Montezuma Mining Company Ltd

ABN 46 119 711 929

Annual Report 2009

Table of Contents

1. Letter From the Chairman

The past year has been one of unprecedented turmoil in global financial markets and has presented significant difficulties to all exploration and mining companies, particularly given severe restrictions in the availability of capital. Despite these difficulties , I am pleased to report that Montezuma has maintained a robust balance sheet and progressed the development of its key assets, as well as making several new acquisitions and enjoying good returns from key investments.

The timely sale of our non-core iron ore rights at Mt Padbury injected much needed funds into the company at a time when capital was extremely difficult to access via the market. This allowed us to continue drilling at Peak Hill throughout the downturn. Further cash payments will be received if certain hurdles are reached.

Work at Peak Hill has continued to underpin the quality of the asset, with drilling and geological work at the Jubilee prospect, culminating in a resource upgrade which has added significantly to the total resource base of the Peak Hill project as a whole.

The downturn also provided an opportunity to significantly increase ground holdings at Peak Hill, containing a number of important target areas with the potential to increase the existing gold resource.

Going forward we will continue to develop Peak Hill as a key asset, with the aim of extending the resource, further leading into a review of the options for restarting large scale production at Peak Hill. In the short term, we are pleased to have commenced small scale production in partnership with Resource Gold Pty Ltd who are operating a gravity gold plant onsite and re-treating the former mill site materials. So far the project has yielded a promising return, injecting welcome capital into the company.

In addition to Peak Hill, we have acquired a promising manganese and copper project at Butcher Bird, south of Newman. Butcher Bird contains a number of significant manganese targets and their potential will be tested with a view to supporting a stand-alone DSO manganese operation. The historical Butcher Bird mine has a recorded production grade of 22.6% copper. Analyses of samples from the project have confirmed the existence of primary copper sulphides providing strong encouragement for further potential of primary copper mineralization at depth. The target has never been drilled and we look forward to mobilizing a rig as soon as the tenement is granted.

Our strategic share holdings in Auvex Resources Limited and Buxton Resources Limited are maturing and are expected to provide good returns which will further strengthen the Company's balance sheet and provide funding options going forward. Auvex in particular is advancing rapidly, having sold its first manganese ore shipment while ramping up to commence full scale production from January 2010. Listing on the ASX is expected by December 2009.

The year ahead is full of promise with further drilling planned for Peak Hill and Durack and a ramp up of exploration at Butcher Bird. The 09/10 year should also see our investment in Auvex mature and we will continue to seek to add value through on-ground work in conjunction with corporate decision making.

Yours sincerely

Denis O'Meara OAM

Chairman

2. Review of Operations

2.1. Strategy and Objectives

The Company's primary objective continues to be achieving returns for shareholders through proactive exploration and selected strategic acquisitions which add tangible value to the company.

Despite the continued market turmoil, we have continued to deliver on these strategic goals and the company is now in a strong position with an expanded ground position and increased resource base at the Peak Hill gold mine, significant potential capital inflow from investments in the iron ore and manganese sectors, and a new, wholly owned manganese and copper project.

The last twelve months we have retained key staff members in our technical team and we have strong in-house expertise to guide the implementation of our programmes.

The hard work to date has the Company well placed to capitalise on a more positive economic climate going forward.

2.2. Exploration

Montezuma has consolidated its position in the Peak Hill region with a significant increase in tenure around the Peak Hill Mine, as well as the satellite gold Projects at Mt Padbury, Durack and Egerton.

The expanded tenure also contains significant areas over the Naracoota Formation, the host rocks for Sandfire Resources NL's recent copper discovery at their Doolgunna Project.

During the last year, we also applied for a significant new ground holding at the Butcher Bird Project, south of Newman in Western Australia. We rate Butcher Bird as have very good potential for both copper and manganese mineralization.

Work at Peak Hill during the year has continued to return good results with an increase in the resource base at Jubilee, as well as the identification of a number of new targets which will attract proactive follow up in the coming year.

The Company continues to have an active focus on field exploration as a key strategy to generate returns for shareholders.

2.2.1. Peak Hill Mine (MZM 85-100%)

The Peak Hill Gold Mine was acquired at the beginning of the 2008 financial year from the Barrick and Rio Tinto Groups. Peak Hill is the Company's flagship project and will be the focus of the majority of planned exploration expenditure in the coming year.

Tenements

The Project is located approximately 100 km north of Meekathara and comprises granted mining leases over the main resource areas and several prospecting and exploration licences covering the surrounding target areas for a total of approximately 157 km^2.

Production History

The project has a strong gold production history having produced from four modern-era open cut pits on top of extensive historical high-grade production from underground mining in the latter part of the 19th century.

Since the 1980's, the Main, Jubilee, Fiveways and Harmony open cut operations have produced approximately 650,000 oz of gold while historically, pre-1913 production yielded around 270,000 oz. The combined ounces confirm the Peak Hill field as a +million ounce high-grade gold system.

The size and grades associated with the system to date is suggestive that the geology is conducive to additional mineralisation with further work, and underpins Montezuma's confidence in making the acquisition.

Ownership History

The history of the Peak Hill mining camp involves a string of successive owners each the subject of takeovers by progressively larger companies, until the project ended in shared ownership under Barrick and Rio Tinto.

Previous holders and operators included Grant's Patch, Forsayth, North, Plutonic, Homestake and finally Rio Tinto and Barrick Gold.

Gold production continued from 1988 until 1997 when the Barrick and Rio joint venture partners took the decision that the reserve potential was insufficient to meet their minimum size criteria and ceased operations.

Resource Extension Drilling

Since acquiring the Project, Montezuma's strategy has been to work to expand the known resources to a critical mass which would enable the Company to move to a feasibility phase with the aim of recommencing gold production at Peak Hill.

We have made significant progress to date, completing a number of programmes which culminated in an increased Resource at Jubilee. Further work on the existing resource models at Enigma, Jubilee, the Main Pit and Durack is ongoing with revised Resource estimates expected in due course.

Work during the year included RC drilling at Jubilee, Harmony, Enigma and Fiveways (Main Pit).

The results have highlighted a number of extensions to existing resources and will provide the basis for the next round of drilling to be commenced in the near term.

The coarse gold issue continues to provide challenges, particularly at Jubilee. Test work is ongoing, however early indications suggest that the current default assay methodology may be underestimating the gold content of the samples by an average of 25%.

Optimising our assay methodology is certainly a priority going forward given the clear impact this issue may have on resource estimation and future commercialisation of the gold resources at Peak Hill.

HoleID	Easting	Northing	Azimuth	Dip	From	To	Au	Composite
E09001	664365	7161739	60	-60	47	48	3.9	
					51	52	1.5	
					54	55	2.9	
					55	56	2.4	**2m @ 2.7 g/t**
E09006	664897	7161352	60	-60	107	108	3.5	
					120	121	2.3	
					124	125	1.4	
E09007	664922	7161313	60	-60	175	176	1.1	
					176	177	1.8	**2m @ 1.5 g/t**
					181	182	2.5	
					182	183	0.8	
					183	184	1.2	**3m @ 1.5 g/t**
E09008	664764	7161409	60	-60	48	49	1.3	
					54	55	4.7	
					115	116	2.0	
					137	138	1.7	
					172	173	31.6	
					173	174	1.8	
					174	175	0.3	
					175	176	0.7	**4m @ 8.62 g/t**
J09003	672470	7165379	130	-60	106	107	2.0	
J09004	672426	7165343	90	-60	66	67	2.1	
J09005	672394	7165303	130	-60	72	73	2.2	

J09006	672362	7165275	130	-60	70	71	1.2	
J09007	672427	7165247	290	-60	5	6	4.3	
					6	7	5.4	
					7	8	0.4	
					8	9	2.6	
					9	10	3.3	**5m @ 3.2 g/t**
J09008	672544	7165539	180	-60	21	22	1.5	
					81	82	1.9	
					88	89	2.5	
					132	133	1.7	
J09009	672539	7165521	180	-60	23	24	2.4	
					24	25	1.0	**2m @ 1.7 g/t**
					118	119	1.5	
					119	120	3.3	**2m @ 2.4 g/t**
					126	127	2.3	
					127	128	3.1	**2m @ 2.7 g/t**
					140	141	1.4	
					178	179	2.6	
					231	232	2.2	
J09010	672592	7165461	270	-60	17	18	2.5	
					18	19	1.4	
					19	20	1.4	
					20	21	3.1	
					21	22	0.7	
					22	23	1.4	
					23	24	1.0	
					24	25	0.2	
					25	26	0.1	
					26	27	1.0	**10m @ 1.3 g/t**
					114	115	1.1	
					126	127	1.5	
					127	128	0.7	
					128	129	0.0	
					129	130	2.5	**4m @ 1.2 g/t**
HoleID	**Easting**	**Northing**	**Azimuth**	**Dip**	**From**	**To**	**Au**	**Composite**
JW09001	671893	7165675	90	-60	38	39	1.6	
JW09003	671924	7165625	90	-60	7	8	2.6	
					8	9	3.9	
					9	10	0.1	
					10	11	1.5	**4m @ 2.0 g/t**
					52	53	2.1	
					68	69	2.4	
JW09004	671898	7165627	90	-60	34	35	1.3	
					85	86	1.7	
					103	104	1.5	
M09003	672459	7163701	0	-90	149	150	2.5	
					150	151	1.8	**2m @ 2.1 g/t**
					155	156	7.6	
M09004	672575	7163923	270	-60	136	137	1.3	

Table 1. Table 1: Significant Drilling Results

Resource Update at Jubilee

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 Jubilee.

The exercise was a success, delivering a significant increase in the 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 2.

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 2. J2 and J3 Mineral Resource Estimates, 1g/t Cut-Off

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

Ground Acquisition

During the year, Montezuma also announced a major increase in the Company's tenure at Peak Hill, increasing near mine ground holdings to approximately 157 square kilometres. Specifically, the Company holds an 85% interest in two new exploration licences covering approximately 111km2 of highly prospective ground adjacent to the main production areas at the Main Pit, Jubilee and Harmony.

The new tenure contains ore-grade drilling intersections ready for follow up, as well as a number of regional targets comprising geochemical, rock chip and drilling anomalies. The area also covers structural positions with significant potential to host extensions and/or repetitions of mineralisation near the known major mineralisation areas.

In particular, the Company's tenure now covers the northern strike extension of the main pit mineralisation (~440,000 oz Au produced) which was not held by the previous operators at Peak Hill and which has been ineffectively tested for extensions to the high grade main pit mineralisation. This is a Tier 1 structural target that will be drill tested as soon as possible.

To the north of the Jubilee Resource, the Company's extended ground holdings include a number of high grade intersections drilled by previous holders.

The intersections are generally shallow with an average drilling depth of approximately 50m. Highlights include:

- **CHRC 6** **6m @ 21.2 g/t from 51m**
- **JRC150** **2m @ 25.7 g/t from 52m**
- **JRC 165** **8m @ 5.7 g/t from 10m**
- **JRC 303** **4m @ 11.0 g/t from 27m**
- **JRC 416** **12m @ 2.5 g/t from 20m**

*Note the results are quoted using downhole widths not true widths.

In addition to the priority targets at Jubilee North and the Main Pit North, the ground adds significantly to the Company's tenure over the highly prospect Enigma Trend, a northwest southeast striking corridor of mineralisation which hosts both the Harmony Mine and the Company's Enigma Resource. There is potential within this corridor for repetitions and/or extensions to these known gold deposits.

Gold Production

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 1,100 tonnes of material for a recovered grade of approximately 2.7 g/t. The quantity of material available in this first phase of the programme is estimated at approximately 20,000t.

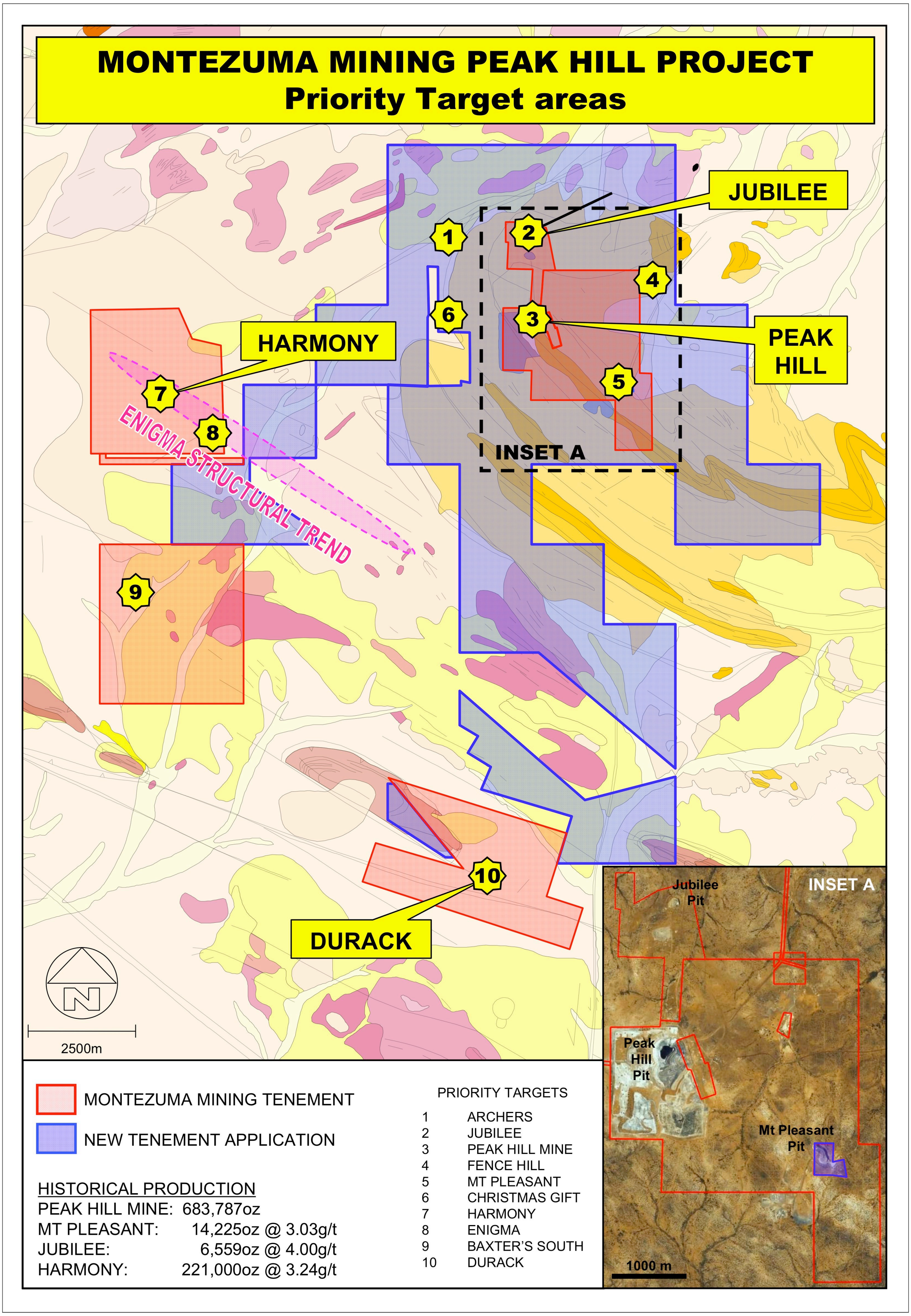


Figure 1. ***Extended tenure at Peak Hill showing key target areas.***

2.2.2. Durack (MZM earning 85%)

In May 2008, the Company announced an agreement with Grange Resources Limited to acquire an 85% interest in the granted mining lease M52/801, which contains the Durack gold deposit. The Project is located approximately 12kms south of Peak Hill.

Montezuma has agreed to spend $500,000 on exploration and development over the subsequent four years to earn an 85% interest in the licence, which adds significantly to Montezuma's existing gold Resources and is ideally located to provide satellite resources to any centralised operation at Peak Hill, 12km to the north.

Previous workers have identified an Indicated and Inferred gold Resource at Durack of 567,679t @ 2.34 (1.0g/t cutoff, and top-cut of 25 g/t) for a total of **42,659 oz Au**. Uncut, the resource grade increases to 3.33 g/t with an increase in total ounces to 60,836.

Several exploration targets have been identified within the lease which provide opportunities to add to this additional resource. Montezuma will undertake a detailed internal assessment of these and other target areas before planning the first phase of work to progress the project.

The gold mineralisation at Durack is associated with pyrite alteration on the margins of steeply dipping quartz veins within a package of intercalated mafic volcanics and sedimentary rocks. The main mineralised zone is broadly concordant with stratigraphy, trending at 130°, dipping sub-vertically to the north-east.

Highlights from the most recent drilling at Durack, completed in 2003 include:

- 12m @ 15.16g/t Au from 87m (DURC004)
- 8m @ 11.86g/t Au from 14m (DURC005)
- 13m @ 4.68g/t Au from 77m (DURC008)
- 8m @ 2.20g/t Au from 94m (DURC008)

A full breakdown of the existing resources at Durack are outlined in the following table:

Durack Deposit
November 2004 Resource Estimate 1.0g/t Cutoff

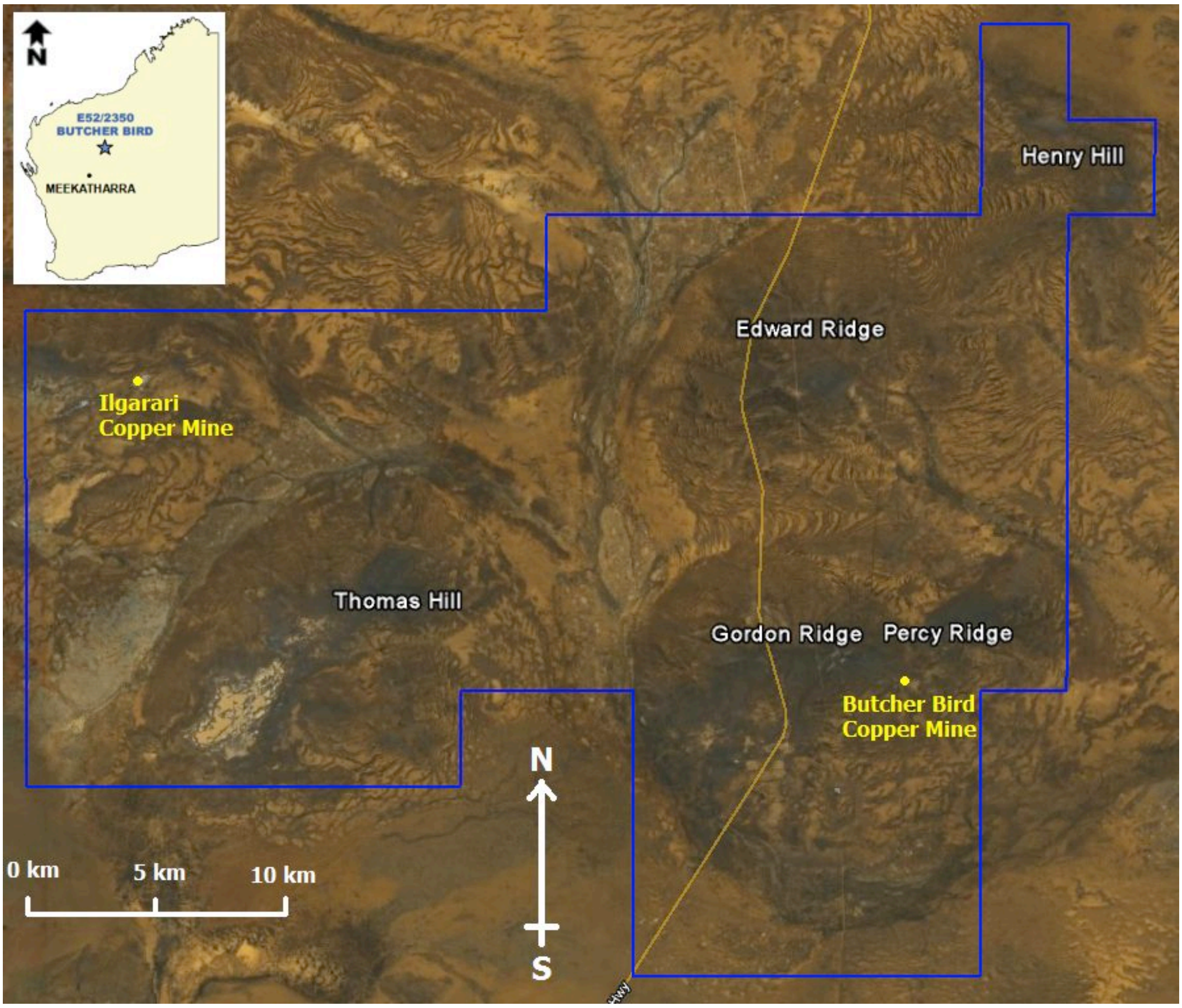
Type	Indicated			Inferred			Total				
	Tonnes T	Uncut g/t	Cut25 g/t	Tonnes T	Uncut g/t	Cut25 g/t	Tonnes T	Uncut g/t	Cut25 g/t	Uncut Ounces	Cut Ounces
Oxide	159,879	2.67	2.09	86,022	6.08	2.51	**245,901**	**3.86**	**2.24**	**30,537**	**17,700**
Transition	226,895	2.97	2.31	94,883	2.82	2.67	**321,778**	**2.93**	**2.41**	**30,298**	**24,959**
Total	**386,774**	**2.85**	**2.22**	**180,905**	**4.37**	**2.59**	**567,679**	**3.33**	**2.34**	**60,836**	**42,659**

2.2.3. Butcher Bird (MZM 100%)

Manganese

A total of 50 surface rock chip samples targeting manganese mineralisation 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.

The manganese at Thomas Hill is largely manganite recrystallised in fine layers as thin slabs and blocks in a paleochannel environment. Gordon Ridge represents supergene Mn enrichment of manganiferous shales, forming a manganite enriched cap over a strike of approximately 2km. Edward Ridge is similar to Gordon Ridge except that mineralisation appears to be less extensive. Percy Ridge is a low hillock with Mn enriched supergene manganite mineralisation. 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.



The Butcher Bird licence application straddles the Great North Highway approximately120km 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 and the available outcrop and remote sensing data available, 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.

Prospect	ID	East (GDA)	North (GDA)	Mn (%)	Fe (%)	Al2O3 (%)	SiO2 (%)	TiO2 (%)	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
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
Butcher Bird	BB25	775711	7297187	**32.7**	9.96	6.11	19.8	0.24	10.1
Butcher Bird	BB31	775867	7297254	**33.7**	10.8	5.70	17.4	0.24	10.0
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
Toby Flats	BB20	773448	7297290	**35.3**	6.19	6.13	21	0.23	10.6
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
Gordon Ridge	BB21	774293	7297732	**39.4**	6.49	5.23	16.4	0.18	11.1
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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

Table 3. ***Table 2: Rockchip results from Butcher Bird***

Copper

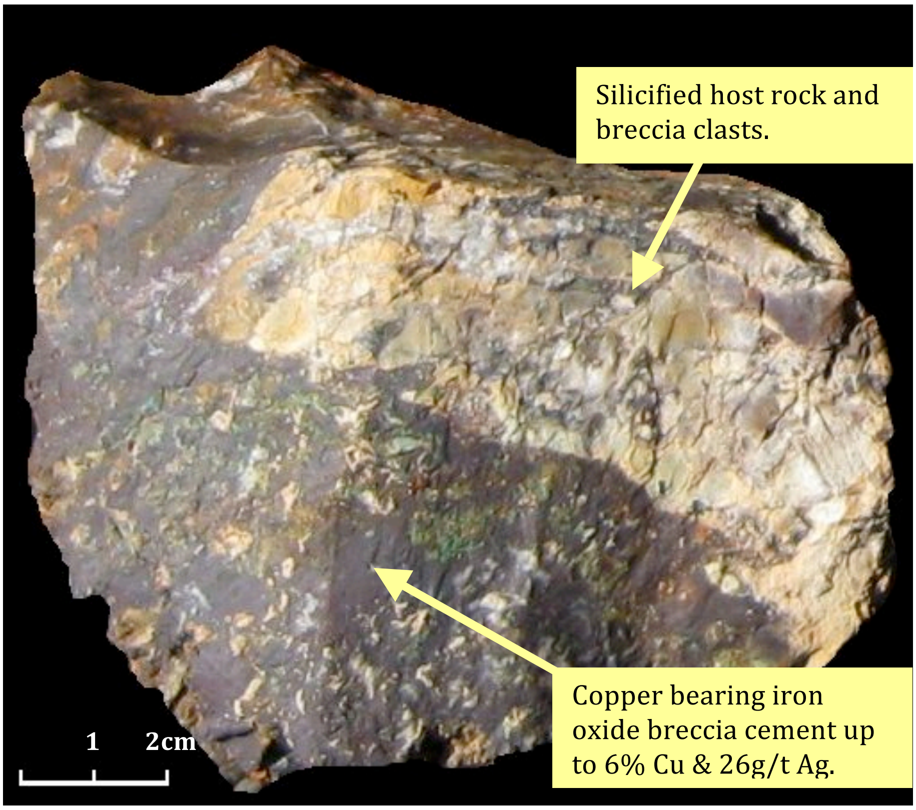
The historic Butcher Bird mine is a high grade near surface copper mine which targeted supergene copper mineralisation. The mine has recorded production of 8.46t of copper at an average grade of 22.6%. The main 3 shafts lay in the south-eastern portion of the tenement.

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.

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. Both primary and oxidised zones of the fault infill mineralisation was recognised and sampled. A summary of results is presented in the following tables.

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.



ID	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 4. ***Oxidised rocks with visible azurite and malachite.***

The rocks comprising table 4 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.

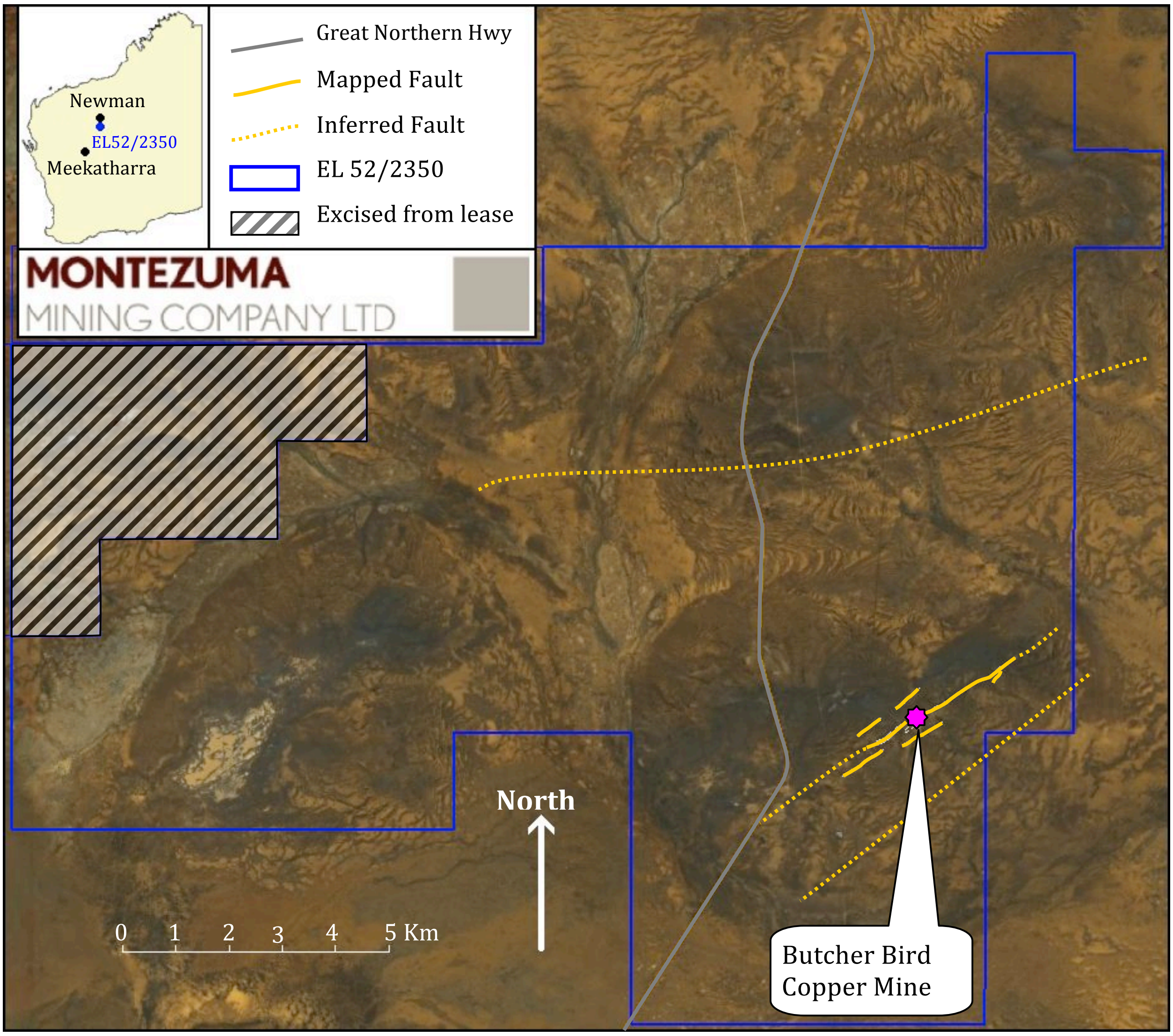
ID	Cu %	Fe %	Au ppb	Ag ppm	Pb ppm	Sb ppm	Si %	U ppm	Zn ppm	Co ppm	Ni ppm	As ppm
BB59	**4.31**	13.8	8	**39**	917	**5220**	33.6	18.7	40	145	90	80
BB27	**6.07**	20.3	7	**26**	1120	**4920**	22.4	51.1	125	**415**	180	162
BB28	**7.05**	19.4	5	**48**	1250	**7850**	20.4	38.1	80	280	145	121

Table 5. ***Iron oxide breccia samples. BB59 and 27 are unweathered. BB28 is weakly gossanous with minor azurite.***

Table 5 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.



2.2.4. Mt Padbury (MZM 100%)

Manganese

The Mt Padbury Project contains a number of manganese occurrences with the potential to yield commercial tonnages and grade. The manganese rights are held by Auvex Resources Limited which purchased the rights by issuing 10M fully paid shares to Montezuma.

Auvex is currently in the process of seeking listing on the ASX via an IPO. Achieving listing will confirm the value of this holding to Montezuma and as the investment matures, provide important capital inflows to fund the Company's activities elsewhere.

Iron Ore

The Mt Padbury Project contains approximately 23 strike kilometres of the banded iron and chert sediments that make up the Robinson Range. The sequence is known to host significant iron enrichment with sampling by previous workers highlighting elevated surface iron values in excess of 50% over significant strike lengths.

The iron ore rights have been sold to Sinosteel Midwest Corporation ("SMC") under a deal which requires payments to Montezuma of up to $6M cash plus a royalty on production. The first two $1M cash payments have been received.

RC Drilling Programme

As part of the initial drill testing of the Iron Ore potential at Mt Padbury, SMC completed a 76 hole RC drilling programme for a total of 6,958 metres at the Jabiru Prospect. 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

Further Payments

Midwest is targeting an iron ore resource in excess of 10M tonnes grading over 50% Fe. Once this hurdle is reached, Midwest will make a third payment of $4M cash to Montezuma.

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

If the conditions subsequent are not satisfied or waived, Midwest has the right to terminate the agreement at which time Montezuma will issue shares to Midwest to the value of $1M, calculated on the volume weighted average price of Montezuma's shares over the preceding 30 days.

The completion of this sale with Midwest is an important milestone for Montezuma, providing the Company with working capital to fund our ongoing exploration work at the Peak Hill Gold Project (MZM 100%) and our regional portfolio, with retained exposure to the iron ore potential should Midwest be successful in commencing a mining operation within the project area.

2.2.5. Egerton Project (MZM 100%)

Montezuma has applied for a single exploration licence (E52/2117) that covers the interpreted strike extension of the high grade Hibernian gold deposit. Work during the year comprised data compilation and target generation activities.

2.2.6. Pilgangoora (MZM 10%)

Montezuma divested the majority of its holding in the Pilgangoora Project to Trafford Resources Limited during the year, and retains a 10% interest free carried to a BFS.

Montezuma Mining Company Limited

ABN 46 119 711 929

Annual Financial Report

for the year ended 30 June 2009

Corporate Information

ABN 46 119 711 929

Directors
Denis O'Meara (Non Executive Chairman)
Justin Brown (Managing Director)
Ian Cornelius (Non Executive Director)

Company Secretary
John Ribbons

Registered Office
23 Altona Street
WEST PERTH WA 6005

Principal Place of Business
133-135 Edwards Street
PERTH WA 6000

Solicitors
House Legal
86 First Avenue
MT LAWLEY WA 6050

Bankers
National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

Share Register
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditors
Rothsay Chartered Accountants
Level 18, 6 O'Connell Street
SYDNEY NSW 2000

Internet Address
www.montezumamining.com.au

Stock Exchange Listing
Montezuma Mining Company Limited shares (Code: MZM) and 20 cent options expiring on or before 31 August 2011 (Code: MZMO) are listed on the Australian Securities Exchange.

Contents

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Montezuma Mining Company Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Denis O'Meara, JP, AMAusIMM (Non Executive Chairman, audit committee member)

Mr O'Meara is a Prospector and founder of De Grey Mining Ltd. Mr O'Meara has a lifelong involvement in mining, prospecting and exploration. He has been involved in several major resource and exploratory discoveries in Western Australia including Miralga Creek, Sulphur Springs, Gorge Range, Indee (Wingina and Orchard Tank Well) (Pilbara), Horans Dam (Kalgoorlie), Triangle Bore (Mt Magnet) and Weld Range (Murchison). His activities have supported several corporate fund raisings/listings since 1969. His prospecting has also led to joint ventures with 17 companies. Mr O'Meara is the discoverer of the Beyondie Bluff gold and base metal anomalies and originally sampled for gold at the Indee Turner River Gold Belt in 1987. He was awarded AMEC Prospector of the Year in 2004, jointly with Geoff Blackburn.

Mr O'Meara has served as an Executive Councillor of AMEC, a board member of AGIC (Australian Gold Industry Council) for its 10-year duration and board member of the Port Hedland Port Authority from 1972 to 1985. He also received a National Outstanding Achievement Award - Greening Australia, 1991 and served as a board member of the Kings Park and Botanical Gardens, Perth, 1994 - 1996. Within the last 3 years Mr O'Meara has been a former director of De Grey Mining Limited and Shaw River Resources Limited.

Justin Brown, B.Sc. (Hon), (Managing Director)

Mr Brown is a geologist with extensive experience in minerals exploration in Australia and New Zealand. He has a strong technical background with experience in the full spectrum of mineral exploration and mining from grass roots target generation through to resource mining and mine production.

Mr Brown's previous experience in the mining industry culminated in a position managing exploration for a large multinational company in the Leonora, Edjudina and Marvel Loch regions of Western Australia. He is the founding Managing Director of the Company.

Mr Brown has also worked in business circles away from mining and exploration, having founded and operated a successful internet services consultancy enhancing his management expertise which he brings to the Board. Mr Brown has not held any former directorships in the last 3 years.

Ian "Inky" Cornelius, (Non Executive Director, Chairman of the audit committee)

Mr Cornelius has had over 40 years experience in the minerals and petroleum industry. He spent the first nine years of his career with the Western Australian Department of Mines before leaving to manage his own tenement consulting business. Since 1976 he has held senior executive positions in a number of public exploration and mining companies. In this capacity he has had extensive experience and success in the selection, management and development of deposits of many commodities. Inky is a non-executive director of Pancontinental Oil & Gas NL, Austral Africa Resources Ltd, and Alkane Exploration Ltd.

Inky has not held any former directorships in the last 3 years.

Terrence Grammer was a director from the beginning of the year until his resignation on 30 April 2009.

COMPANY SECRETARY

John Ribbons, B.Bus., CPA, ACIS

Mr Ribbons is an accountant who has worked within the resources industry for over fifteen years in the capacity of company accountant, group financial controller or company secretary.

Mr Ribbons has extensive knowledge and experience with ASX listed production and exploration companies. He has considerable site based experience with operating mines and has also been involved with the listing of several exploration companies on ASX. Mr Ribbons has experience in capital raising, ASX compliance and regulatory requirements.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Montezuma Mining Company Limited were:

	Ordinary Shares	Options over Ordinary Shares
Denis O'Meara	700,000	1,102,500
Justin Brown	1,100,000	5,012,500
Ian Cornelius	320,000	305,000

Directors' Report continued

PRINCIPAL ACTIVITIES

During the year the Group carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying economic mineral deposits.

There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

REVIEW OF OPERATIONS

Finance Review

The Group began the financial year with a cash reserve of $1,352,312. Funds were used to acquire and actively advance the Group's projects located in Australia.

During the year total tenement acquisition and exploration expenditure incurred by the Group amounted to $1,234,456. In line with the Group's accounting policies, all exploration expenditure was written off at year end. The Company received income of $2,000,000 (2008: Nil) from the sale of tenement interests. Net administration expenditure incurred amounted to $416,399. This has resulted in an operating profit after income tax for the year ended 30 June 2009 of $349,145 (2008: loss of $2,307,425).

At 30 June 2009 surplus funds available totalled $2,243,208.

Operating Results for the Year

Summarised operating results are as follows:

	2009	
	Revenues $	Results $
Consolidated entity revenues and profit from ordinary activities before income tax expense	2,143,830	349,145

Shareholder Returns

	2009	2008
Basic earnings/(loss) per share (cents)	**0.8**	(6.1)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows:

- During July 2008 the Company issued 400,000 ordinary shares with a deemed value of $42,000 as consideration for tenement acquisition.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 24, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company expects to maintain the present status and level of operations and hence there are no likely developments in the Company's operations.

Directors' Report continued

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Montezuma Mining Company Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of Montezuma Mining Company Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $200,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance based remuneration

The Company currently has no performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of directors and executives interests in options at year end, refer to note 15 of the financial statements.

Directors' Report continued

B Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Montezuma Mining Company Limited and the Montezuma Mining Company Group are set out in the following table.

The key management personnel of Montezuma Mining Company Limited and the Group include the directors and company secretary as per page 3.

Given the size and nature of operations of Montezuma Mining Company Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Key management personnel and other executives of Montezuma Mining Company Limited and the Group

	Short-Term		**Post Employment**		**Share-based Payments**	**Total**
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Options	
	$	**$**	**$**	**$**	**$**	**$**
Directors						
Denis O'Meara						
2009	**45,377**	**1,609**	**4,084**	**-**	**-**	**51,070**
2008	50,000	1,786	4,500	-	-	56,286
Justin Brown						
2009	**160,442**	**1,609**	**14,440**	**-**	**9,900**	**186,391**
2008	150,385	1,786	13,535	-	164,250	329,956
Ian Cornelius						
2009	**31,500**	**1,609**	**-**	**-**	**-**	**33,109**
2008	35,000	1,786	-	-	-	36,786
Terrance Grammer (resigned 30 April 2009)						
2009	**28,410**	**1,341**	**2,557**	**-**	**-**	**32,308**
2008	25,000	1,786	2,250	-	-	29,036
Other key management personnel						
John Ribbons						
2009	**-**	**-**	**-**	**-**	**3,300**	**3,300**
2008	-	-	-	-	-	-
Total key management personnel compensation						
2009	**265,729**	**6,168**	**21,081**	**-**	**13,200**	**306,178**
2008	260,385	7,144	20,285	-	164,250	452,064

C Service agreements

The details of service agreements of the key management personnel of Montezuma Mining Company Limited and the Group are as follows:

Justin Brown, Managing Director:

- Term of agreement – two-year term commencing 9 November 2008.
- Annual salary of $148,000 (plus 9% statutory superannuation) plus the provision of income protection insurance, to be reviewed annually.
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equal to six months total salary.

Directors' Report continued

D Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Montezuma Mining Company Limited to increase goal congruence between executives, directors and shareholders. The following options were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Justin Brown	13/11/2008	1,500,000	13/11/2008	30/11/2012	20.0	0.7	N/A	5.3
Other Key Management Personnel								
John Ribbons	13/11/2008	500,000	13/11/2008	30/11/2012	20.0	0.7	N/A	100.0

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Montezuma Mining Company Limited during the year.

E Additional information

Performance income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year.

DIRECTORS' MEETINGS

During the year the Company held six meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		Audit Committee Meetings	
	A	**B**	**A**	**B**
Denis O'Meara	6	6	*	*
Justin Brown	6	6	*	*
Ian Cornelius	5	6	-	1
Terrance Grammer (resigned 30 April 2009)	5	5	1	1

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

* Not a member of the Audit Committee.

SHARES UNDER OPTION

At the date of this report there are 25,500,267 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	23,000,267
Movements of share options during the year	
Issued, exercisable at 20 cents, on or before 31 August 2011	100,000
Issued, exercisable at 20 cents, on or before 2 March 2012	400,000
Issued, exercisable at 20 cents, on or before 30 November 2012	2,000,000
Total number of options outstanding as at 30 June 2009 and at the date of this report	**25,500,267**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
23 July 2011	35	1,500,000
31 August 2011	20	16,150,267
31 August 2011	35	4,500,000
2 March 2012	20	1,350,000
30 November 2012	20	2,000,000
Total number of options outstanding at the date of this report		**25,500,267**

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Directors' Report continued

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors of Montezuma Mining Company Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $6,000.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Rothsay Chartered Accountants or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Rothsay Chartered Accountants received or are due to receive the following amounts for the provision of non-audit services:

	2009 $	2008 $
Tax compliance services	**2,000**	1,500

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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 9.

Signed in accordance with a resolution of the directors.

Justin Brown

Managing Director

Perth, 2 September 2009

ROTHSAY

Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

The Directors
Montezuma Mining Company Ltd
131 Edward St
Perth WA 6000

Dear Sirs

As lead auditor for the audit of Montezuma Mining Company Ltd for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

GR Swan

Graham Swan (Lead auditor)

Rothsay

Rothsay Chartered Accountants

Dated 2 September 2009

Corporate Governance Statement

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The board has adopted the revised Recommendations and the following table sets out the Company's present position in relation to each of the revised Principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	**A**	Matters reserved for the board are included on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	**N/A**	The remuneration of executive and non-executive directors is reviewed by the board with the exclusion of the Director concerned. The remuneration of management and employees is reviewed by the Managing Director and approved by the Board. Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A (in part)**	
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors	**A**	
2.2	The chair should be an independent director	**A**	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**A**	The positions of Chairman and Managing Director are held by separate persons.
2.4	The board should establish a nomination committee	**A**	The full board is the nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate nomination committee would add any substance this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	**N/A**	Given the size and nature of the Company a formal process for evaluating performance has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	**A (in part)**	The skills and experience of Directors are set out in the Company's Annual Report and on its website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**A**	The Company has formulated a Code of Conduct which can be viewed on the Company's website.
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	**A**	The Company has formulated a securities trading policy, which can be viewed on the Company's website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	A	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee	A	The Company has established an audit committee which comprises two non executive directors and the company secretary. The charter for this committee is disclosed on the Company's website.
4.2	The audit committee should be structured so that it:	A	
	• consists only of non-executive directors	✔	
	• consists of a majority of independent directors	✔	
	• is chaired by an independent chair, who is not chair of the board	✔	
	• has at least three members	✔	
4.3	The audit committee should have a formal charter	A	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	A	The Company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receives monthly reports on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each board meeting.
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	A	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Reports, Half Yearly Reports, Quarterly Reports, the Company Website and the distribution of specific releases covering major transactions and events or other price sensitive information.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy which can be viewed on the Company's website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**A**	While the Company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations • share market conditions • economic risk
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	**N/A**	While the Company does not have formalised policies on risk management it recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**N/A**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee	**A**	The full Board carries out the duties that would normally fall to the Remuneration Committee.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	For details on the Remuneration Committee refer to the Annual Report and the Corporate Governance section of the Company's website.

A = Adopted
N/A = Not adopted

Income Statement

YEAR ENDED 30 JUNE 2009	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
REVENUE FROM CONTINUING OPERATIONS	4	**143,830**	121,051	**143,830**	121,051
Other income	5	**2,000,000**	319,600	**2,000,000**	319,600
EXPENDITURE					
Depreciation expense		**(14,308)**	(16,015)	**(14,308)**	(16,015)
Salaries and employee benefits expense		**(99,600)**	(131,029)	**(99,600)**	(131,029)
Exploration expenditure		**(1,234,456)**	(1,997,325)	**(1,234,456)**	(1,997,325)
Secretarial and share registry expenses		**(53,831)**	(51,639)	**(53,831)**	(51,639)
Administration expenses		**(123,358)**	(145,740)	**(123,358)**	(145,740)
Share based payment expense	27	**(23,640)**	(286,210)	**(23,640)**	(286,210)
Other expenses		**(245,492)**	(120,118)	**(245,492)**	(120,118)
PROFIT/(LOSS) BEFORE INCOME TAX		**349,145**	(2,307,425)	**349,145**	(2,307,425)
INCOME TAX	7	**-**	-	**-**	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF MONTEZUMA MINING COMPANY LIMITED		**349,145**	(2,307,425)	**349,145**	(2,307,425)
Basic and diluted earnings/(loss) per share for loss attributable to the ordinary equity holders of the company (cents per share)	26	**0.8**	(6.1)		

The above Income Statement should be read in conjunction with the Notes to the Financial Statements.

Balance Sheet

AT 30 JUNE 2009

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT ASSETS					
Cash and cash equivalents	8	**2,243,208**	1,352,312	**2,243,206**	1,352,310
Trade and other receivables	9	**41,784**	35,392	**41,784**	35,392
Financial assets at fair value through profit or loss	10	**118,590**	321,600	**118,590**	321,600
TOTAL CURRENT ASSETS		**2,403,582**	1,709,304	**2,403,580**	1,709,302
NON-CURRENT ASSETS					
Receivables	11	**594,300**	594,300	**594,300**	594,300
Other financial assets	12	**-**	-	**2**	2
Plant and equipment	13	**30,280**	41,926	**30,280**	41,926
TOTAL NON-CURRENT ASSETS		**624,580**	636,226	**624,582**	636,228
TOTAL ASSETS		**3,028,162**	2,345,530	**3,028,162**	2,345,530
CURRENT LIABILITIES					
Trade and other payables	14	**391,888**	127,541	**391,888**	127,541
TOTAL CURRENT LIABILITIES		**391,888**	127,541	**391,888**	127,541
TOTAL LIABILITIES		**391,888**	127,541	**391,888**	127,541
NET ASSETS		**2,636,274**	2,217,989	**2,636,274**	2,217,989
EQUITY					
Issued capital	15	**5,650,610**	5,608,610	**5,650,610**	5,608,610
Reserves	16(a)	**479,122**	451,982	**479,122**	451,982
Accumulated losses	16(b)	**(3,493,458)**	(3,842,603)	**(3,493,458)**	(3,842,603)
TOTAL EQUITY		**2,636,274**	2,217,989	**2,636,274**	2,217,989

The above Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

YEAR ENDED 30 JUNE 2009	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		**2,217,989**	2,658,224	**2,217,989**	2,658,224
PROFIT/(LOSS) FOR THE YEAR		**349,145**	(2,307,425)	**349,145**	(2,307,425)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED		**349,145**	(2,307,425)	**349,145**	(2,307,425)
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	15	**42,000**	1,618,930	**42,000**	1,618,930
Transaction costs	15	**-**	(37,950)	**-**	(37,950)
Options issued to suppliers	16	**3,500**	-	**3,500**	-
Employee share options	16	**23,640**	286,210	**23,640**	286,210
		69,140	1,867,190	**69,140**	1,867,190
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		**2,636,274**	2,217,989	**2,636,274**	2,217,989

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2009	Notes	Consolidated		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		**(305,981)**	(457,106)	**(305,981)**	(457,106)
Interest received		**148,057**	121,051	**148,057**	121,051
Proceeds on sale of mining interests		**2,000,000**	-	**2,000,000**	-
Expenditure on mining interests		**(943,391)**	(2,006,739)	**(943,391)**	(2,006,739)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	25	**898,685**	(2,342,794)	**898,685**	(2,342,794)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment of environmental bond		-	(594,300)	-	(594,300)
Payment for financial assets at fair value through profit or loss		-	(2,000)	-	(2,000)
Payment for subsidiary, net of cash acquired		-	-	-	(2)
Payments for plant and equipment		**(7,789)**	(31,997)	**(7,789)**	(31,997)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(7,789)**	(628,297)	**(7,789)**	(628,299)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		-	1,618,930	-	1,618,930
Payments of share issue costs		-	(37,950)	-	(37,950)
NET CASH INFLOW FROM FINANCING ACTIVITIES		-	1,580,980	-	1,580,980
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**890,896**	(1,390,111)	**890,896**	(1,390,113)
Cash and cash equivalents at the beginning of the financial year		**1,352,310**	2,742,423	**1,352,310**	2,742,423
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**2,243,206**	1,352,312	**2,243,206**	1,352,310

The above Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Montezuma Mining Company Limited as an individual entity and the consolidated entity consisting of Montezuma Mining Company Limited and its subsidiaries. The financial report is presented in the Australian currency. Montezuma Mining Company Limited is a company limited by shares, domiciled and incorporated in Australia. The financial report was authorised for issue by the directors on 2 September 2009. The directors have the power to amend and reissue the financial report.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial report of Montezuma Mining Company Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Montezuma Mining Company Limited (“Company” or “parent entity”) as at 30 June 2009 and the results of all subsidiaries for the year then ended. Montezuma Mining Company Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Montezuma Mining Company Limited.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(i) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(j) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset or Company of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(k) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(l) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(n) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 27.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(o) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. Adoption of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

(iii) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that the other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

Notes to the Financial Statements continued

30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(iv) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective from 1 January 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB 127 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, see note 1(b). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(v) AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vi) AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(s) Critical accounting judgements, estimates and assumptions

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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 27.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full board of directors as the Group believes that it is crucial for all board members to be involved in this process. The managing director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia, neither the Group, nor the parent entity, are exposed to foreign exchange risk.

(ii) Price risk

Given the current level of operations, neither the Group, nor the parent entity, are exposed to price risk.

Notes to the Financial Statements continued

30 JUNE 2009

2. FINANCIAL RISK MANAGEMENT (cont'd)

(iii) Interest rate risk

The Group and the parent entity are exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $2,243,208 (2008: $1,352,312) and the parent entity $2,243,206 (2008: $1,352,310) are subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group and the parent entity was 7.6% (2008: 7.5%).

Sensitivity analysis

At 30 June 2009, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for both the Group and the parent entity would have been $15,000 lower/higher (2008: $13,000 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

Neither the Group, nor the parent entity, have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the balance sheet and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group and the parent entity are confined to trade and other payables as disclosed in the Balance Sheet. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group and the parent entity at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

Description of segments

The Group's operations are in the mining industry in Australia.

4. REVENUE

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
From continuing operations				
Other revenue				
Interest	**143,830**	121,051	**143,830**	121,051

Notes to the Financial Statements continued

30 JUNE 2009	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
5. OTHER INCOME				
Net gain on sale of mining interests	**2,000,000**	-	**2,000,000**	-
Fair value gains on financial assets at fair value through profit or loss	**-**	319,600	**-**	319,600
	2,000,000	319,600	**2,000,000**	319,600
6. EXPENSES				
Loss before income tax includes the following specific expenses:				
Minimum lease payments relating to operating leases	**38,748**	19,500	**38,748**	19,500
Fair value losses on financial assets at fair value through profit or loss	**203,010**	-	**203,010**	-
Defined contribution superannuation expense	**54,008**	38,241	**54,008**	38,241
7. INCOME TAX				
(a) Income tax expense/(benefit)				
Current tax	**-**	-	**-**	-
Deferred tax	**-**	-	**-**	-
	-	-	**-**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(loss) from continuing operations before income tax expense	**349,145**	(2,307,425)	**349,145**	(2,307,425)
Prima facie tax expense/(benefit) at the Australian tax rate of 30% (2008: 30%)	**104,744**	(692,228)	**104,744**	(692,228)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Other	**563**	-	**563**	-
	105,307	(692,228)	**105,307**	(692,228)
Movements in unrecognised temporary differences	**64,710**	94,132	**64,710**	94,132
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**-**	786,360	**-**	786,360
Previously unrecognised tax losses recouped	**170,017**	-	**170,017**	-
Income tax expense/(benefit)	**-**	-	**-**	-
(c) Unrecognised temporary differences				
Deferred Tax Assets (at 30%)				
On Income Tax Account				
Other	**8,888**	5,080	**8,888**	5,080
Carry forward tax losses	**1,062,083**	1,232,100	**1,062,083**	1,232,100
	1,070,971	1,237,180	**1,070,971**	1,237,180
Deferred Tax Liabilities (at 30%)				
Financial assets at fair value through profit or loss	**34,977**	95,880	**34,977**	95,880

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

Notes to the Financial Statements continued

30 JUNE 2009

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS					
Cash at bank and in hand		**985,564**	352,312	**985,562**	352,310
Short-term deposits		**1,257,644**	1,000,000	**1,257,644**	1,000,000
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows		**2,243,208**	1,352,312	**2,243,206**	1,352,310

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

		Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Sundry receivables		**37,429**	29,093	**37,429**	29,093
Prepayments		**4,355**	6,299	**4,355**	6,299
		41,784	35,392	**41,784**	35,392

10. CURRENT ASSETS –FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Australian listed equity securities		**118,590**	321,600	**118,590**	321,600

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expenses in the income statement (notes 5 and 6 respectively).

11. NON-CURRENT ASSETS - RECEIVABLES

		Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Environmental bond		**594,300**	594,300	**594,300**	594,300

12. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Shares in subsidiary – at cost	23	**-**	-	**2**	2

13. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

		Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Plant and equipment					
Cost		**63,982**	61,320	**63,982**	61,320
Accumulated depreciation		**(33,702)**	(19,394)	**(33,702)**	(19,394)
Net book amount		**30,280**	41,926	**30,280**	41,926
Plant and equipment					
Opening net book amount		**41,926**	20,817	**41,926**	20,817
Additions		**2,662**	37,124	**2,662**	37,124
Depreciation charge		**(14,308)**	(16,015)	**(14,308)**	(16,015)
Closing net book amount		**30,280**	41,926	**30,280**	41,926

14. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

		Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Trade payables		**334,323**	84,633	**334,323**	84,633
Other payables and accruals		**57,565**	42,908	**57,565**	42,908
		391,888	127,541	**391,888**	127,541

Notes to the Financial Statements continued

30 JUNE 2009

	Notes	2009 Number of shares	2009 $	2008 Number of shares	2008 $
15. ISSUED CAPITAL					
(a) Share capital					
Ordinary shares fully paid	15(b), 15(d)	**41,693,570**	**5,650,610**	41,293,570	5,608,610
Total issued capital		**41,693,570**	**5,650,610**	41,293,570	5,608,610
(b) Movements in ordinary share capital					
Beginning of the financial year		**41,293,570**	**5,608,610**	32,106,003	4,027,630
Issued during the year:					
– Issued for cash at 20 cents per share		**-**	**-**	4,815,900	963,180
– Issued for cash at 15 cents per share		**-**	**-**	4,371,667	655,750
– Issued as consideration for the acquisition of tenements		**400,000**	**42,000**	-	-
Less: Transaction costs		**-**	**-**	-	(37,950)
End of the financial year		**41,693,570**	**5,650,610**	41,293,570	5,608,610

(c) Movements in options on issue

	Number of options 2009	Number of options 2008
Beginning of the financial year	**23,000,267**	17,713,375
Issued during the year:		
– Exercisable at 20 cents, on or before 31 August 2011	**100,000**	2,296,892
– Exercisable at 20 cents, on or before 2 March 2012	**400,000**	700,000
– Exercisable at 20 cents, on or before 30 November 2012	**2,000,000**	-
– Exercisable at 35 cents, on or before 23 July 2011	**-**	1,500,000
– Exercisable at 35 cents, on or before 31 August 2011	**-**	1,000,000
Options cancelled (20 cents, 2 March 2012)	**-**	(210,000)
End of the financial year	**25,500,267**	23,000,267

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes to the Financial Statements continued

30 JUNE 2009

15. ISSUED CAPITAL (cont'd)

(e) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2009 and 30 June 2008 are as follows:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Cash and cash equivalents	**2,243,208**	1,352,312	**2,243,206**	1,352,310
Trade and other receivables	**41,784**	35,392	**41,784**	35,392
Financial assets at fair value through profit or loss	**118,590**	321,600	**118,590**	321,600
Trade and other payables	**(391,888)**	(127,541)	**(391,888)**	(127,541)
Working capital position	**2,011,694**	1,581,763	**2,011,692**	1,581,761

16. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Share-based payments reserve				
Balance at beginning of year	**451,982**	165,772	**451,982**	165,772
Employee and contractor share options	**23,640**	286,210	**23,640**	286,210
Options issued to suppliers	**3,500**	-	**3,500**	-
Balance at end of year	**479,122**	451,982	**479,122**	451,982

(b) Accumulated losses

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Balance at beginning of year	**(3,842,603)**	(1,535,178)	**(3,842,603)**	(1,535,178)
Net profit/(loss) for the year	**349,145**	(2,307,425)	**349,145**	(2,307,425)
Balance at end of year	**(3,493,458)**	(3,842,603)	**(3,493,458)**	(3,842,603)

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

17. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Short-term benefits	**271,897**	267,529	**271,897**	267,529
Post employment benefits	**21,081**	20,285	**21,081**	20,285
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	**13,200**	164,250	**13,200**	164,250
	306,178	452,064	**306,178**	452,064

Detailed remuneration disclosures are provided in sections A-C of the remuneration report on pages 5 and 6.

Notes to the Financial Statements continued

30 JUNE 2009

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 7.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Montezuma Mining Company Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2009	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Montezuma Mining Company Limited							
Denis O'Meara	**1,102,500**	**-**	**-**	**-**	**1,102,500**	**1,102,500**	**-**
Justin Brown	**3,512,500**	**1,500,000**	**-**	**-**	**5,012,500**	**5,012,500**	**-**
Ian Cornelius	**305,000**	**-**	**-**	**-**	**305,000**	**305,000**	**-**
Terrance Grammer	**2,006,500**	**-**	**-**	**(2,006,500)**	**-**	**-**	**-**
Other key management personnel of the Company							
John Ribbons	**138,334**	**500,000**	**-**	**-**	**638,334**	**638,334**	**-**

All vested options are exercisable at the end of the year.

2008	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Montezuma Mining Company Limited							
Denis O'Meara	1,102,500	-	-	-	1,102,500	1,102,500	-
Justin Brown	2,012,500	1,500,000	-	-	3,512,500	3,512,500	-
Terrance Grammer	2,006,500	-	-	-	2,006,500	2,006,500	-
Ian Cornelius	305,000	-	-	-	305,000	305,000	-
Other key management personnel of the Company							
John Ribbons	138,334	-	-	-	138,334	138,334	-

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Montezuma Mining Company Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Montezuma Mining Company Limited				
Ordinary shares				
Denis O'Meara	**700,000**	**-**	**-**	**700,000**
Justin Brown	**1,100,000**	**-**	**-**	**1,100,000**
Ian Cornelius	**320,000**	**-**	**-**	**320,000**
Terrance Grammer	**1,026,000**	**-**	**(1,026,000)**	**-**
Other key management personnel of the Company				
Ordinary shares				
John Ribbons	**153,337**	**-**	**-**	**153,337**

Notes to the Financial Statements continued

30 JUNE 2009

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

2008	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Montezuma Mining Company Limited				
Ordinary shares				
Denis O'Meara	700,000	-	-	700,000
Justin Brown	1,100,000	-	-	1,100,000
Terrance Grammer	1,026,000	-	-	1,026,000
Ian Cornelius	320,000	-	-	320,000
Other key management personnel of the Company				
Ordinary shares				
John Ribbons	153,337	-	-	153,337

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

(d) Other transactions with key management personnel

A director, Justin Brown, is a shareholder of Launchpad Creative Pty Ltd and Scope Logic Pty Ltd. Launchpad Creative Pty Ltd provided the Company with printing services during the year totalling $6,258 (2008: $14,012) and Scope Logic Pty Ltd provided IT services totalling $804 (2008: $5,119). The payments were based on normal commercial terms and conditions.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

19. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
(a) Audit services				
Rothsay Chartered Accountants - audit and review of financial reports	**32,800**	24,500	**32,800**	24,500
Total remuneration for audit services	**32,800**	24,500	**32,800**	24,500
(b) Non-audit services				
Rothsay Chartered Accountants – taxation advisory services	**2,000**	1,500	**2,000**	1,500
Total remuneration for other services	**2,000**	1,500	**2,000**	1,500

20. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Company at balance date.

21. COMMITMENTS

(a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
within one year	**739,760**	1,154,480	**739,760**	1,154,480
later than one year but not later than five years	**2,959,040**	4,617,920	**2,959,040**	4,617,920
	3,698,800	5,772,400	**3,698,800**	5,772,400

Notes to the Financial Statements continued

30 JUNE 2009	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
21. COMMITMENTS (cont'd)				
(b) Lease commitments: Group as lessee				
Operating leases (non-cancellable):				
Minimum lease payments				
within one year	**35,713**	35,713	**35,713**	35,713
later than one year but not later than five years	**35,712**	71,425	**35,712**	71,425
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**71,425**	107,138	**71,425**	107,138

The property lease is a non-cancellable lease with a three year term, with rent payable monthly in advance. The rental agreement provides for an annual rent increase of the greater of market or CPI. An option exists to renew the lease at the end of the three year term for an additional term of three years. The lease allows for subletting of all lease areas.

(c) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in section C of the remuneration report on page 6 that are not recognised as liabilities and are not included in the key management personnel compensation.

Within one year	**148,000**	45,000	**148,000**	45,000
later than one year but not later than five years	**49,333**	-	**49,333**	-
	197,333	45,000	**197,333**	45,000

22. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Montezuma Mining Company Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 18.

23. SUBSIDIARY

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding(1)	
			2009	2008
			%	%
Peak Hill Metals Pty Ltd	Australia	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 30 June 2009, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

Notes to the Financial Statements continued

30 JUNE 2009

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
25. CASH FLOW STATEMENT				
Reconciliation of net profit or loss after income tax to net cash inflow or outflow from operating activities				
Net profit/(loss) for the year	**349,145**	(2,307,425)	**349,145**	(2,307,425)
Non-Cash Items				
Depreciation of non-current assets	**14,308**	16,015	**14,308**	16,015
Employee and consultants option expense	**23,640**	286,210	**23,640**	286,210
Fair value (gains)/losses on financial assets at fair value through profit and loss	**203,010**	(319,600)	**203,010**	(319,600)
Tenement acquisitions settled by the issue of ordinary shares or options	**45,500**	-	**45,500**	-
Change in operating assets and liabilities				
(Increase) in trade and other receivables	**(6,392)**	(8,618)	**(6,392)**	(8,618)
Increase/(decrease) in trade and other payables	**269,474**	(9,376)	**269,474**	(9,376)
Net cash inflow/(outflow) from operating activities	**898,685**	(2,342,794)	**898,685**	(2,342,794)

26. LOSS PER SHARE

	Consolidated 2009 $	Consolidated 2008 $
(a) Reconciliation of earnings used in calculating earnings/(loss) per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	**349,145**	(2,307,425)

	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share	**41,660,693**	37,592,763

(c) Information on the classification of options

Even though the Company has made a profit for the year ended 30 June 2009, all options on issue were antidilutive as the various exercise prices were all greater than the average market price of the Company's shares during the year. This has resulted in the diluted earnings per share being the same as the basic earnings per share. As the Company made a loss for the year ended 30 June 2008, all options on issue were considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

27. SHARE-BASED PAYMENTS

(a) Employees and Contractors Option Plan

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted range from 20 cents to 35 cents per option. All options granted have expiry dates ranging from 23 July 2011 to 30 November 2012.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Notes to the Financial Statements continued

30 JUNE 2009

27. SHARE-BASED PAYMENTS (cont'd)

Fair value of options granted

The weighted average fair value of the options granted during the year was 1.0 cents (2008: 8.9 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2009	2008
Weighted average exercise price (cents)	20.0	31.70
Weighted average life of the option (years)	3.93	3.93
Weighted average underlying share price (cents)	6.42	24.00
Expected share price volatility	50%	50%
Risk free interest rate	5.58%	6.62%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

(b) Options issued to suppliers

As part consideration for services associated with the initial public offering of the Company and as part consideration for the acquisition of tenement interests, suppliers were issued with listed options in the Company. A total of 1,850,000 options were issued with an exercise price of 20 cents expiring on 31 August 2011.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

The listed options granted are valued at the market closing price on the date that the options are allotted. There were no options issued to suppliers during the current year. The weighted average fair value of the options granted during the 2008 financial year was 7.3 cents.

Set out below are summaries of the share-based payment options granted per (a) and (b):

	The Company			
	2009		2008	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**5,200,000**	**27.2**	2,210,000	20.0
Granted	**2,500,000**	**20.0**	3,200,000	31.7
Forfeited	**-**	**-**	(210,000)	20.0
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding at year-end	**7,700,000**	**24.9**	5,200,000	27.2
Exercisable at year-end	**7,700,000**	**24.9**	5,200,000	27.2

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.56 years (2008: 3.23 years), and the exercise prices range from 20 cents to 35 cents.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Options issued to employees and consultants (shown as share based payment expense in the income statement)	**23,640**	286,210	**23,640**	286,210
Options issued to suppliers (included as part of exploration expenditure in the income statement)	**3,500**	-	**3,500**	-
	27,140	286,210	**27,140**	286,210

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 14 to 33 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's financial position as at 30 June 2009 and of it's performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Justin Brown
Managing Director

Perth, 2 September 2009

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MONTEZUMA MINING COMPANY LTD

We have audited the accompanying financial report of Montezuma Mining Company Ltd (the Company") which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the company.

The Company has disclosed information as required by Australian Accounting Standard AASB 124 *Related Party Disclosures* ("remuneration disclosures") under the heading "Remuneration Report" in the directors' report as permitted by the Corporations Regulations 2001.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) 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. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the Directors' report comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.

Audit opinion

In our opinion the financial report of Montezuma Mining Company Ltd is in accordance with the Corporations Act 2001, including:

a) (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and its performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards.

c) the remuneration disclosures in the Directors' report comply with AASB 124

Rothsay

Rothsay

Graham R Swan

Graham R Swan
Partner

Dated 2 September 2009

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 September 2009.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares		Options	
	Number of holders	**Number of shares**	Number of holders	Number of options
1 - 1,000	**17**	**3,057**	2	1,300
1,001 - 5,000	**77**	**288,808**	123	352,894
5,001 - 10,000	**124**	**1,172,205**	25	195,500
10,001 - 100,000	**237**	**9,599,665**	79	3,232,247
100,001 and over	**50**	**30,629,835**	32	12,368,326
	505	**41,693,570**	261	16,150,267
The number of equity security holders holding less than a marketable parcel of securities are:	**49**	**84,941**	-	-

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	South Boulder Mines Limited	4,150,000	9.95
2	Tao Yuan Ltd <No 2 A/C>	3,870,000	9.28
3	Duketon Consolidated Ltd	3,250,000	7.79
4	Avania Nominees Pty Ltd	1,806,415	4.33
5	Cheung Shun Resources Ltd	1,440,000	3.45
6	Mandies Meats Pty Ltd	1,439,000	3.45
7	Pillage Investments Pty Ltd <Pillage S/F A/C>	1,100,000	2.64
8	Aradia Ventures Pty Ltd	1,030,000	2.47
9	Grammer Dianne Claire	1,000,000	2.40
10	Mandies Meats Pty Ltd <Number 2 Account>	860,000	2.06
11	Kongming Investments Ltd	790,000	1.89
12	Cheung Shun Resources Ltd	750,000	1.80
13	Rizzo Francesco <Rizzo S/F A/C>	573,884	1.38
14	O'Meara Denis William	520,000	1.25
15	Kongming Investments Ltd	500,000	1.20
16	ANZ Nominees Ltd	480,666	1.15
17	Duketon Consolidated Ltd	440,000	1.06
18	Searchtech Pty Ltd <Searchtech Pty Ltd S/F>	400,000	0.96
19	Kanaslex Pty Ltd	350,000	0.84
20	Mingcourt Holdings Ltd	318,693	0.76
		25,068,658	60.11

ASX Additional Information continued

(c) Twenty largest option holders

The names of the twenty largest holders of quoted options are:

		Listed options	
		Number of options	Percentage of total options
1	Cheung Shun Resources Ltd	1,062,500	6.58
2	Vetter Anthony John	1,050,000	6.50
3	South Boulder Mines Limited	1,037,500	6.42
4	Aradia Ventures Pty Ltd	1,007,500	6.24
5	Grammer Dianne Claire	1,000,000	6.19
6	Duketon Consolidated Ltd	800,000	4.95
7	International Business Network SV	550,000	3.41
8	O'Meara Denis William	500,000	3.10
9	HSBC Custody Nominees Australia Ltd	450,000	2.79
10	Uranus Investments Pty Ltd	430,759	2.67
11	Kongming Investments Ltd	422,500	2.62
12	Cheung Shun Resources Ltd	350,334	2.17
13	Mears Alexander	318,750	1.97
14	Cornelius S/F	300,000	1.86
15	Hayden Ernest Keith	250,000	1.55
16	UBS Nominees Pty Ltd	250,000	1.55
17	Tao Yuan Ltd <No 3 A/C>	241,666	1.50
18	Wilkins Marian Lesley	240,625	1.49
19	Equity Trustees Ltd <Augusta Investors Inc>	200,000	1.24
20	Perera Anil L M <Pereras S/F A/C>	200,000	1.24
		10,662,134	66.04

(d) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
South Boulder Mines Limited	4,150,000
Tao Yuan Ltd <No 2 A/C>	3,870,000
Duketon Consolidated Ltd	3,250,000

(e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(f) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Pilgangoora	E45/2375	10
Barite Range	E45/3204 (A)	100
Butcher Bird	E52/2350 (A)	100
Butcher Bird South	E52/2463 (A)	100
Butcher Bird East	E52/2467 (A)	100
Weebo	E37/802	80
Weebo	E37/833	80
Weebo	P37/7053	100
Weebo	E36/606	100
Robinson Range	P52/1227	100
Robinson Range	P52/1233	70
Durack	M52/801	80
Millidie Creek	E52/2280 (A)	100
Egerton	E52/2117	100
Mt Padbury	E52/1529	100
Eelya Hill	E20/659	10
Eelya Hill	P20/2018	10

ASX Additional Information continued

Location	Tenement	Percentage held / earning
Peak Hill Gold	E52/2237	100
Peak Hill Gold	E52/2413	100
Peak Hill Gold	E52/2471	100
Peak Hill Gold	E52/2472 (A)	100
Peak Hill Gold	M52/35	100
Peak Hill Gold	M52/474	100
Peak Hill Gold	M52/56	100
Peak Hill Gold	M52/297	100
Peak Hill Gold	E52/2149	100
Peak Hill Gold	P52/1343	100
Peak Hill Gold	P52/1344	100
Peak Hill Gold	P52/1345	100
Peak Hill Gold	P52/1348	100
Peak Hill Gold	P52/1234	100
Peak Hill Gold	L52/2	100
Peak Hill Gold	L52/19	100
Peak Hill Gold	L52/20	100
Peak Hill Gold	L52/39	100
Peak Hill Gold	L52/62	100
Peak Hill Gold	L52/63	100