manganese, Iron

KEY SHARE HOLDINGS:

AUVEX RESOURCES LTD
10,000,000 FPO Shares

BUXTON RESOURCES LTD
2,000,000 FPO Shares

HIGHLIGHTS

- **PEAK HILL (100%)**
 - Tenure Granted over Naracoota Formation, which hosts the new discovery by Sandfire Resources NL at De Grussa.
 - 400% increase in the Resource Estimate for Jubilee to 605,000t @ 2.41 for 46,800 ounces of contained gold.
 - Gravity processing yields first gold production.
- **BUTCHER BIRD MANGANESE (100% under application)**
 - Result up to 44.4% Mn with only 4.3% Fe from 33 rock chip samples over a strike of approximately 8km.
 - Tenement also contains Butcher Bird copper prospect with historical grades of up to 21.7% Cu with gold and silver.
 - Result up to 6.07% Cu in fresh material with primary chalcopyrite confirmed.
- **MT PADBURY IRON ORE**
 - 76 hole RC drilling programme completed for 6,958m at the Jabiru Prospect targeting 1.5 strike kilometres of BIF.
 - Haematite and goethite iron ore mineralisation intersected within the folded BIF units. Assays are pending.
 - Inferred Mineral Resource Estimate slated for first half of 2010.
 - Further geophysical surveys have identified **a number of new targets** within the Mt Padbury licence.
 - \$4M cash payable to Montezuma on definition of a JORC Resource in excess of 10Mt grading over 50% Fe.
- **AUVEX RESOURCES LIMITED (MZM 10M SHARES)**
 - Ship carrying the first 24000t manganese ore shipment from Ant Hill has sailed.
 - Commencing full scale manganese production at 300Kt per annum from early 2010.
 - Mandate signed with Macquarie Equities Limited to list in December 2009.

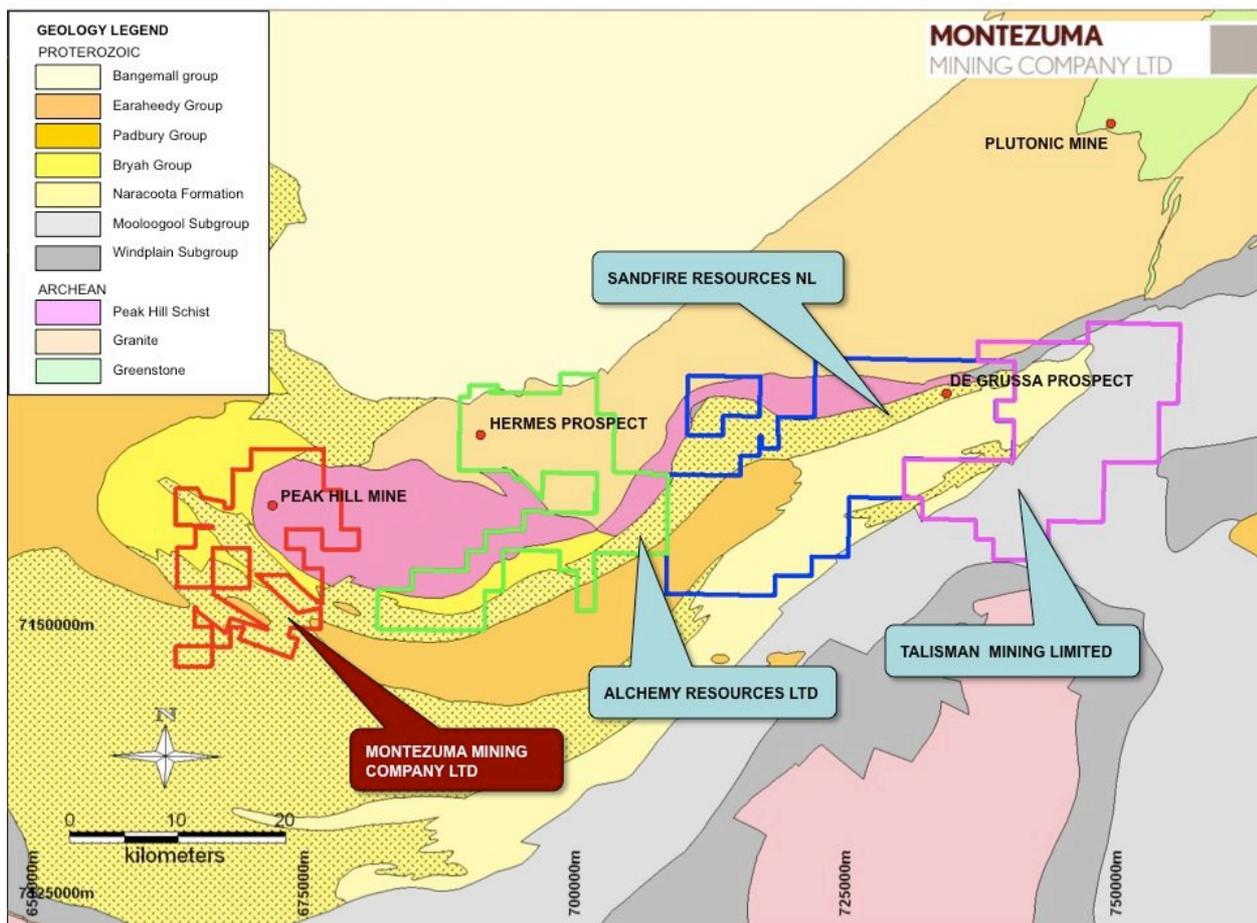
PEAK HILL (100%)

Naracoota Formation

The Peak Hill Project is located approximately 20km west of Alchemy Resources' Hermes gold project and contains rocks of the Peak Hill Schist and Naracoota Volcanics, prospective for both gold and base metals.

The potential for copper mineralisation has been recently highlighted by Sandfire Resources' discovery of the De Grussa and Conductor 1 copper orebodies within this rock sequence to the east of Montezuma's tenure.

Montezuma intends to initiate a programme to test the potential for this style of mineralisation within the Company's tenure.



Gold Production

Montezuma is pleased to announce that gravity processing of mill site material at its 100% owned Peak Hill Project has yielded the first gold from the Project since mining ceased in the mid 1990's.

Montezuma has in place a Tribute Mining Agreement with Resource Gold Pty Ltd (“RGL”) to process suitable material from within the Project using RGL’s gravity plant. All costs and environmental liabilities are carried by RGL and Montezuma receives 25% of all gold produced.

An initial parcel of material has been processed during the start up phase and has successfully extracted 63oz of gold from approximately 800T of material for a recovered grade of approximately 2.5 g/t. The quantity of material available in this first phase of the programme is estimated at approximately 20,000t.

Grades are expected to be highly variable and therefore no estimate of total recoverable gold is possible, however this early success suggests that the programme is likely to yield significant returns.



The cashflow generated by the gold processing programme combined will help to fund accelerated 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.

Jubilee Resource Increase

Montezuma announced during the quarter the results of a revised mineral resource estimate for the Jubilee deposit at the Peak Hill Project.

CSA Global Pty Ltd. (CSA) was commissioned by Montezuma Mining Company Limited (Montezuma) to undertake Mineral Resource estimates for the J2 and J3 zones at the Jubilee gold project, located 2km north of the historic Peak Hill Mine site, approximately 120km north of Meekatharra.

This exercise has delivered a Mineral Resource for the J2 and J3 zones of 605,000 tonnes at 2.41 g/t for 46,800 contained ounces based upon a 1g/t gold cut off. The deposits were classified, as per the JORC Code (2004), as Inferred and Indicated and presented in Table 1.

Deposit	Tonnes	Au (g/t)	Ounces
Indicated			
J2	22,000	2.63	1,900
J3	78,000	1.74	4,400
SubTotal	100,000	1.95	6,300
Inferred			
J2	179,000	2.81	16,200
J3	326,000	2.32	24,300
SubTotal	505,000	2.49	40,500
Total			
J2	202,000	2.79	18,100
J3	403,000	2.21	28,700
Total	605,000	2.41	46,800

Table: J2 and J3 Mineral Resource Estimates, 1g/t Cut-Off

This Resource Estimate provides a significant increase in both the grade and the total contained ounces over the previously released Resource Estimate for the deposit. This has resulted from an increase in the number of drill holes and a revised geological model for the deposit.

The Jubilee Resource is one of five main resource areas within the Peak Hill and surrounding projects. The significantly increased resource announced here provide further encouragement for the potential of the project to continue to grow in terms of gold endowment and the company remains focussed in its endeavours to increase the Resource going forward through proactive drilling campaigns.

The Jubilee Project is located adjacent to, and enveloping, the historic Jubilee Open Pit (J1 zone). This pit records production of 6,559 ounces of gold at an average of 4.00 g/t.

Within the Jubilee project, white mica schist is intruded by a body of metadolerite that has a stratigraphic thickness of up to 250m. Gold mineralisation lies adjacent to both the hanging wall and footwall contacts between the metadolerite and the schist.

The J2 zone is located south of the metadolerite/schist contact with mineralisation occurring within 40 metres of the contact. Regionally, gold mineralisation is associated with stratabound quartz veins, however locally the quartz can have multiple orientations. The schist dips shallowly to the west.

The J3 zone is located within the hanging wall along the northern margin of the metadolerite/schist contact. Mineralised quartz veins in the J3 zone are regionally stratabound but have locally

orientated variation. Mineralisation is more extensive than at the J2 zone, and extends approximately 100m from the metadolerite/schist contact and possible to the northwest.

Historic reverse circulation drillholes used for this Mineral Resource estimate range from 1988 to 1995, with the majority of holes drilled in 1990-1995. Montezuma drilled fifteen reverse circulation holes in 2007 totalling 2,511 metres.

The team of Competent Persons involved in the preparation of the Mineral Resource is as follows:

The estimate was completed under the overall supervision and direction of Steven Hodgson, MAIG, of CSA Global who is a Competent Person as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources or Ore Reserves (JORC Code 2004 Edition) and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The resource estimate in this report relates to information provided by Montezuma Mining Ltd. The information including database compilation, geological interpretation and mineralisation wire framing was completed by Craig Richards B.Sc. Hons Grad.Dip. and supervised by Trevor Saul B.Sc.Hons MAusIMM. Mr Saul is a geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Trevor Saul consents to the inclusion in the report of the matters based on his information in the form and context in which it appear.

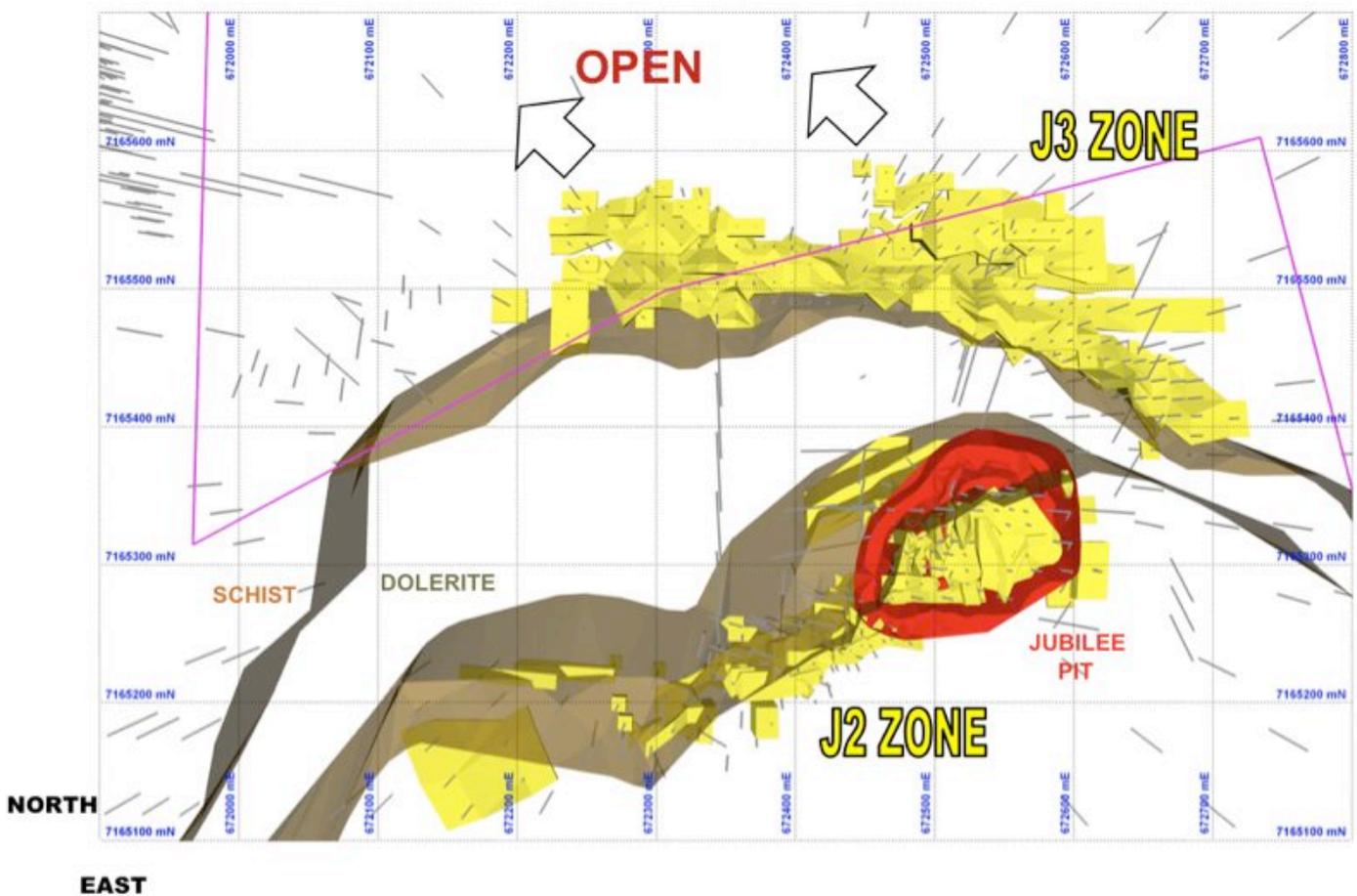


FIGURE 1: PLAN VIEW OF JUBILEE RESOURCE AREA

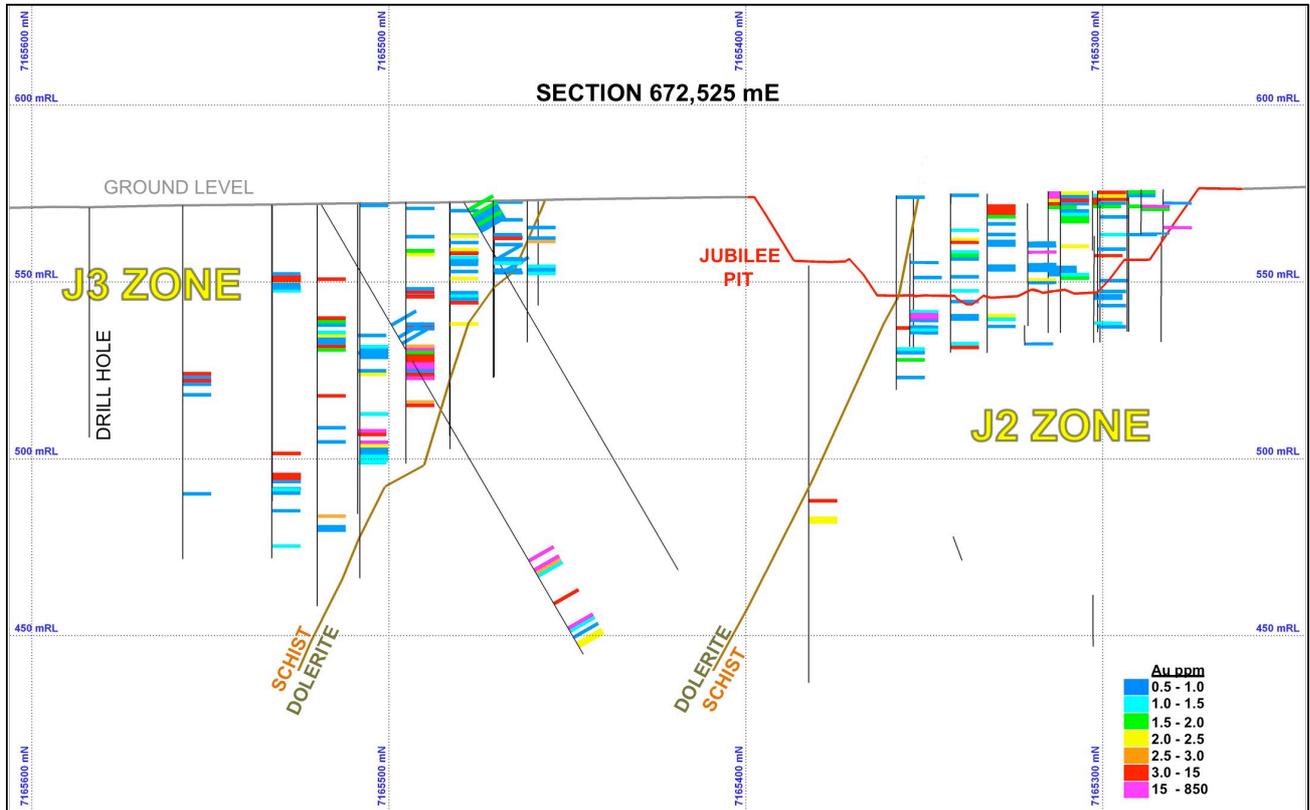


FIGURE 2: NORTH SOUTH SECTION THROUGH JUBILEE RESOURCE

BUTCHER BIRD (MZM 100% under application)

Manganese

Additional rock chip sampling on of EL 52/2350 “Butcher Bird” has continued to return very strong manganese results over a number of priority target areas.

A total of 50 surface rock chip samples have now been collected by Montezuma over two site visits. All samples were analysed by Ultra Trace Pty Ltd using XRF glass beads. The results to date continue to provide a very strong case for the project to be a priority project for drill testing of key target areas.

Prospect	ID	East (GDA)	North (GDA)	Mn (%)	Fe (%)	Al ₂ O ₃ (%)	SiO ₂ (%)	TiO ₂ (%)	LOI (%)
Thomas Hill	BB51	765909	7299246	33.7	11.2	4.89	17.9	0.18	10.5
Thomas Hill	BB52	765701	7299229	43.6	3.87	4.08	14.8	0.14	10.2
Thomas Hill	BB53	765466	7299169	39.5	6.46	4.69	16.2	0.18	9.73
Thomas Hill	BB54	765466	7299171	35.4	10.7	4.36	17.4	0.18	9.36
Thomas Hill	BB55	765469	7299160	41.6	4.76	4.65	15.6	0.16	10.2
Thomas Hill	BB56	765472	7299143	44.0	3.68	4.06	14.2	0.14	10.2
Thomas Hill	BB57	765479	7299128	44.4	4.30	3.89	13.3	0.15	10.4
Thomas Hill	BB58	765477	7299136	43.1	4.22	4.37	14.3	0.14	10.3

The manganese at Thomas Hill is largely manganite recrystallised in fine layers as thin slabs and blocks in a paleochannel environment.

Prospect	ID	East (GDA)	North (GDA)	Mn (%)	Fe (%)	Al2O3 (%)	SiO2 (%)	TiO2 (%)	LOI (%)
Gordon Ridge	BB21	774293	7297732	39.4	6.49	5.23	16.4	0.18	11.1
Gordon Ridge	BB22	774262	7297736	36.6	7.04	6.09	18.7	0.21	10.7
Gordon Ridge	BB23	774482	7297553	40.7	5.39	4.79	16.2	0.16	10.1
Gordon Ridge	BB24	774488	7297608	37.6	8.01	4.65	17.5	0.17	10.3
Gordon Ridge	BB45	773958	7297729	36.2	13.7	6.19	8.9	0.19	12.0
Gordon Ridge	BB46	773977	7297703	38.7	7.31	5.28	15.7	0.18	11.4
Gordon Ridge	BB47	773815	7297806	33.1	5.67	7.50	24.6	0.25	10.4
Gordon Ridge	BB48	773731	7297810	36.5	9.64	4.94	16.7	0.17	11.1
Gordon Ridge	BB49	773660	7297818	42.4	4.98	4.55	15.6	0.16	11.2
Gordon Ridge	BB50	773589	7297818	34.9	9.48	6.13	17.7	0.20	11.2

Gordon Ridge represents supergene Mn enrichment of manganiferous shales, forming a manganite enriched cap over a strike of approximately 2km. Edward Ridge sampled in April is similar to Gordon Ridge except that mineralisation appears to be less extensive.

Prospect	ID	East (GDA)	North (GDA)	Mn (%)	Fe (%)	Al2O3 (%)	SiO2 (%)	TiO2 (%)	LOI (%)
Toby Flats	BB20	773448	7297290	35.3	6.19	6.13	21	0.23	10.6
Toby Flats	BB25	775711	7297187	32.7	9.96	6.11	19.8	0.24	10.1
Toby Flats	BB31	775867	7297254	33.7	10.8	5.70	17.4	0.24	10.0
Toby Flats	BB42	776550	7296801	27.2	18.8	5.32	15.6	0.27	10.7
Toby Flats	BB43	776568	7296779	29.4	14.2	4.22	21.0	0.21	9.59
Toby Flats	BB44	776635	7296737	29.6	16.1	6.35	14.7	0.31	11.2

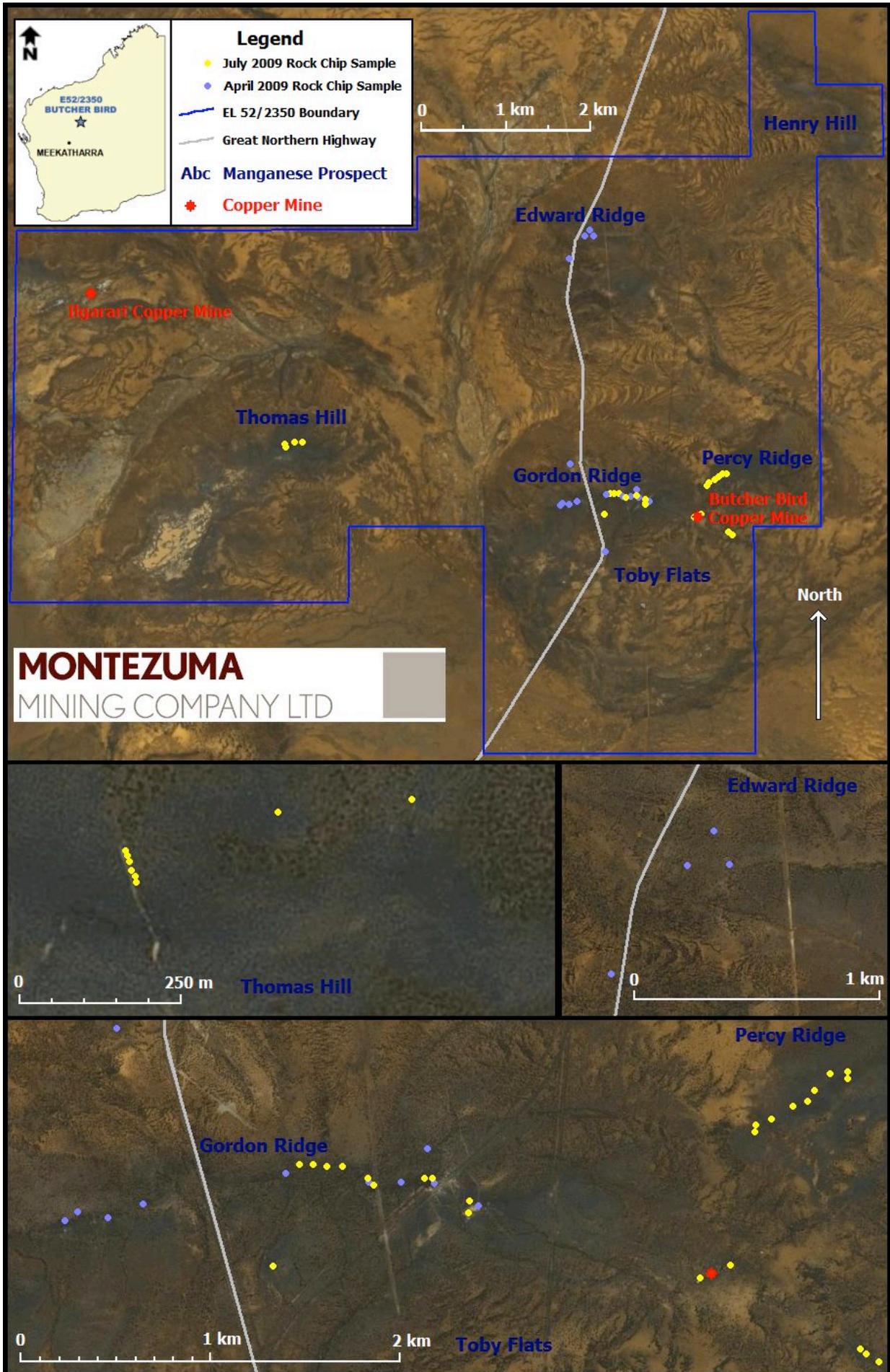
Toby Flats represents largely scree, sheatwash and fragmental manganite derived from weathering of the hills and ridges. Some low hillocks with poorly developed manganite cappings are seen on Toby Flats.

Prospect	ID	East (GDA)	North (GDA)	Mn (%)	Fe (%)	Al2O3 (%)	SiO2 (%)	TiO2 (%)	LOI (%)
Percy Ridge	BB33	776016	7297950	26.3	18.4	4.70	19.4	0.17	9.71
Percy Ridge	BB34	776023	7297975	29.3	11.9	5.51	22.1	0.21	10.6
Percy Ridge	BB35	776108	7298011	28.8	15.1	4.98	19.5	0.19	10.2
Percy Ridge	BB36	776223	7298075	33.4	11.7	4.58	17.6	0.17	10.7
Percy Ridge	BB37	776304	7298099	30.4	15.2	4.85	18.5	0.17	9.61
Percy Ridge	BB38	776336	7298156	26.7	18.9	4.51	16.8	0.17	11.0
Percy Ridge	BB39	776427	7298245	26.0	19.4	4.17	17.0	0.16	11.0
Percy Ridge	BB40	776520	7298245	27.0	16.8	4.56	19.5	0.18	10.6
Percy Ridge	BB41	776525	7298222	33.6	12.3	3.98	17.7	0.15	11.1

Percy Ridge is a low hillock with Mn enriched supergene manganite mineralisation.

The Butcher Bird licence application straddles the Great North Highway approximately 120km south of Newman. The land is open with sparse vegetative cover, giving good access to all areas of the licence.

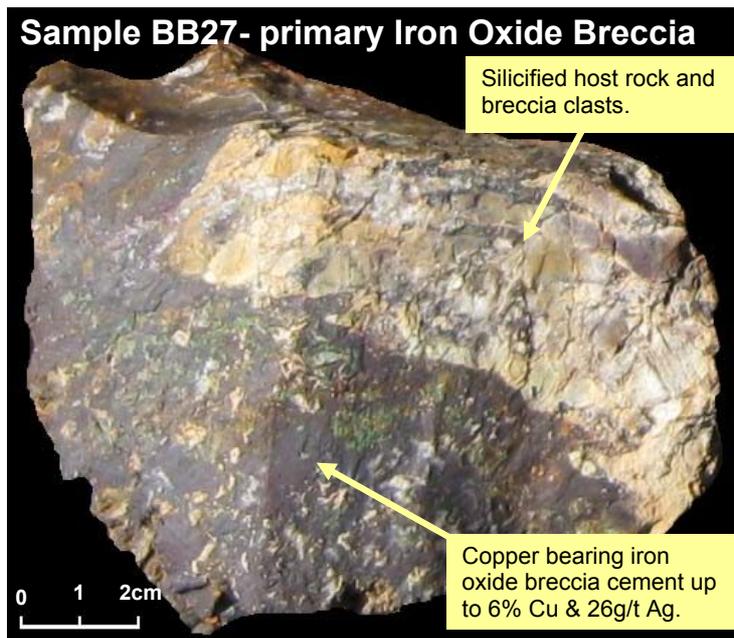
Based on the large regional extent of the surface mineralisation the available outcrop and remote sensing data, Butcher Bird is now regarded as having excellent potential to host commercial quantities of manganese. Once the tenements have been granted and relevant clearances received, drilling will commence as soon as possible.



Copper

Mullock sampling at the historic Butcher Bird Copper Mine on EL 52/2350 “Butcher Bird” during the Quarter returned very strong copper results.

A total of seven surface mullock heap samples were collected by Montezuma during a July site visit. The mullock heaps are situated at the shaft openings of the Butcher Bird shallow underground copper mine. Both primary and oxidised zones of the fault infill mineralisation was recognised and sampled.



Importantly, copper mineralisation is confirmed to have a primary source in an iron oxide matrix supported breccia, infilling a fault zone, similar in style to an IOCG deposit.

The historic Butcher Bird mine is a high grade near surface copper mine which targeted supergene copper mineralisation. The mine has recorded production of 8.46t of copper at an average grade of 22.6%. The main 3 shafts lay in the south-eastern portion of the tenement at 775750m E and 7297200m N GDA zone 50.

The main shaft was sunk to approx 10m, and 2 drives were cut along the fault, a lower one at 8m depth and an upper one at 3m depth. The shaft was not extended deeper due to a high water table at 9m depth. Above the water table the rocks are strongly weathered, with secondary copper oxides of malachite and azurite variably replacing the original host breccia.

There is no recorded drilling around the Butcher Bird mine and the potential for primary copper mineralisation remains untested although thin section analysis of samples has confirmed the presence of primary chalcopyrite.

As part of the current reconnaissance program, a selection of mullock samples were selected and submitted for multi-element assays. The selected samples were chosen to represent the range in weathering and copper mineralisation apparent at the time. A summary of results is presented in the following tables.

Sample	Cu %	Fe %	Au ppb	Ag ppm	As ppm	Co ppm	Mo ppm	Ni ppm	Pb ppm	Zn ppm
BB26	6.86	12.8	6	19.5	101	265	2	120	1040	105
BB29	21.7	1.01	58	87.5	16	840	2	720	48	575
BB30	26.0	1.82	47	156	36	585	2.5	515	48	565
BB32	12.4	10.6	7	6	28	1070	2.5	600	235	85

Table: Oxidised rocks with visible azurite and malachite.

The rocks included in the above table were highly weathered azurite and malachite rich. They were selected to represent the ore material mined from the shallow underground stopes and are considered to represent supergene copper oxide mineralisation.

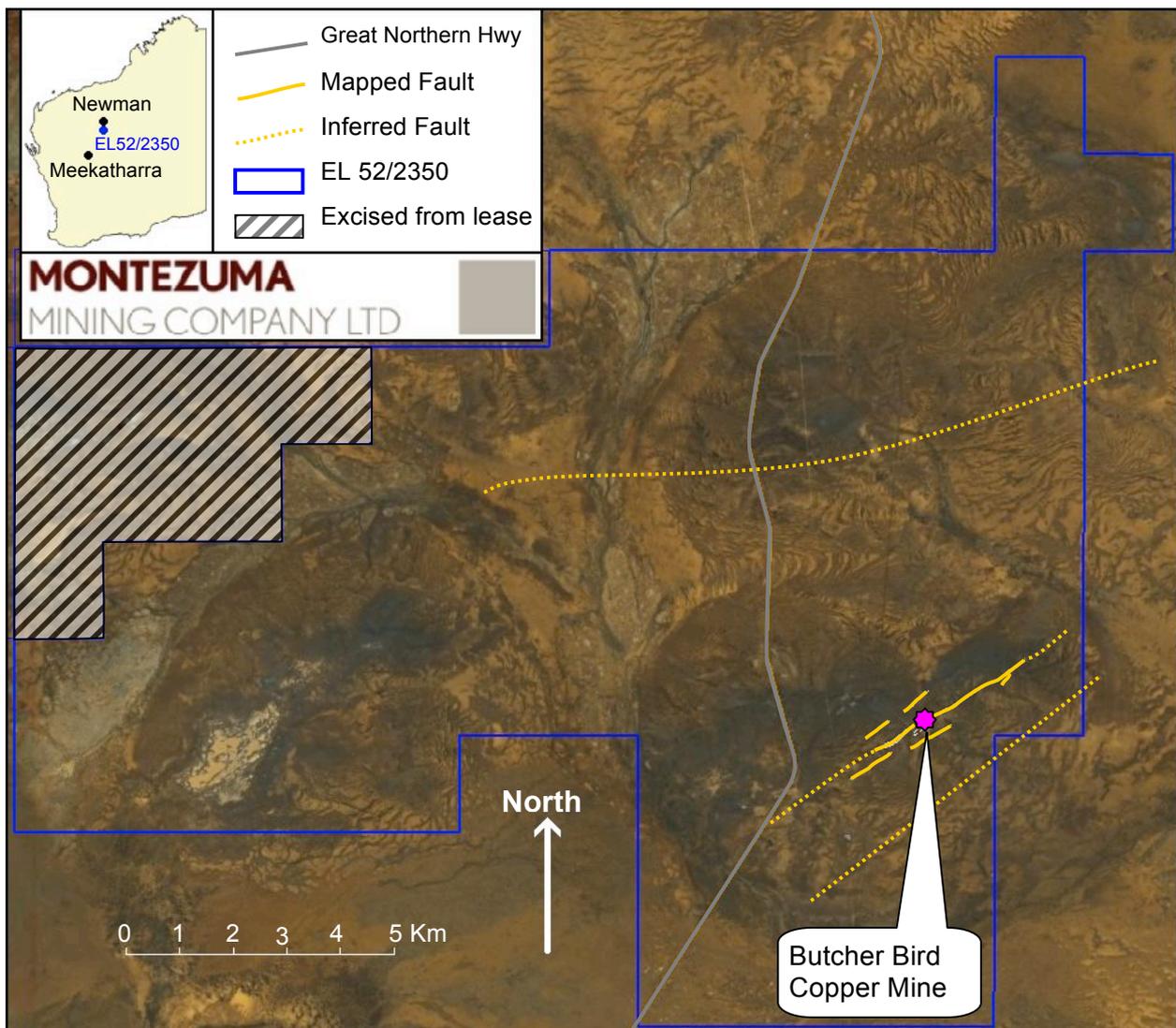
Sample	Cu %	Fe %	Au ppb	Ag ppm	Pb ppm	Sb ppm	Si %	U ppm	Zn ppm	Co ppm	Ni ppm	As ppm
BB59	4.31	13.8	8	39	917	5220	33.6	18.7	40	145	90	80
BB27	6.07	20.3	7	26	1120	4920	22.4	51.1	125	415	180	162
BB28	7.05	19.4	5	48	1250	7850	20.4	38.1	80	280	145	121

Table: Iron oxide breccia samples. Note BB59 and 27 are unweathered, and BB28 is weakly gossanous with minor visible azurite.

The second table shows results from samples that were selected to represent the Iron Oxide matrix material of the breccia which is considered the primary target for primary mineralisation below the supergene zone. BB28 contains visible azurite, and is considered to represent gossan weathered Iron Oxide breccia. Copper values are very robust and Antimony (Sb) is highly significant. Silver (Ag), Cobalt (Co) and Lead (Pb) are also anomalous. Gold in these samples is low, but has been historically reported in anomalous amounts in some samples of adjacent fault systems.

The fault hosting the Butcher Bird Copper Mine has been mapped as an iron rich gossan for a strike of 3.3km. There are 3 adjacent faults mapped around the Butcher Bird fault providing a number of targets in addition to the currently known areas of mineralisation.

Based on the large regional extent of the mapped surface gossans, the anomalous geochemistry, the sampling and remote sensing data, Butcher Bird is regarded as having excellent potential to host significant tonnages of copper mineralisation. Drilling will commence as soon as possible once the tenements have been granted and relevant clearances received.



MT PADBURY (100% of rights other than iron ore and manganese)

Montezuma is pleased to advise that Sinosteel Midwest Corporation Limited (“SMC”) have reported positive initial results from work to date at the Mt Padbury Project.

As part of the initial drill testing of the Jabiru Prospect, SMC completed a 76 hole RC drilling programme for a total of 6,958 metres and all samples have been submitted for assay.

The drilling targeted 1.5km strike of complexly folded BIF and shale sequences previously mapped at Jabiru by SMC. The drilling intersected both **hematite and goethite iron ore mineralisation** within the folded BIF.

SMC proposes to complete an **initial Inferred Mineral Resource estimate** during the first half of calendar year 2010. Infill and extensional drilling may be proposed for Jabiru pending results of the Mineral Resource estimation.

SMC has also continued to assess the regional potential for iron ore mineralisation at Mt Padbury completing a detailed geophysical interpretation of aeromagnetic data over the broader Robinson Range area (which includes Mt Padbury) and **a number of new targets were identified within E52/1529.**

Regional helicopter supported mapping and sampling of the Robinson Range area was also undertaken during late August 2009 targeting the BIF ridges inside E52/1529. Detailed ground gravity geophysics were being completed late in the quarter, including over areas of demagnetised BIF within E52/1529.

Per the terms of the sale of the iron ore rights at Mt Padbury to SMC, if SMC defines a JORC compliant iron ore resource in excess of 10M tonnes grading over 50% Fe, a third payment cash payment of \$4M becomes payable to Montezuma.

Montezuma will also receive a 0.5% royalty on the gross proceeds of the sale of all iron ore grading between 30-50% Fe and a 1% royalty on the gross proceeds of the sale of all iron ore grading over 50%, the latter being first subject to the definition of a 10M tonne resource grading over 50% Fe.

AUVEX RESOURCES LIMITED (MZM 10M SHARES)

Auvex Resources Limited ("Auvex") has advised that the vessel carrying their first shipment of manganese lump ore sailed from Port Hedland on Saturday 24th October bound for Southern China. The 24,000t cargo is scheduled to arrive at Qinzhou Port in Guangxi Province on 2nd November.

The Mesa Mining JV are currently discussing a second ore sale of approximately 20-30,000 tonnes of medium grade manganese ore with potential buyers.

Montezuma holds 10M shares in Auvex, approximately 12.5% of the issued capital. Auvex has signed a mandate with Macquarie Equities Limited and expects to lodge a prospectus for its IPO and to achieve listing on the ASX in December 2009.

The global JORC Resource calculation for the Ant Hill manganese deposit is **4.911Mt @ 20.3% Mn** and 25.4% Fe using a 10% Mn cutoff. The adjacent Sunday Hill deposit contains an additional JORC Resource of **4.7Mt @ 18.4% Mn**. Mining to date has confirmed the potential for the production of a high grade product stream through low cost crushing and screening of the primary ore.

Auvex are targeting an initial production rate of 300,000t per annum over a minimum of five years commencing in early 2010. It is expected that further exploration drilling will extend the potential mine life out beyond this initial target, with only one third of the deposit drilled to date.

The Project is located approximately 70kms southeast of Nullagine in the Pilbara district of Western Australia. The Project also contains the Sunday Hill deposit, which has the potential to add further significant tonnages of manganese ore to the operation



Figure 1: Manganite - MnO(OH) crystals from Sunday Hill

Successful listing of the Auvex on the ASX in the near term will provide an opportunity to generate tangible returns from Montezuma's shareholding in the company, with the potential to inject significant capital onto our balance sheet to fund continued work at Peak Hill and Butcher Bird, as well as potential future acquisitions, underpinning Company growth and shareholder returns.

More Information

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Managing Director

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The Information in this report that relates to exploration results is based on information compiled by Justin Brown, who is a member of the Australian Institute of Mining & Metallurgy. Mr Brown is a geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Justin Brown consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.