

**MONTEZUMA MINING COMPANY LTD**  
**ABN 46 119 711 929**

**NOTICE OF ANNUAL GENERAL MEETING**

**AND**

**EXPLANATORY MEMORANDUM**

**Date of Meeting**  
13 November 2008

**Time of Meeting**  
11:30 am

**Place of Meeting**  
**Celtic Club**  
**48 Ord Street**  
**WEST PERTH WA**

**MONTEZUMA MINING COMPANY LTD**  
**ABN 46 119 711 929**  
**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Shareholders of Montezuma Mining Company Ltd ("**Company**") will be held at the Celtic Club, 48 Ord Street, West Perth WA on 13 November 2008 at 11:30 am for the purpose of transacting the following Business.

**ORDINARY BUSINESS**

**2008 Financial Statements**

To receive the financial statements of the Company for the year ended 30 June 2008, consisting of the Annual Financial Report, the Directors' Report and the Auditor's Report.

**Resolution 1 – Re-election of Terrence Grammer as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That Terrence Grammer having retired as a director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for re-election be re-elected a director of the Company."*

Pursuant to the Company's Constitution, one-third of the directors of the Company (other than the managing director) must retire at each Annual General Meeting and being eligible may offer themselves for re-election.

**Resolution 2 – Remuneration Report**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That the Remuneration Report forming part of the Company's 2008 Annual Report be adopted."*

Section 250R of the Corporations Act requires a listed company to put to shareholders at each annual general meeting a resolution adopting the report on the remuneration of the company's directors, executives and senior managers included in the company's annual report. The above resolution is being proposed to comply with this requirement. The vote on this resolution is advisory and does not bind the company's directors.

A reasonable opportunity will be provided for discussion of the remuneration report at the annual general meeting.

**Resolution 3 – Approval of Grant of Options to Justin Brown**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That for the purpose of Listing Rule 10.11 of the Listing Rules of the ASX the issue of 1,500,000 Options to acquire ordinary fully paid Shares in the capital of the Company at an exercise price of 20 cents and expiring on 30 November 2012, and otherwise on the terms and conditions outlined in Annexure A, to Justin Brown or his nominee for nil consideration be and is hereby approved.”*

The Options issued under Resolution 3 will be issued to Justin Brown or his nominee in accordance with the terms and conditions outlined in Annexure A:

1. Justin Brown or his nominee will be issued 1,500,000 Options for no issue price;
2. the Options will be granted within one month of the date of this meeting;
3. a Summary of the terms and conditions are set out in the attached Explanatory Memorandum;
4. Shares issued as a result of the exercise of the Options will rank pari passu with ordinary Shares in the Company;
5. no funds will be raised as a result of the grant of the Options; and
6. the Company will, in accordance with section 224 of the Corporations Act 2001 (Cth), disregard any votes cast on Resolution 3 by Justin Brown and any associates of Justin Brown. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on a proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 4 – Approval of Grant of Options to Company Secretary**

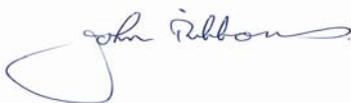
To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That for the purpose of Listing Rule 7.1 of the Listing Rules of the ASX the issue of 500,000 Options to acquire ordinary fully paid Shares in the capital of the Company at an exercise price of 20 cents and expiring on 30 November 2012, and otherwise on the terms and conditions outlined in Annexure A, to John Ribbons or his nominee for nil consideration be and is hereby approved.”*

**Voting Exclusion Statement**

The Company will in accordance with the Listing Rules of the ASX, disregard any votes cast on Resolution 4 by any person who participated in the issue and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board



John Ribbons  
Company Secretary  
Date: 30 September 2008

## **PROXIES**

A shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.

A proxy may, but need not be, a shareholder of the Company.

The instrument appointing the proxy must be in writing, executed by the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, either under seal or under hand of an officer of his attorney duly authorised.

The instrument of proxy (and the power of attorney or other authority, if any, under which it is signed) must be lodged by person, post, courier or facsimile and reach the Registered Office of the Company at least 48 hours prior to the meeting. For the convenience of Shareholders a Proxy Form is enclosed.

## **ENTITLEMENT TO VOTE**

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding ordinary Shares at 5.00 pm Perth time on 11 November 2008 will be entitled to attend and vote at the Annual General Meeting.

## **CORPORATIONS**

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with, or presented to the Company before the meeting.

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the Shareholders of Montezuma Mining Company Ltd ABN 46 119 711 929 ("**Company**") in connection with the business to be conducted at the Annual General Meeting of the Company to be held at the Celtic Club, 48 Ord Street, West Perth WA on 13 November 2008 commencing at 11:30 am.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

The following information should be noted in respect of the various matters contained in the accompanying Notice of Meeting:

### **Resolution 3 - Approval of Grant of Options to Justin Brown**

Shareholders' approval is sought for the purpose of Listing Rule 10.11 to grant Options to Justin Brown or his nominee, for nil consideration.

#### ***Related Party Transactions***

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

1. the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
2. prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Directors are considered to be a related party of the Company.

Resolution 3 provides for the grant of Options to related parties' which is a financial benefit, requiring shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

***The related party to whom the proposed resolution would permit the financial benefit to be given***

The Options will be issued to Justin Brown or his nominee within one month of passing Resolution 3.

***The nature of the financial benefit***

The proposed financial benefit is the grant of options as shown in the tabled below to Justin Brown or his nominee, for no issue price. Each option will allow Mr Brown to subscribe for one ordinary fully paid share in the Company. The exercise price of each option is also detailed in Table 1. The Options form part of Mr Brown's incentive for continuing and future efforts.

***Directors' recommendation***

Mr Brown declines to make a recommendation about the proposed Resolution, as he may potentially receive a financial benefit from passing the Resolution in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

Mr O'Meara, Mr Grammer and Mr Cornelius do not have a financial interest in the outcome of the particular resolution and recommend that shareholders approve the grant of Options under Resolution 3.

**Table 1 - Details of Options to be issued to Directors**

<b>Director</b>	<b>Number of Options</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Vesting</b>	<b>Indicative Value as determined by Black-Scholes valuation</b>
Justin Brown	1,500,000	20 cents	30/11/12	At date of allotment	\$40,200

**Table 2 -Details of Directors current holdings of securities in the Company**

<b>Director</b>	<b>Shareholding</b>	<b>Option Holding</b>
Justin Brown	1,100,000	3,512,500

**Table 3 - Option valuation details**

<b>Details</b>	<b>Input</b>
Share price	10 cents
Exercise Price	As detailed in Table 1
Risk Free Rate (Australian 5 year T-Bond)	7.25%
Volatility (Annualised)	50%
Time (years) to expiry	4
Start Date	13 November 2008

**All of the Directors were available to consider the proposed Resolution.**

*Interests of Directors*

The Directors have noted their respective interest in the approval of the Resolution in relation to the Options.

*Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers.*

- (a) The proposed Resolution would have the effect of giving power to the Directors to grant Options to Mr Brown or his nominee as outlined in Table 1
- (b) The exercise of the Options is subject to the terms and conditions outlined in Annexure A.
- (c) The Directors, in conjunction with the Company's advisers have provided an indicative value to the Options by reference to the Black-Scholes valuation method, based upon the assumptions outlined in Table 3. The valuation can not be finalised until the issue date of the Options.
- (d) The total value of the Options to be issued is outlined in Table 1. If Options granted to Mr Brown are exercised, the effect would be to dilute the shareholdings of the existing Shareholders.
- (e) As at 25 September 2008, the issued capital of the Company comprised 41,693,570 ordinary fully paid Shares and 23,500,267 Options. On a fully diluted basis the issue of Options represents approximately 2.30% of the Company's issued capital.
- (f) Mr Brown's current interests in securities of the Company are detailed in Table 2.
- (g) The market price of the Company's Shares during the term of the Options will normally determine whether or not the option holder exercises the options. At the time any Options are exercised and Shares issued pursuant to the exercise of the Options, the Company's ordinary Shares may be trading on ASX at a price which is higher than the exercise price of the Options.
- (h) The Options will not be quoted on ASX and as such have no actual market value. The fully paid ordinary Shares of the Company have been traded on ASX since November 2006. In the twelve months prior to the date of this notice the Shares have traded in the range of 10 cents to 31 cents, the most recent closing price prior to the printing of this notice was 10 cents. The Options are capable of being converted to Shares by payment of the exercise price.
- (i) Under the Company's current circumstances, the Directors consider that the incentive to Mr Brown which would be represented by the Options is a cost-effective and efficient reward for the Company as opposed to alternative forms of incentives.
- (j) At the date of this notice Mr Brown receives a salary of \$165,000 per annum, plus statutory superannuation.
- (k) The Directors do not consider that, from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits foregone by the Company in issuing the Options to Mr Brown pursuant to Resolution 3.
- (l) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolution 3.

If approval is given for the issue of the Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

(Note: Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities where the securities proposed to be issued represent more than 15% of the Company's Shares then on issue. Listing Rule 7.1.4 provides that for the purposes of Listing Rule 7.1, Options are treated as if they were the Shares into which they will, upon exercise, convert. )

**Resolution 4 – Approval of Grant of Options to Company Secretary**

ASX Listing Rule 7.1 provides that the prior approval of the Shareholders of the Company is required for an issue of equity securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Up to 500,000 Options proposed to be issued by the Company pursuant to Resolution 4 will exceed the 15% threshold referred to in Listing Rule 7.1 and, accordingly, Shareholder approval under Listing Rule 7.1 is sought.

The proposed issue of Options to Mr John Ribbons is placed before Shareholders to allow the Options to be excluded from the calculation set out in ASX Listing Rule 7.1.

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in this Explanatory Memorandum for that purpose:

- (a) the maximum number of securities to be issued pursuant to Resolution 4 is 500,000 Options, exercise price 20 cents, expiring 30 November 2012;
- (b) the Options are to be issued for nil consideration;
- (c) The Options will be issued to Mr Ribbons or his nominee within three months after the date of the Meeting, or such later date as approved by ASX by way of ASX granting a waiver from the Listing Rules;
- (d) the terms and conditions of the Options are set out in Annexure A of this Notice;
- (e) a voting exclusion statement is included in the Notice.

## **GLOSSARY**

In this Explanatory Memorandum and the Notice, the following terms have the following meanings unless the context otherwise requires:

<b>ASX</b>	means ASX Ltd ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Ltd.
<b>Board</b>	means the board of Directors of the Company.
<b>Company</b>	means Montezuma Mining Company Ltd ABN 46 119 711 929.
<b>Corporations Act</b>	means Corporations Act 2001.
<b>Director</b>	means a director of the Company.
<b>Explanatory Memorandum</b>	means this information attached to the Notice, which provides information to Shareholders about the Resolutions contained in the Notice.
<b>Listing Rules</b>	means the listing rules of ASX.
<b>Notice or Notice of Meeting</b>	means the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
<b>Resolution</b>	means a resolution contained in the Notice.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.

**ANNEXURE A**

**TERMS AND CONDITIONS  
20 CENT OPTIONS EXPIRING 30 NOVEMBER 2012**

Each Option shall entitle the holder to apply for and be allotted one ordinary fully paid share in Montezuma Mining Company Ltd at an exercise price of 20 cents per share on the following terms and conditions:

1. Each Option shall be issued for no consideration.
2. Each Option entitles the holder to subscribe for one Share in Montezuma Mining Company Ltd ABN 46 119 711 929 ("**Company**") upon the payment of 20 cents per Share subscribed for.
3. The Options will lapse at 5.00 pm, Western Standard Time on 30 November 2012 ("**Expiry Date**").
4. the Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
5. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
6. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before books closing date to exercise the Options.
7. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
8. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
9. The Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
10. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
11. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

**MONTEZUMA MINING COMPANY LTD**

**ABN 46 119 711 929  
 PROXY FORM**

The Company Secretary  
 Montezuma Mining Company Ltd  
 C / - 23 Altona Street  
 WEST PERTH WA 6005

**Facsimile: 61 8 9389 2199**

I/We (name of shareholder) .....  
 of (address) .....  
 being a member/members of Montezuma Mining Company Ltd HEREBY APPOINT  
 (name) .....  
 of (address) .....  
 and/or failing him (name) .....  
 of (address) .....  
 or failing that person then the Chairperson of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual  
 General Meeting of the Company to be held on 13 November 2008 and at any adjournment of the meeting.

**PROXY INSTRUCTIONS**

<p>If you wish to instruct your proxy how to vote, insert "X" in the appropriate column against the item of business set out below.</p> <p>If you do not wish to direct your proxy how to vote please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of that interest. The Chairman has advised that his intention is to vote in favour of the resolutions.</p> <p>If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.</p>	
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*Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below:*  
 I/We direct my/our Proxy to vote in the following manner:

RESOLUTION	FOR	AGAINST	ABSTAIN
1 Re-election of Terrence Grammer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of Grant of Options to Justin Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Grant of Options to Company Secretary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*This Proxy is appointed to represent \_\_\_\_\_ % of my voting right, or if 2 proxies are appointed Proxy 1 represents \_\_\_\_\_% and Proxy 2 represents \_\_\_\_\_% of my total votes. My total voting right is \_\_\_\_\_ Shares.*

**SIGNATURE OF SECURITY HOLDERS – PLEASE SIGN HERE**

Individual or Shareholder 1	Joint Shareholder 2	Joint Shareholder 3
<div style="border: 1px solid black; height: 30px; width: 100%;"></div>	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>

Sole Director & Sole Company Secretary    Director / Company Secretary    Director

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

**INSTRUCTIONS FOR APPOINTMENT OF PROXY**

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Annual General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint Shareholders, this proxy must be signed by each of the joint Shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint **proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this Annual General Meeting that is by 11:30 am on 11 November 2008** by post to 23 Altona Street, West Perth WA 6005 or facsimile (61 8 9389 2199) .
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
  - a. the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way and
  - b. if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands, and
  - c. if the proxy is the Chairperson, the proxy must vote on a poll and must vote that way, and
  - d. if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.
7. If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.