

**MONTEZUMA MINING COMPANY LIMITED**  
**ACN 119 711 929**

**NOTICE OF ANNUAL GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**AND**

**PROXY FORM**

**Date of Meeting**

30 November 2012

**Time of Meeting**

9:00 am

**Place of Meeting**

Next Generation  
21 Kings Park Road  
WEST PERTH WA 6005

*This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*The **2012 Annual Report** may be viewed on the Company's website at [www.montezumamining.com.au](http://www.montezumamining.com.au)*

**MONTEZUMA MINING COMPANY LIMITED**  
**ACN 119 711 929**  
**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Shareholders of Montezuma Mining Company Limited (**Company**) will be held at Next Generation, 21 Kings Park, West Perth, Western Australia on 30 November 2012 at 9:00 am for the purpose of transacting the following business.

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice.

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

**2012 Financial Statements**

To receive the financial statements of the Company for the year ended 30 June 2012, consisting of the annual financial report, the Directors' report and the auditor's report.

**Resolution 1 – Re-election of Mr Seamus Cornelius as a Director**

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

*"That Mr Seamus Cornelius, 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."*

**Short Explanation:** Pursuant to the Company's Constitution, one-third of the Directors of the Company (other than the Managing Director) must retire at each AGM and, being eligible, may offer themselves for re-election at that AGM.

**Resolution 2 – Adoption of Remuneration Report**

To consider and, if thought fit, to pass, with or without amendment, the following **advisory only resolution**:

*"That, for the purposes of Section 250R(2) of the Corporations Act, and for all other purposes, the Remuneration Report forming part of the Company's 2012 Annual Report be and is hereby adopted."*

**Short Explanation:** Section 250R of the Corporations Act requires a listed company to put to Shareholders at each AGM 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 neither binds the Company's Directors nor the Company. A reasonable opportunity will be provided to Shareholders for discussion of the Remuneration Report at the AGM.

**Voting Exclusion:** The Company will, in accordance with the Corporations Act, disregard any votes cast on Resolution 2 by a member of the key management personnel or a Closely Related Party of such a member. However, the Company will not disregard a vote if it is cast by such a person if:

- (a) the person is acting as proxy and the proxy form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above; or
- (b) the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the key management personnel.

**Resolution 3 – Approval of 10% Placement Facility**

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

*"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

**Short Explanation:** Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the AGM. The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7. Please refer to the Explanatory Memorandum for details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed. However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman 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 Montezuma Mining Company Limited Performance Rights Plan**

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

*"That for the purposes of Listing Rule 7.2, Exception 9(b), as an exception to Listing Rule 7.1 and for all other purposes, the Shareholders approve the performance rights plan for employees and Directors known as the "Montezuma Mining Company Limited Performance Rights Plan" and the grant of Performance Rights and the issue of Shares under such plan, the rules of which are set out in Annexure A to the Explanatory Memorandum accompanying this Notice".*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of a Director. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote 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 5 – Disposal of Peak Hill Metals Pty Ltd**

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

*"That for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the sale of Peak Hill Metals Pty Ltd (a wholly-owned subsidiary of the Company) to Grosvenor Gold Pty Limited, a wholly-owned subsidiary of Resource and Investment NL on terms set out in the Explanatory Memorandum."*

**Voting Exclusion:** The Company will disregard any votes cast by a person who might obtain a benefit, and an associate of that person, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or 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) will be taken into account.

#### **Resolution 6 – Approval of Grant of Options to Mr 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, section 208 of the Corporations Act and for all other purposes, the issue to Mr Justin Brown, or his nominees, for nil consideration of two tranches of 1,500,000 Options (3,000,000 in total) to acquire fully paid shares in the capital of the Company, at exercise prices of 150%, and 175% respectively of the VWAP of the fully paid ordinary Shares of the Company on the five trading days prior to the date of the meeting to approve the issue, expiring on 30 November 2016 and 30 November 2017 and on the terms and conditions outlined in the Explanatory Memorandum and in Annexures B and C, be and is hereby approved."*

**Short Explanation:** Approval is sought under Listing Rule 10.11 to authorise the Company to issue these securities. Please refer to the Explanatory Memorandum for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

**Voting Exclusion:** The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 6 by Mr Brown and any associate of Mr Brown. However, the Company will not disregard a vote if it is cast by a person as 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.

#### **Resolution 7 – Approval of Grant of Options to Mr John Ribbons**

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, section 208 of the Corporations Act and for all other purposes, the issue to Mr John Ribbons, or his nominees, for nil consideration of two tranches of 750,000 Options (1,500,000 in total) to acquire fully paid shares in the capital of the Company, at exercise prices of 150%, and 175% respectively of the VWAP of the fully paid ordinary Shares of the Company on the five trading days prior to the date of the meeting to approve the issue, expiring on 30 November 2016 and 30 November 2017 and on the terms and conditions outlined in the Explanatory Memorandum and in Annexures B and C, be and is hereby approved.”*

**Short Explanation:** Approval is sought under Listing Rule 10.11 to authorise the Company to issue these securities. Please refer to the Explanatory Memorandum for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

**Voting Exclusion:** The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 7 by Mr Ribbons and any associate of Mr Ribbons. However, the Company will not disregard a vote if it is cast by a person as 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.

#### **Resolution 8 – Approval of Grant of Options to Mr Seamus Cornelius**

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, section 208 of the Corporations Act and for all other purposes, the issue to Mr Seamus Cornelius, or his nominees, for nil consideration of two tranches of 750,000 Options (1,500,000 in total) to acquire fully paid shares in the capital of the Company, at exercise prices of 150%, and 175% respectively of the VWAP of the fully paid ordinary Shares of the Company on the five trading days prior to the date of the meeting to approve the issue, expiring on 30 November 2016 and 30 November 2017 and on the terms and conditions outlined in the Explanatory Memorandum and in Annexures B and C, be and is hereby approved.”*

**Short Explanation:** Approval is sought under Listing Rule 10.11 to authorise the Company to issue these securities. Please refer to the Explanatory Memorandum for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

**Voting Exclusion:** The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 8 by Mr Cornelius and any associate of Mr Cornelius. However, the Company will not disregard a vote if it is cast by a person as 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.

**MONTEZUMA MINING COMPANY LIMITED**

Notice of Annual General Meeting 30 November 2012

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A Proxy Form is attached.

To be valid, properly completed Proxy Forms must be received by the Company no later than 9:00 am (WST) on 28 November 2012:

- by post to:  
Ground Floor, 20 Kings Park Road  
WEST PERTH WA 6005
- by facsimile on +61 8 9389 2199
- by email to [proxy@dwcorporate.com](mailto:proxy@dwcorporate.com)

By order of the Board

A handwritten signature in blue ink, appearing to read "John Ribbons", is written over a light blue rectangular background.

John Ribbons

Company Secretary

Date: 2 October 2012

## **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 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 Shares at 5:00 pm WST on 29 November 2012 will be entitled to attend and vote at the AGM.

## **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 Limited ACN 119 711 929 (**Company**) in connection with the business to be conducted at the Annual General Meeting of the Company to be held at Next Generation, 21 Kings Park Road, West Perth, Western Australia, on 30 November 2012 commencing at 9:00 am.

This Explanatory Memorandum should be read in conjunction with, and form part of, the accompanying notice.

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.

At the AGM, Shareholders will be asked to consider the following Resolutions:

- re-electing Mr Seamus Cornelius as a Director,;
- adopting the Remuneration Report;
- approving 10% Placement Facility;
- approving Montezuma Mining Company Limited Performance Rights Plan;
- approving the disposal of Peak Hill Metals Pty Ltd;
- approving Grant of Options to Mr Justin Brown;
- approving Grant of Options to Mr John Ribbons; and
- approving Grant of Options to Mr Seamus Cornelius.

### **Financial and Other Reports**

As required by Section 317 of the Corporations Act, the financial statements for the year ended 30 June 2012 and the accompanying Directors report, Directors' declaration and auditor's report will be laid before the meeting.

Neither the Corporations Act, nor the Company's Constitution requires a vote on the reports. However, the Shareholders will have an opportunity to ask questions about the reports at the AGM.

### **Resolution 1 – Re-election of Mr Seamus Cornelius as a Director**

#### **1.1 Introduction**

Mr Seamus Cornelius was appointed as a Director on 30 June 2011.

In accordance with Listing Rule 14.4, no director of the Company may hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever period is longer. The Company's Constitution also requires that one third of the Company's directors must retire at each AGM. Accordingly, Mr Seamus Cornelius will retire by rotation and, being eligible, offers himself for re-election.

Resolution 1 is an ordinary resolution, requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

#### **1.2 Director's Biography**

Mr Cornelius brings 21 years of corporate experience in both legal and commercial negotiations. Mr Cornelius has been based in Shanghai and Beijing since 1993 where he has been living and working as a corporate lawyer.

From 2000 to 2011, Mr Cornelius was an international partner with one of Australia's leading law firms and specialised in dealing with cross border investments, particularly in the energy and resource sectors. Mr Cornelius has for many years advised large international companies on their investments in China and in recent years advised Chinese state owned entities on their investments in natural resource projects outside China, including Australia. Mr Cornelius is also chairman of Buxton Resources Limited. Mr Cornelius has not held any former directorships in the last 3 years.

#### **1.3 Directors' Recommendation**

All the Directors except Mr Cornelius recommend that Shareholders vote in favour of Resolution 1.

## Resolution 2 – Remuneration Report

### 2.1 Introduction

As required by the Corporations Act, the Board is presenting the Remuneration Report to Shareholders for consideration and adoption by a non-binding vote.

The Remuneration Report, which is part of the 2012 Annual Report, has been sent to Shareholders who have made an election to receive the Annual Report. Copies of the 2012 Annual Report are available by contacting the Company's share register or visiting the Company's web site [www.montezuma.com.au](http://www.montezuma.com.au).

The vote on the Resolution is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2012 AGM and then again at the 2013 AGM, the Company will be required to put a resolution to the 2013 AGM, to approve calling an extraordinary general meeting (**spill resolution**). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene an extraordinary general meeting (**spill meeting**) within 90 days of the 2013 AGM. All of the Directors who were in office when the 2013 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors, sets out remuneration details for each Director and any service agreements and sets out the details of any share based compensation.

### Voting on the Remuneration Report

Note that a voting exclusion applies to Resolution 2 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

## Resolution 3 – Approval of 10% Placement Facility

### 3.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the AGM (10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2(c) below).

As previously disclosed to ASX, the Company continues to advance its 100% owned Butcherbird Project. The Company may use the 10% Placement Facility to advance these goals.

The Directors of the Company believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

### 3.2 Description of Listing Rule 7.1A

#### (a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an AGM.

#### (b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue two classes of Equity Securities, being Shares and unlisted options.



(c) *Formula for calculating 10% Placement Facility*

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

**A** is the number of shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- (iv) less the number of fully paid shares cancelled in the 12 months.

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** is 10%;

**E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) *Listing Rule 7.1 and Listing Rule 7.1A*

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 67,664,350 Shares. At the date of the meeting the Company will have the capacity to issue:

- (i) 10,149,652 Equity Securities under Listing Rule 7.1; and
- (ii) 6,766,435 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 3.2(c) above).

(e) *Minimum Issue Price*

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) *10% Placement Period*

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

**3.3 Listing Rule 7.1A**

The effect of Resolution 3 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

**3.4 Specific information required by Listing Rule 7.3A**

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the meeting; and
  - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.

The table shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.125 50% decrease in Issue Price	\$0.25 Issue Price	\$0.50 100% increase in Issue Price
<b>Current Variable A</b> 67,664,350 Shares	<b>10% voting dilution</b>	6,766,435 Shares	6,766,435 Shares	6,766,435 Shares
	<b>Funds raised</b>	\$845,804	\$1,691,608	\$3,383,217
<b>50% increase in current Variable A</b> 101,496,525 Shares	<b>10% voting dilution</b>	10,149,652 Shares	10,149,652 Shares	10,149,652 Shares
	<b>Funds raised</b>	\$1,268,706	\$2,537,413	\$5,074,826
<b>100% increase in current Variable A</b> 135,328,700 Shares	<b>10% voting dilution</b>	13,532,870 Shares	13,532,870 Shares	13,532,870 Shares
	<b>Funds raised</b>	\$1,691,608	\$3,383,217	\$6,766,435

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
  - (ii) No Options are exercised into Shares before the date of the issue of the Equity Securities.
  - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
  - (iv) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
  - (v) The issue price is \$0.25, being the closing price of the Shares on ASX on 2 October 2012.
- (c) The Company will only issue and allot the Equity Securities during the Placement Period. The approval under Resolution 3 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) cash consideration. In such circumstances, the Company intends to use the funds raised towards advancing its 100% owned Butcherbird Project and/or general working capital; or
  - (ii) non-cash consideration for the acquisition of new assets. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or Associates of a related party of the Company.

- (e) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.
- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

## **Resolution 4 – Approval of the Montezuma Mining Company Limited Performance Rights Plan**

### **4.1 Introduction**

The Company is seeking Shareholder approval in accordance with Listing Rule 7.2 Exception 9 and for all other purposes to issue performance rights in the manner set out in the Montezuma Mining Company Limited Performance Rights Plan (**Plan**). The grant of a performance right gives the holder the right to acquire a Share subject to the terms and conditions in the Plan (**Performance Right**). Under the Listing Rules, if Shareholders approve the Plan then any Shares issued under the Plan over the next three years do not reduce the Company's 15% Share placement capacity under Listing Rule 7.1.

### **4.2 Reasons for the Plan**

The purpose of the Plan is to provide recognition to employees of the Company and its subsidiaries for their continued and ongoing support of the Company.

The Plan is intended to:

- (a) increase the range of potential incentives available to Directors and employees and to recognise their contribution to the Company's success; and
- (b) strengthen the links between the Company and its Directors and employees.

### **4.3 Outline of the Plan**

A summary of the principal terms of the Plan are as follows:

- (a) Eligible employees include full or part-time employees (including a Director employed in an executive capacity) of the Company or its subsidiaries who is declared by the Board to be eligible to receive grants of Performance Rights.
- (b) The Board may from time to time, in its absolute discretion, issue invitations in writing to eligible employees inviting applications for the grant of Performance Rights on the terms set out in the Plan and on such additional performance conditions as the Board determines.
- (c) Unless the Board otherwise determines, no amount is payable by an eligible employee in relation to the grant of a Performance Right or on vesting of a Performance Right.
- (d) Once a Performance Right has been granted to an eligible employee, it is not transferable except with the prior written consent of the Board.
- (e) Each Performance Right issued to an eligible employee will vest on the date specified in the invitation issued by the Company.
- (f) Performance Rights will lapse if the employee granted the Performance Right ceases to be an employee of the Company or its subsidiaries (except in the case of total and permanent disability, death and such other cases as the Board may determine).
- (g) The terms and conditions of the Plan must at all times comply with the Corporations Act, the Listing Rules, the Constitution of the Company and any other legislation that applies to the Plan.

A copy of the full terms and conditions of the Incentive Plan will be sent to shareholders of the Company free of charge on request.

As the Plan is a newly established Plan, no Performance Rights have been issued under the Plan to date (and will not be unless and until it is approved by Shareholders).

Shares issued on the vesting of Performance Rights will not be issued to Directors or other related parties without the prior approval of Shareholders in accordance with the Listing Rules.

A voting exclusion statement has been included in the Notice.

## **Resolution 5 – Disposal of Peak Hill Metals Pty Ltd**

### **5.1 Background**

On 26 September 2012, the Company announced to ASX that it had entered into an option agreement with Grosvenor Gold Pty Limited ("Grosvenor"), a wholly-owned subsidiary of Resource and Investment NL, whereby Grosvenor may acquire 100% of the Company's Peak Hill Project by the acquisition of Peak Hill Metals Pty Ltd (a 100% owned subsidiary of Montezuma Mining Company Ltd).

Resolution 5 is necessary in order to comply with specific requirements of Listing Rule 11.1.2 which provides generally that a company may not make a significant change to the scale or nature of its activities without first providing ASX with full details and if ASX requires it, the company must get the approval of shareholders for the purposes of Listing Rule 11.1.2.

The Peak Hill Gold Project was acquired by the Company at the beginning of the 2008 financial year from the Barrick and Rio Tinto Groups and became the Company's flagship project until the Company started to focus its attention on the Company's Butcherbird Manganese Project. The Butcherbird Manganese Project has become the Company's main undertaking as the Company concentrates on becoming a Manganese producer. In line with this decision the Company has determined the Peak Hill Project to be non-core to the future direction of the Company and is the reason for its potential disposal.

### **Tenements**

The Peak Hill Project is located approximately 100 km north of Meekatharra 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 211 km<sup>2</sup>. The tenements that form part of the Peak Hill Project are as follows:

#### **Mining Leases**

M52/35
M52/474
M52/56
M52/297
M52/801

#### **Exploration Licences**

E52/2237
E52/2413
E52/2471
E52/2472

#### **Prospecting Licences**

P52/1234
P52/1343
P52/1344
P52/1345
P52/1348
P52/1417
P52/1418
P52/1419
P52/1189
P52/1190
P52/1191

P52/1192
P52/1193

**Miscellaneous Licences**

L52/2
L52/19
L52/20
L52/39
L52/62
L52/63

**Production History**

The Peak Hill Project has a strong gold production history. Gold has been 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 19<sup>th</sup> century.

**Ownership History**

The history of the Peak Hill Project 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 before it was acquired by Montezuma.

**Option to Purchase Peak Hill Metals Pty Ltd Shares****Grant of Option**

Montezuma Mining Company Limited grants an option to buy 100% of the shares in Peak Hill Metals Pty Ltd.

**Term of Option, Consideration and Extension**

- (a) The option will be for the initial term ending at 5:30pm WST on 29 March 2013. In consideration for the grant of the option the buyer has paid to the seller an option fee of \$100,000 within 7 Business Days of the date of the agreement.
- (b) At any time before 29 March 2013, the buyer may extend the end of the term of the Option to 5:30 pm WST on 28 June 2013, by:
  - (i) giving the seller written notice of the buyer's election to so extend the end of the term; and
  - (ii) paying to the seller a fee of \$50,000.

**Lapse of Option**

The option will lapse if the buyer does not exercise the option on or before the Expiry Date.

**Exercise of Option**

- (a) The Buyer is not obliged to exercise the option.
- (b) The Buyer may exercise the option at any time before the Expiry Date by giving the Seller an exercise notice.
- (c) The exercise notice:
  - (i) must specify a date on which completion is to take place. This date must be no less than 10 Business Days and no more than 15 Business Days after the date of delivery of the exercise notice to the Seller;
  - (ii) must be duly executed by, or on behalf of, the Buyer; and
  - (iii) once given may only be revoked with the consent of the Seller.

## Consideration

If the Buyer exercises the option in accordance with the agreement the consideration to be paid for the purchase of the shares in Peak Hill Metals Pty Ltd comprises of the following:

- Cash Consideration of \$2,800,000;
- The issue of 8,400,000 Resource and Investment NL shares issued at a deemed issue price of \$0.50 each;
- The issue of 2,100,000 unlisted but transferable options each entitling the holder to subscribe for one Resource and Investment NL share at an issue price of \$0.75 at any time before 5:00 pm WST the date being 3 years from the date of issue of the Consideration Options; and
- A gross royalty of 1% to be paid by the Buyer to the Seller, capped at \$1,000,000.

## Change of focus of exploration

Shareholders should note that by approving Resolution 5, and if the Option to acquire Peak Hill Metals Pty Ltd is exercised and the transaction completes, the Company's remaining assets will be the Butcherbird Project, with manganese and copper being the predominant focus for the Company's current exploration activities. This meeting provides the only opportunity for shareholders to vote on the change of focus in the Company's activities.

## Pro Forma Balance Sheet

The pro forma unaudited balance sheet below illustrates the effect of the option being exercised and Peak Hill Metals Pty Ltd being disposed, post completion:

	30 June 2012 \$	Post Completion 30 June 2012 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	6,847,835	9,647,835
Trade and other receivables	231,571	231,571
Financial assets at fair value through profit or loss	610,213	4,810,213
<b>TOTAL CURRENT ASSETS</b>	<b>7,689,619</b>	<b>14,689,619</b>
<b>NON-CURRENT ASSETS</b>		
Receivables	619,300	619,300
Plant and equipment	76,877	76,877
<b>TOTAL NON-CURRENT ASSETS</b>	<b>696,177</b>	<b>696,177</b>
<b>TOTAL ASSETS</b>	<b>8,385,796</b>	<b>15,385,796</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	318,250	318,250
<b>TOTAL CURRENT LIABILITIES</b>	<b>318,250</b>	<b>318,250</b>
<b>TOTAL LIABILITIES</b>	<b>318,250</b>	<b>318,250</b>
<b>NET ASSETS</b>	<b>8,067,546</b>	<b>15,067,546</b>
<b>TOTAL EQUITY</b>	<b>8,067,546</b>	<b>15,067,546</b>

### **Advantages and disadvantages of the disposal**

Set out below are non-exhaustive lists of what the Directors consider to be the advantages and disadvantages of the transaction.

#### **Advantages**

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed transaction:

- (i) The potential sale of Peak Hill Metals Pty Ltd will provide a cash injection of \$2,800,000 and will assist the Company to undertake further exploration on the Butcherbird Project to potentially create shareholder value;
- (ii) The potential sale would allow the Company to focus on becoming a manganese and copper explorer and, over time, producer; and
- (iii) The Company will not incur additional holding and exploration costs associated with the tenements currently held by Peak Hill Metals Pty Ltd.

#### **Disadvantages**

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed transaction:

- (i) Shareholders would have decreased exposure to a gold resource in Australia; and
- (ii) The potential sale may not be consistent with the investment objectives of all Shareholders.

### **Directors' recommendation**

For the reasons set out in this Explanatory Memorandum, the Directors consider that the potential disposal of Peak Hill Metals Pty Ltd would be in the best interests of the Company and of Shareholders, and the Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

The Directors intend to vote the Shares they control in favour of Resolution 5.

A voting exclusion statement is included in the Notice.

### **Intentions of the Company if the Option to acquire Peak Hill Metals Pty Ltd is approved and exercised**

If the option to acquire Peak Hill Metals Pty Ltd is approved and exercised, the Company will concentrate its attention on the 100% owned Butcherbird Project and focus on becoming a manganese and copper explorer and, over time, producer.

### **Intentions of the Company if the Option to acquire Peak Hill Metals Pty Ltd is not approved and not exercised**

If the option to acquire Peak Hill Metals Pty Ltd is not approved and not exercised, the Company will be required to continue to incur holding and explorations costs to maintain the tenements good standing. The Company will review alternatives to ultimately divest Peak Hill Metals Pty Ltd and the Peak Hill Project.

### **Resolution 6 – Grant of Options to Mr Justin Brown**

The Company proposes to grant 3,000,000 Options to Mr Justin Brown, or his nominees, for nil consideration to be exercised as follows:

- (a) 1,500,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2016; and
- (b) 1,500,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2017.

The full terms of the Options are set out in Annexures B and C to this Explanatory Memorandum.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide a reward and incentive.

The exercise price will only be known on the date of issue. Assuming that the Options were issued on the date of this Notice, the exercise prices would be \$0.38 and \$0.44 respectively. On that basis, in the event all the Options are exercised, Mr Brown (or his nominees) will need to pay a total of \$1,230,000 to the Company.



***Related Party Transactions Generally***

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:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 6 provides for the grant of Options to a related party 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***

Subject to Shareholder approval, the Options the subject of Resolution 6 will be granted to Mr Brown, or his nominees, within one month of the passing of this Resolution. Mr Brown is a Director of the Company and is therefore classified as a related party.

***The nature of, reasons for and basis for the financial benefit***

The proposed financial benefit is the grant of 3,000,000 options to Mr Brown, or his nominees, 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 tranche of Options is as follows:

- (a) 1,500,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2016; and
- (b) 1,500,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2017.

The Options form part of Mr Brown's incentive for continuing and future efforts. Options are considered to be the appropriate incentive at the Company's current size and stage of development, being an exploration company with limited cash reserves. If the Mr Brown is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, and the average Share price as traded over the previous 6 months, the Options represent an incentive to Mr Brown to achieve this increase in the Share price, which would result in an increase in Shareholder value.

***Directors' recommendation***

All directors except Mr Brown recommend Shareholders vote in favour of Resolution 6. Mr Brown does not wish to make a recommendation about the proposed Resolution 6 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

***Interests of Directors***

Mr Brown has noted his interest in the approval of Resolution 6 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 3,000,000 Options to Mr Brown, or his nominees.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexures B and C to this Explanatory Memorandum and as otherwise mentioned above.
- (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. The valuation cannot be finalised until the grant date of the Options.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Brown, or his nominees, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

**Table 1 - Details of Director Options**

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Justin Brown	Director	1,500,000	150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	30 November 2016	At date of allotment	\$236,125 (i)
Justin Brown	Director	1,500,000	175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	30 November 2017	Once the market capitalisation of the Company appreciates by 100% from the date of the meeting	\$252,886 (ii)

**Option Valuation details**

Details	Input	Input
Share price	\$0.25	\$0.25
Exercise Price	\$0.38	\$0.44
Risk Free Rate	2.40%	2.40%
Volatility (Annualised)	100%	100%
Start Date	30 November 2012	30 November 2012
Expiry Date	30 November 2016	30 November 2017
<b>Value per Option</b>	<b>\$0.1574 (i)</b>	<b>\$0.1686 (ii)</b>

- (e) As at the date of this Notice, the issued capital of the Company comprised 67,664,350 Shares. If all Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, and assuming no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	76,589,350
Options to be granted	3,000,000
<b>New Total</b>	<b>79,089,350</b>
Dilutionary effect	3.92%

- (f) Mr Brown's current interests in securities of the Company are set out in the table below:

Director	Shareholding	Option holding
Justin Brown	2,112,500	3,000,000

- (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 are issued pursuant to the exercise of the Options, the Company's Shares may be trading 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 16.5 cents to 80 cents, the most recent closing price prior to the date of this Notice was 25 cents. The Options are capable of being converted to Shares by payment of the exercise price.
- (i) Mr Brown currently receives a salary of \$242,880, plus superannuation.
- (j) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, 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 granting the Options to Mr Brown or his nominee pursuant to Resolution 6.
- (k) 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 this Resolution.

#### **Resolution 7 – Grant of Options to Mr John Ribbons**

The Company proposes to grant 1,500,000 Options to Mr John Ribbons, or his nominees, for nil consideration to be exercised as follows:

- (a) 750,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2016; and
- (b) 750,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2017.

The full terms of the Options are set out in Annexures B and C to this Explanatory Memorandum.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide a reward and incentive.

The exercise price will only be known on the date of issue. Assuming that the Options were issued on the date of this Notice, the exercise prices would be \$0.38 and \$0.44 respectively. On that basis, in the event all the Options are exercised, Mr Ribbons (or his nominees) will need to pay a total of \$615,000 to the Company.

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

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:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 7 provides for the grant of Options to a related party 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***

Subject to Shareholder approval, the Options the subject of Resolution 7 will be granted to Mr Ribbons, or his nominees, within one month of the passing of this Resolution. Mr Ribbons is a Director of the Company and is therefore classified as a related party.

#### ***The nature of, reasons for and basis for the financial benefit***

The proposed financial benefit is the grant of 1,500,000 options to Mr Ribbons, or his nominees, for no issue price. Each Option will allow Mr Ribbons to subscribe for one ordinary fully paid Share in the Company. The exercise price of each tranche of Options is as follows:

- (a) 750,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2016; and

- (b) 750,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2017.

The Options form part of Mr Ribbons' incentive for continuing and future efforts. Options are considered to be the appropriate incentive at the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Ribbons is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, and the average Share price as traded over the previous 6 months, the Options represent an incentive to Mr Ribbons to achieve this increase in the Share price, which would result in an increase in Shareholder value.

#### ***Directors' recommendation***

All directors except Mr Ribbons recommend Shareholders vote in favour of Resolution 7. Mr Ribbons does not wish to make a recommendation about the proposed Resolution 7 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

#### ***Interests of Directors***

Mr Ribbons has noted his interest in the approval of Resolution 7 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 1,500,000 Options to Mr Ribbons, or his nominees.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexures B and C to this Explanatory Memorandum and as otherwise mentioned above.
- (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. The valuation cannot be finalised until the grant date of the Options.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Ribbons, or his nominees, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

**Table 1 - Details of Director Options**

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
John Ribbons	Director	750,000	150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	30 November 2016	At date of allotment	\$118,062 (i)
John Ribbons	Director	750,000	175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	30 November 2017	Once the market capitalisation of the Company appreciates by 100% from the date of the meeting	\$126,443 (ii)

**Option Valuation details**

Details	Input	Input
Share price	\$0.25	\$0.25
Exercise Price	\$0.38	\$0.44
Risk Free Rate	2.40%	2.40%
Volatility (Annualised)	100%	100%
Start Date	30 November 2012	30 November 2012
Expiry Date	30 November 2016	30 November 2017
<b>Value per Option</b>	<b>\$0.1574 (i)</b>	<b>\$0.1686 (ii)</b>

- (e) As at the date of this Notice, the issued capital of the Company comprised 67,664,350 Shares. If all Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, and assuming no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	76,589,350
Options to be granted	1,500,000
<b>New Total</b>	<b>78,089,350</b>
Dilutionary effect	1.96%

- (f) Mr Ribbons' current interests in securities of the Company are set out in the table below:

Director	Shareholding	Option holding
John Ribbons	291,671	1,500,000

- (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 are issued pursuant to the exercise of the Options, the Company's Shares may be trading 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 16.5 cents to 80 cents, the most recent closing price prior to the date of this Notice was 25 cents. The Options are capable of being converted to Shares by payment of the exercise price.
- (i) Mr Ribbons currently receives an annual director fee of \$42,000, plus GST.
- (j) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, 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 granting the Options to Mr Ribbons or his nominee pursuant to Resolution 7.
- (k) 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 this Resolution.

**Resolution 8 – Grant of Options to Mr Seamus Cornelius**

The Company proposes to grant 1,500,000 Options to Mr Seamus Cornelius, or his nominees, for nil consideration to be exercised as follows:

- (a) 750,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2016; and
- (b) 750,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2017.

The full terms of the Options are set out in Annexure B and C to this Explanatory Memorandum.

The Directors consider that the incentive represented by the grant of the Options is a cost effective and efficient means for the Company to provide a reward and incentive.

The exercise price will only be known on the date of issue. Assuming that the Options were issued on the date of this Notice, the exercise prices would be \$0.38 and \$0.44 respectively. On that basis, in the event all the Options are exercised, Mr Cornelius (or his nominees) will need to pay a total of \$615,000 to the Company.

***Related Party Transactions Generally***

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:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months are considered to be related parties of the Company.

Resolution 8 provides for the grant of Options to a related party 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***

Subject to Shareholder approval, the Options the subject of Resolution 8 will be granted to Mr Cornelius, or his nominees, within one month of the passing of this Resolution. Mr Cornelius is a Director of the Company and is therefore classified as a related party.

***The nature of, reasons for and basis for the financial benefit***

The proposed financial benefit is the grant of 1,500,000 options to Mr Cornelius, or his nominees, for no issue price. Each Option will allow Mr Cornelius to subscribe for one ordinary fully paid Share in the Company. The exercise price of each tranche of Options is as follows:

- (a) 750,000 shares at an exercise price of 150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2016; and
- (b) 750,000 shares at an exercise price of 175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting to approve the issue and expiring 30 November 2017.

The Options form part of Mr Cornelius' incentive for continuing and future efforts. Options are considered to be the appropriate incentive at the Company's current size and stage of development, being an exploration company with limited cash reserves. If Mr Cornelius is to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a premium to the most recent closing Share price prior to the date of this Notice, and the average Share price as traded over the previous 6 months, the Options represent an incentive to Mr Cornelius to achieve this increase in the Share price, which would result in an increase in Shareholder value.

***Directors' recommendation***

All directors except Mr Cornelius recommend Shareholders vote in favour of Resolution 8. Mr Cornelius does not wish to make a recommendation about the proposed Resolution 8 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of Options and does not consider himself sufficiently independent to make a recommendation.

***Interests of Directors***

Mr Cornelius has noted his interest in the approval of Resolution 8 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 1,500,000 Options to Mr Cornelius, or his nominees.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexures B and C to this Explanatory Memorandum and as otherwise mentioned above.

- (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. The valuation cannot be finalised until the grant date of the Options.
- (d) The total value of the Options to be issued is outlined in Table 1 below. If Options granted to Mr Cornelius, or his nominees, are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders.

**Table 1 - Details of Director Options**

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Seamus Cornelius	Director	750,000	150% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	30 November 2016	At date of allotment	\$118,062 (i)
Seamus Cornelius	Director	750,000	175% of the VWAP of the fully paid ordinary shares 5 days prior to the date of the meeting	30 November 2017	Once the market capitalisation of the Company appreciates by 100% from the date of the meeting	\$126,443 (ii)

**Option Valuation details**

Details	Input	Input
Share price	\$0.25	\$0.25
Exercise Price	\$0.38	\$0.44
Risk Free Rate	2.40%	2.40%
Volatility (Annualised)	100%	100%
Start Date	30 November 2012	30 November 2012
Expiry Date	30 November 2016	30 November 2017
<b>Value per Option</b>	<b>\$0.1574 (i)</b>	<b>\$0.1686 (ii)</b>

- (e) As at the date of this Notice, the issued capital of the Company comprised 67,664,350 Shares. If all Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, and assuming no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares and Options
Shares and Options	76,589,350
Options to be granted	1,500,000
<b>New Total</b>	<b>78,089,350</b>
Dilutionary effect	1.96%

- (f) Mr Cornelius' current interests in securities of the Company are set out in the table below:

Director	Shareholding	Option holding
Seamus Cornelius	2,868,655	3,500,000

- (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 are issued pursuant to the exercise of the Options, the Company's Shares may be trading 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 16.5 cents to 80 cents, the most recent closing price prior to the date of this Notice was 25 cents. The Options are capable of being converted to Shares by payment of the exercise price.
- (i) Mr Cornelius currently receives an annual director fee of \$60,000.
- (j) Under the Australian equivalent of IFRS, the Company is required to expense the value of the Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, 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 granting the Options to Mr Cornelius or his nominee pursuant to Resolution 8.
- (k) 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 this Resolution.



## **GLOSSARY**

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

<b>AGM</b>	means an Annual General Meeting.
<b>Annual Report</b>	means the Directors' report, the annual financial report and auditors report in respect of the financial year ended 30 June 2012.
<b>Associate</b>	has the same meaning as defined in Section 11 and Sections 13 to 17 of the Corporations Act.
<b>ASX</b>	means ASX Ltd ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.
<b>Board</b>	means the board of Directors of the Company.
<b>Closely Related Party</b>	has the same meaning as defined in Section 9 of the Corporations Act.
<b>Company</b>	means Montezuma Mining Company Limited ACN 119 711 929.
<b>Corporations Act</b>	means Corporations Act 2001 (Cth).
<b>Director</b>	means a director of the Company.
<b>Expiry Date</b>	means 5:30 pm, WST, on 29 March 2013 in the case of the Initial Option Period, and 5:30 pm, WST, on 28 June 2013 in the case of the Extended Option Period when the Buyer has exercised its right to extend the end of term of the Option.
<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>Proxy Form</b>	means the proxy form attached to this Notice.
<b>Remuneration Report</b>	means the remuneration report of the Company outlined in the Annual Report.
<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.
<b>Shareholder</b>	means the holder of a share.

**ANNEXURE A**

Performance Rights Plan  
Rules

Montezuma Mining Company Limited  
ACN 119 711 929

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## 1. DEFINITIONS AND INTERPRETATIONS

### 1.1 Definitions

In this Plan, unless the context otherwise requires:

**Applicable Laws** means any one or more or all, as the context requires of:

- (a) the Corporations Act;
- (b) the Listing Rules;
- (c) Taxation Laws;
- (d) any practice note, policy statement, regulatory guide, class order, declaration, guideline, policy, procedure, ruling, judicial interpretation or other guidance note made to clarify, expand or amend (a), (b), and (c) above; and
- (e) any other legal requirement that applies to the Plan.

**ASTC** means the ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

**ASX** means ASX Limited ACN 008 624 691, and where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Board** means the Board of Directors of the Company.

**Company** means Montezuma Mining Company Limited ACN 119 711 929.

**Corporations Act** means the Corporations Act 2001 (Cth) as amended from time to time.

**Director** means a director of the Company.

**Eligible Employee** means a full or part-time employee (including a Director employed in an executive capacity) of a Group Company who is declared by the Board to be eligible to receive grants of Performance Rights under the Plan.

**Grant Date**, in relation to a Performance Right, means the date of grant of the Performance Right.

**Group Company** means the Company and its Subsidiaries (if any) from time to time.

**Invitation** has the meaning in rule 2.1(a).

**Listing Rules** means the Listing Rules of the ASX as they apply to the Company from time to time.

**Participant** means a person who has been granted a Performance Right under the Plan.

**Performance Condition** means one or more conditions which must be satisfied or circumstances which must exist before a Performance Right can vest.

**Performance Right** means a right to acquire a Share in the manner set out in this Plan.

**Plan** means the Montezuma Mining Company Limited Performance Rights Plan as set out in these rules, subject to any amendments or additions made under rule 8.

**Restricted Shares** has the meaning given to it in rule 6.1.

**Restriction Period** has the meaning given to it in rule 6.1.

**Securities** has the meaning given in the Listing Rules.

**Settlement Rules** means the rules of ASTC.

**Share** means a fully paid ordinary share in the capital of the Company.

**Subsidiary** has the meaning given in section 9 of the Corporations Act.

**Takeover Bid** has the meaning given in section 9 of the Corporations Act.

**Taxation Laws** means the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth), each as amended from time to time.

## **1.2 Interpretation**

In this Plan, headings are for convenience only and do not affect the interpretation of the Plan and, unless the context otherwise requires:

- (a) any words importing the singular include the plural and vice versa;
- (b) any words importing a gender include any gender;
- (c) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamation, ordinances and by-laws issued under that statute;
- (d) a reference to the Listing Rules includes any variation, consolidation or replacement of those rules and is to be taken to be subject to any waiver or exemption granted to the Company from compliance with those rules;
- (e) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (f) any reference to the Board includes the Board, any committee appointed by the Board, or any person or body to which the Board has delegated powers under this Plan; and
- (g) a reference in the Plan to a party to a document includes that party's executors, administrators, successors and permitted assigns, including any person taking by way of novation.

## **2. INVITATION TO PARTICIPATE**

### **2.1 The Board may issue invitations to Eligible Employees**

- (a) The Board may from time to time, in its absolute discretion, issue invitations in writing (in such form as the Board decides) to Eligible Employees inviting applications for the grant of Performance Rights on the terms set out in the Plan and on such additional terms and Performance Conditions as the Board determines (which may include granting the Performance Rights in tranches) for up to the number of Performance Rights specified in the invitation ("**Invitation**").
- (b) Unless the Board otherwise determines, no amount is payable by an Eligible Employee in relation to the grant of a Performance Right or on vesting of a Performance Right.

### **2.2 Number of Performance Rights**

The number of Performance Rights specified in each Invitation will be determined by the Board in its absolute discretion.

### **2.3 Information in Invitation**

The Board will advise each Eligible Employee who is issued an Invitation of the following information relevant to the Performance Rights that may be granted under the Plan pursuant to that Invitation:

- (a) the number of Performance Rights which may be granted (each Performance Right entitling its holder to one Share on that Performance Right vesting);
- (b) the date and time by which the application for Performance Rights must be received by the Company;
- (c) the date on which, subject to these rules, the Performance Rights will vest (in accordance with rule 5);
- (d) any applicable Performance Conditions attaching to the Performance Rights; and
- (e) any other relevant conditions to be attached to the Performance Rights or Shares (including, for example, any restrictions on transfer of the Shares).

## **3. APPLICATIONS FOR PERFORMANCE RIGHTS**

### **3.1 Eligible Employee may apply for Performance Rights**

Following receipt of an Invitation, an application for the Performance Rights specified in the Invitation may be made by the Eligible Employee.

### **3.2 Application for number of Performance Rights specified in invitation**

The Eligible Employee may apply for up to the number of Performance Rights specified in the Invitation by sending to the person nominated by the Company an application (in the form included with the Invitation) duly completed and signed, which must include an agreement by the Eligible Employee to be bound by these rules.

### **3.3 When Company must receive application**

The application must be received by the Company within the period for acceptance specified in the Invitation, unless otherwise determined by the Board.

## **4. GRANT OF PERFORMANCE RIGHTS**

### **4.1 Company to grant or procure grant of Performance Rights**

On acceptance of a duly signed and completed application for Performance Rights, the Company may grant Performance Rights to the Eligible Employee, with effect from such dates as the Board determines, on the terms set out in the Plan and additional terms as the Board determines.

### **4.2 Performance Rights are not transferable**

- (a) Subject to rule 4.2(b), a Performance Right granted under the Plan is not capable of being transferred by the Participant, except with prior written consent of the Board.
- (b) Rule 4.2(a) will not apply to the transmission of Performance Rights to a legal personal representative of a Participant following the Participant's death.

## **5. LAPSE OF A PERFORMANCE RIGHT**

### **5.1 Vesting**

- (a) Subject to these rules, each Performance Right issued to a Participant will vest on the date specified in the invitation if the Performance Conditions attaching to the Performance Rights have been satisfied by the date set out in the Invitation.
- (b) Notwithstanding rule 5.1(a) and subject to the Listing Rules:
  - (i) the Board may vest some or all of a Participant's Performance Rights even if a Performance Condition has not been satisfied, if the Board considers that to do so would be in the interests of the Company to do so; and
  - (ii) the vesting of a Participant's Performance Rights may be subject to such further conditions as determined by the Board.

### **5.2 Lapse of a Performance Right**

An unvested Performance Right will lapse on the earliest to occur of:

- (a) the Performance Right lapsing in accordance with a provision of this rule 5;
- (b) the Performance Right been transferred other than with the prior written consent of the Board pursuant to rule 4.2(a);
- (c) the applicable Performance Conditions not being achieved by the date specified in the relevant Invitation; or
- (d) any date set out in an Invitation by which it is stated that the Performance Right will automatically lapse.

### **5.3 Vesting in specific circumstances**

Where a Participant ceases to be an employee of a Group Company in any of the circumstances referred to below and at that time the Performance Conditions attaching to the Performance Rights held by the Participant are satisfied, the Board may determine that the Performance Rights vest notwithstanding the date for vesting of the Performance Right as set out in the Invitation has not been reached. If no determination is made by the

Board within 6 months of the Participant ceasing to be an employee, all Performance Rights held by a Participant will automatically lapse. The circumstances are:

- (a) total and permanent disability
- (b) death; and
- (c) such other circumstances as the Board may determine from time to time.

#### **5.4 Performance Rights lapse if cease to be an employee**

- (a) If a Participant ceases to be an employee of any Group Company in circumstances other than those referred to in rule 5.3, any Performance Rights granted to the Participant under the Plan will automatically lapse on the cessation of the Participant's employment unless otherwise determined by the directors.

#### **5.5 Performance Rights lapse on a winding up**

If a resolution is passed to wind up the Company, the Performance Rights lapse automatically on the passing of the resolution.

#### **5.6 Fraudulent or dishonest actions**

Where, in the opinion of the Board, a Participant acts fraudulently or dishonestly or is in breach of his or her obligations to any Group Company then the Board may deem any unvested Performance Rights of the Participant to have lapsed.

#### **5.7 Performance Rights may be cancelled if Participant consents**

Notwithstanding any other provisions of the Plan, and subject to the Listing Rules, if a Participant and the Board have agreed in writing that some or all of the unvested Performance Rights granted to that Participant may be cancelled on a specified date or on the occurrence of a particular event, then the Board may cancel those Performance Rights on the relevant date or on the occurrence of the particular event (as the case may be).

#### **5.8 Vesting procedure**

- (a) Subject to these rules, each Performance Right entitles the Participant to one Share upon vesting.
- (b) Upon the vesting of Performance Rights, the Participant becomes entitled to be issued, transferred or allocated the relevant Shares not later than 21 days after the date of vesting pursuant to the provisions of rule 5.8(c).
- (c) Within 21 days after a Performance Right under the Plan has vested, the Board must issue to, or procure the transfer to, the Participant or his or her nominee (as the case may be), of one Share in respect of each Performance Right of the Participant which has vested.
- (d) Subject to clause 6.1, all shares issued, acquired or allocated on the vesting of Performance Rights (as the case may be) under the Plan will rank equally in all respects with existing Shares.
- (e) The Company and any person nominated by the Company from time to time are irrevocably appointed jointly and severally by each Participant as attorney to do all things necessary considered by the Company appropriate to effect a transfer, issue or allocation of Shares upon vesting of a Performance Right, including agreeing to become a member of the Company on the Participant's behalf.
- (f) If the Shares to which a Participant becomes entitled on vesting are to be acquired on a stock market, the Company may make any necessary arrangements to effect the purchases for and on behalf of the participant.

#### **5.9 Shares to be quoted on ASX**

The Company will apply for official quotation of Shares issued, acquired or allocated (as the case may be) under the Plan on ASX.

#### **5.10 Takeover**

- (a) In the event of a Takeover Bid, any Performance Rights granted will vest where, in the Board's absolute discretion, the Performance Conditions applicable to those Performance Rights have been



satisfied on a pro rata basis over the period from the Grant Date to the date the Takeover Bid becomes or is declared to be unconditional.

- (b) Any Performance Right referred to in rule 5.10(a) which the Board determines will not vest will automatically lapse, unless the Board determines otherwise.

#### **5.11 Compromise or arrangement**

- (a) The Board may, in its absolute discretion, vest all or a specified number of a Participant's Performance Rights where the Board is satisfied that the Performance Conditions applicable to those Performance Rights have been satisfied on a pro rata basis over the period from the Grant Date to the date where  

a court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies.
- (b) If no determination is made or if the Board determines that some or all of a Participant's Performance Rights shall not vest, those Performance Rights will automatically lapse, unless the Board determines otherwise.

### **6. RESTRICTION ON DISPOSAL OF SHARES**

#### **6.1 Restriction Period**

Where the Board issues an Invitation to an Eligible Employee, the Board may, in its discretion, determine that a restriction period will apply to some or all of the Shares issued or transferred to a Participant following vesting of their Performance Rights (**Restricted Shares**), up to a maximum of 7 years from the Grant date (**Restriction Period**).

#### **6.2 Waiver of restriction period**

The Board may, in its sole discretion, having regard to the circumstances at the time, waive a Restriction Period determined pursuant to rule 6.1.

#### **6.3 No disposal of Shares while restricted**

A Participant must not dispose of or otherwise deal with any Shares issued or transferred to the Participant under the Plan while they are Restricted Shares.

#### **6.4 Enforcement of Restriction Period**

The Company may implement any procedure it considers appropriate to restrict a Participant from dealing with any Restricted Shares issued for as long as those Shares are Restricted Shares.

#### **6.5 Lapse of restrictions attaching to Shares**

When a Share ceases to be a Restricted Share, all restrictions on disposing of or otherwise dealing or purporting to deal with that Share provided in or under these rules will cease.

### **7. BONUS ISSUES AND RECONSTRUCTION**

#### **7.1 Bonus Issue**

- (a) If there is a bonus issue (as that term is defined in the Listing Rules) of Shares to the holders of Shares, a Participant is entitled, in respect of Performance Rights held by him or her on the record date of the bonus issue, upon vesting of the Performance Rights, to receive in addition to the Shares in respect of which the Performance Rights vests and without the payment of any further consideration, the number of Shares which the Participant would have received if the Performance Rights had vested before the record date for the bonus issue.

**7.2 Reorganisation**

In the event of any reorganisation (including consolidation, sub-division, reduction, return or cancellation) of the issued capital of the Company, the Board may make such adjustments as it considers appropriate in accordance with the provisions of the Listing Rules.

**7.3 No right to participate in new issues**

A Performance Right does not confer on a Participant the right to participate in new issues of Shares by the Company, including by way of bonus issue, rights issue or otherwise.

**7.4 Fairness in application**

In the application of this rule 7, the Board may (as far as possible) make whatever adjustments it deems necessary or desirable to ensure that the consequences of that application are fair as between the Participants and the holders of other Securities in the Company subject to compliance with Applicable Laws.

**8. AMENDMENTS**

**8.1 Board may amend**

Subject to rule 8.2 and the Listing Rules, the Board may at any time by resolution amend, add to, revoke or substitute (**amend**) all or any of the provisions of the rules (including this rule) of the Plan, or the terms of any Performance Rights granted under it, in any respect, subject to compliance with Applicable Laws.

**8.2 Restrictions on amendments**

Without the consent of the Participant, no amendment may be made to the terms of any granted Performance Right which, in the opinion of the Board, materially reduces the rights of the Participant in respect of that Performance Right, other than an amendment introduced primarily:

- (a) for the purpose of complying with or conforming to present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake;
- (c) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to Taxation Laws (including an official announcement by the Commonwealth of Australia) and / or changes in the interpretation of Taxation Laws by a Court or competent jurisdiction; or
- (d) to enable any Group Company to comply with the Applicable Laws.

**8.3 Notice of amendments**

As soon as reasonably practicable after making any amendment under rule 8.1, the Board must give notice in writing of the amendment to any affected Participant.

**8.4 Retrospective effect**

- (a) The Board may determine that any amendment to these rules of the terms of Performance Rights granted under the Plan be given retrospective effect.
- (b) Amendment of these rules or the terms and conditions upon which Performance Rights are granted under the Plan by the Board shall be of immediate effect unless otherwise determined by the Board.

**9. MISCELLANEOUS**

**9.1 Issue limitations**

- (a) The number of Shares to be received on exercise of the Performance Rights the subject of an Invitation when aggregated with:

- (i) the number of Shares which would be issued were each outstanding invitation or Performance Right, being an invitation made or Performance Right granted pursuant to the Plan or any other employee incentive scheme extended only to employees or directors of the Company, exercised; and
- (ii) the number of Shares issued during the previous 5 years pursuant to the Plan or any other employee incentive scheme extended only to employees or directors of the Company;

but disregarding any offer made, or Performance Rights acquired or Share issued by way of or as a result of:

- (i) an offer to a person situated at the time of receipt of the offer outside Australia; or
- (ii) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
- (iii) an offer made under a disclosure document,

must not exceed 5% (or such other maximum permitted under any ASIC Class Order providing relief from the disclosure regime of the Corporations Act) of the total number of issued Shares as at the time of the Invitation.

- (b) Where the Performance Right lapses without being exercised, the Shares concerned are ignored when calculating the limits in this clause.

## **9.2 Terms of employment not affected by Plan**

- (a) The rights and obligations of any Participant under the terms of their office or employment with a Group Company are not to be affected by their participation in the Plan and these rules will not form part of or be incorporated into any contract of engagement or employment of any employee with a Group Company.
- (b) No Participant will have any rights to compensation or damages in consequence of the termination of their office or employment for any reason whatsoever in so far as those rights arise or may arise from their ceasing to have rights under the Plan as a result of such termination.

## **9.3 Board to administer**

- (a) The Plan is administered by the Board which has power to:
  - (i) determine appropriate procedures for administration of the Plan consistent with these rules; and
  - (ii) delegate to any one or more persons for such period and on such conditions as it may determine the exercise of any of its powers or discretions arising under the Plan.
- (b) Except as otherwise expressly provided in the Plan and the Listing Rules, the Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the Plan or any Performance Rights under the Plan and in the exercise of any power or discretion under the Plan.

## **9.4 Board power to waive**

Notwithstanding any other provisions of the Plan, the Board may at any time waive in whole or in part any additional terms or conditions (including any Performance Condition) in relation to any Performance Rights granted to any Participant.

## **9.5 Board decision is final**

In the event of any dispute or disagreement as to the interpretation of the Plan, or as to any question or right arising from or related to the Plan or to any Performance Rights granted under it, the decision of the Board is final and binding.

**9.6 Compliance with Applicable Laws**

Notwithstanding anything in this Plan, the terms of Performance Rights granted under the Plan and all things done under the Plan must comply with all applicable requirements of Applicable Laws.

**9.7 Adjustments to Plan in the case of foreign resident Participants**

Where a Performance Right is granted under the Plan to a person who is not a resident of Australia, the provisions of the Plan apply subject to such alterations or additions as the Board determines having regard to any Applicable Laws, matters of convenience or similar factors which may have application to the Participant or to any Group Company in relation to the Performance Right.

**9.8 Termination**

The future operation of the Plan may be suspended or terminated at any time at the discretion of the Board.

**9.9 Notices**

- (a) Any notice or other communication under or in connection with the plan may be given by personal delivery or by sending the same by post or facsimile, in the case of a company to its registered office, and in the case of an individual's last notified address, or, where a Participant is a director or employee of a Group Company, either to the Participant's last known address or to the place of business at which the Participant performs the whole or substantially the whole of the duties of the Participant's office or employment.
- (b) Where a notice or other communication is given by post, it is deemed to have been received 48 hours after it was put into the post properly addressed and stamped. Where a notice or other communication is given by facsimile, it is deemed to have been received on completion of transmission.

**9.10 Governing Law**

The Plan and any Performance Rights issued under it are governed by the laws of Western Australia and the Commonwealth of Australia.

**ANNEXURE B**

**TERMS AND CONDITIONS  
OPTIONS EXPIRING 30 NOVEMBER 2016**

The Options will be issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 150% of the VWAP of the fully paid ordinary shares of the Company on the five days prior to the meeting to approve the issue ("**Exercise Price**").
3. Each Option entitles the holder to subscribe for one Share in Montezuma Mining Company Limited ABN 46 119 711 929 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
4. The Options will lapse at 5:00 pm, Western Standard Time on 30 November 2016 ("**Expiry Date**").
5. The Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
6. 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.
7. 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 closing date to exercise the Options.
8. 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.
9. 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.
10. 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.
11. 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.
12. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

## ANNEXURE C

### TERMS AND CONDITIONS OPTIONS EXPIRING 30 NOVEMBER 2017

The Options will be issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 175% of the VWAP of the fully paid ordinary shares of the Company on the five days prior to the meeting to approve the issue ("**Exercise Price**").
3. Each Option entitles the holder to subscribe for one Share in Montezuma Mining Company Limited ABN 46 119 711 929 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
4. The Options will vest once the market capitalisation of the Company appreciates by 100% from 30 November 2012. ("**Vesting Date**")
5. The Options will lapse at 5:00 pm, Western Standard Time on 30 November 2017 ("**Expiry Date**").
6. The Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
7. 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.
8. 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 closing date to exercise the Options.
9. 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.
10. 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.
11. 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.
12. 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.
13. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

The Company Secretary  
Montezuma Mining Company Limited  
Ground Floor, 20 Kings Park Road  
WEST PERTH WA 6005

Facsimile: +61 8 9389 2199

Email: proxy@dwcorporate.com

Name of Shareholder (s) .....

Address of Shareholder (s) .....

**STEP 1****Appoint Proxy to Vote on Your Behalf**

I / We being a member / s of Montezuma Mining Company Limited hereby appoint

☐

the Chairman of the meeting

OR

**PLEASE NOTE:** leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own names (s)

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit, except for Resolution 2) at the Annual General Meeting of Montezuma Mining Company Limited to be held at Next Generation, 21 Kings Park Road, West Perth Western Australia on 30 November 2012 at 9:00 am (WST) and at any adjournment of that meeting.

**Important for Resolution 2 – if the Chairman of the meeting is your proxy or is appointed as your proxy by default**

By marking this box, you are directing the Chairman of the meeting to vote in accordance with the Chairman's voting intentions on Resolution 2 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Resolution 2 in Step 2 below, the Chairman of the meeting will be not cast your votes on Resolution 2 and your votes will not be counted in computing the required majority if a poll is called on this Resolution. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the meeting will vote in favour of Resolution 2).

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 2.

☐

I / We (except where I / we have indicated a different voting intention below):

1. direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolution 2 to vote in favour of this Resolution;
2. authorise, in respect of Resolution 2 the Chairman of the meeting to vote as described even though Resolution 2 is connected directly or indirectly with the remuneration of a member of key management personnel for the Company; and
3. acknowledge that the Chairman of the Meeting may exercise my / our proxy in respect of Resolution 2 as he sees fit even if the Chairman has an interest in the outcome of Resolution 2 and that votes cast by him, other than as proxy holder, would be disregarded because of that interest.

**STEP 2****Resolutions of Business**

**PLEASE NOTE:** if you mark the **Abstain** box for an Resolution, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority

		For	Against	Abstain
Resolution 1	Re-election of Mr Seamus Cornelius as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of the Montezuma Mining Company Limited Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Disposal of Peak Hill Metals Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of grant of Options to Mr Justin Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of grant of Options to Mr John Ribbons	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of grant of Options to Mr Seamus Cornelius	<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.

**SIGN**

**Signature of Security holder – Please sign here**

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3




Sole Director & Sole Company Secretary

Director / Company Secretary

Director

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012

## 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 by 9:00 am on 28 November 2012** by post or facsimile to the respective addresses stipulated in this proxy form.
6. The Chairman will cast all available proxies in favour of the Resolutions.
7. 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.
8. 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.