

MONTEZUMA MINING COMPANY LIMITED

ABN 46 119 711 929

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2015

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2015 and any public announcements made by Montezuma Mining Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

Contents	Page
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	4
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	9
DIRECTORS' DECLARATION	13
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS	14

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of Montezuma Mining Company Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Seamus Cornelius

Justin Brown

John Ribbons

REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and loss after tax for the half-year is set out below:

	2015	
	Revenues	Results
	\$	\$
Consolidated entity	82,692	(2,155,655)

During the period ending 31 December 2015 the Company actively explored its 100% owned Yamarna Project area. Exploration work to date has identified the potential for the project area to host significant basement gold mineralisation.

The Company has identified several follow up targets for further work to be completed prior to 30 June 2016, in addition to continued exploration at the Jatz, Captains and Cruskit prospects.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of directors.



Justin Brown

Executive Director

Perth, 1 March 2016



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

The Directors
Montezuma Mining Company Ltd
PO Box 910
West Perth WA 6872

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2015 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham R Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 1 March 2016



Chartered Accountants

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Half-year	
	2015	2014
	\$	\$
REVENUE		
Interest received	77,490	153,152
Other income	5,202	5,756
EXPENDITURE		
Depreciation expense	(18,894)	(23,365)
Salaries and employee benefits expense	(59,000)	(29,213)
Exploration expenditure	(979,353)	(755,490)
Secretarial and share registry expenses	(74,265)	(65,830)
Administration expenses	(187,873)	(254,727)
Fair value losses on financial assets	(642,252)	(768,515)
Share-based payments expense	(276,710)	(160,490)
	(2,155,655)	(1,898,722)
LOSS BEFORE INCOME TAX		
Income tax expense	-	(81,222)
	(2,155,655)	(1,979,944)
LOSS FOR THE HALF-YEAR AFTER TAX		
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(15,234)	610
Other comprehensive income for the period, net of tax	(15,234)	610
	(2,170,889)	(1,979,334)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MONTEZUMA MINING COMPANY LIMITED		
	(2,170,889)	(1,979,334)
Basic and diluted loss per share (cents)	(3.1)	(2.8)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Notes	31 December 2015 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents		5,708,754	6,674,413
Trade and other receivables		136,736	145,234
Financial assets at fair value through profit or loss	3	1,458,142	2,191,339
TOTAL CURRENT ASSETS		7,303,632	9,010,986
NON-CURRENT ASSETS			
Plant and equipment		30,862	49,756
TOTAL NON-CURRENT ASSETS		30,862	49,756
TOTAL ASSETS		7,334,494	9,060,742
CURRENT LIABILITIES			
Trade and other payables		396,747	228,816
TOTAL CURRENT LIABILITIES		396,747	228,816
TOTAL LIABILITIES		396,747	228,816
NET ASSETS		6,937,747	8,831,926
EQUITY			
Issued capital	4	12,353,350	12,353,350
Reserves		3,226,132	2,964,656
Accumulated losses		(8,641,735)	(6,486,080)
TOTAL EQUITY		6,937,747	8,831,926

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Contributed Equity \$	Share-based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2014	12,353,350	2,834,381	-	(3,808,579)	11,379,152
Loss for the period	-	-	-	(1,979,944)	(1,979,944)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	610	-	610
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	610	(1,979,944)	(1,979,334)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Employee and contractor share options and performance rights	-	160,490	-	-	160,490
BALANCE AT 31 DECEMBER 2014	12,353,350	2,994,871	610	(5,788,523)	9,560,308
BALANCE AT 1 JULY 2015	12,353,350	2,971,802	(7,146)	(6,486,080)	8,831,926
Loss for the period	-	-	-	(2,155,655)	(2,155,655)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(15,234)	-	(15,234)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(15,234)	(2,155,655)	(2,170,889)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Employee and contractor share options	-	276,710	-	-	276,710
BALANCE AT 31 DECEMBER 2015	12,353,350	3,248,512	(22,380)	(8,641,735)	6,937,747

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Half-year	
	2015	2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(782,312)	(790,065)
Payments to suppliers and employees	(363,323)	(546,358)
Other income received	-	5,756
Refund of income taxes	-	18,234
Interest received	86,615	139,669
Proceeds from sale of financial assets at fair value through profit or loss	178,513	1,135,548
Payments for financial assets at fair value through profit or loss	(87,568)	(650,000)
Net cash used in operating activities	(968,075)	(687,216)
Net decrease in cash and cash equivalents	(968,075)	(687,216)
Cash and cash equivalents at the beginning of the half-year	6,674,413	8,705,219
Effects of exchange rate changes on cash and cash equivalents	2,416	-
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	5,708,754	8,018,003

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Montezuma Mining Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

For management purposes, following the incorporation of Cordier Mines SAS (refer note 5), the Group has identified two reportable segments based on geographic location, being exploration activities undertaken in Australia and Europe. These segments include activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in the respective geographic locations.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

	Australia		Europe		Total	
	Half-year		Half-year		Half-year	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Segment revenue	-	-	-	-	-	-
<hr/>						
Reconciliation of segment revenue to total revenue:						
Interest revenue					77,490	153,152
Other income					5,202	5,756
Total revenue					<u>82,692</u>	<u>158,908</u>
Segment results	(943,721)	(480,156)	(35,632)	(275,334)	(979,353)	(755,490)
<hr/>						
Reconciliation of segment result to net loss before tax:						
Fair value losses on financial assets					(642,252)	(768,515)
Other corporate and administration					(534,050)	(374,717)
Net loss before tax					<u>(2,155,655)</u>	<u>(1,898,722)</u>
	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015
	\$	\$	\$	\$	\$	\$
Segment operating assets	-	-	-	-	-	-
<hr/>						
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					7,334,494	9,060,742
Total assets					<u>7,334,494</u>	<u>9,060,742</u>

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2015	30 June 2015
	\$	\$
Australian listed equity securities	1,458,142	2,191,339

The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

Due to their short-term nature, the carrying amount of current receivables and current payables is assumed to approximate their fair value.

NOTE 4: EQUITY SECURITIES ISSUED

	2015 Shares	2015 \$	2014 Shares	2014 \$
As at 1 July	70,464,350	12,353,350	70,464,350	12,353,350
No issues of ordinary shares during the half-year				
As at 31 December	70,464,350	12,353,350	70,464,350	12,353,350

	Number of options	
	2015	2014
As at 1 July	18,745,000	14,845,000
Movement of options during the half-year		
Issue of unlisted options, exercisable at 27.5 cents, on or before 15 September 2017	500,000	-
Issue of unlisted options, exercisable at 32 cents, on or before 22 October 2018	250,000	-
Issue of unlisted options, exercisable at 35 cents, on or before 20 November 2018	200,000	-
Issue of unlisted options, exercisable at 35 cents, on or before 20 November 2020	2,200,000	-
Expiry of unlisted options, exercisable at 41 cents, on 21 October 2015	(325,000)	-
Expiry of unlisted options, exercisable at 65 cents, on 30 November 2015	(1,000,000)	-
Expiry of unlisted options, exercisable at 80 cents, on 30 November 2015	(1,500,000)	-
Issue of unlisted options, exercisable at 20 cents, on or before 1 July 2017	-	1,000,000
Issue of unlisted options, exercisable at 21.5 cents, on or before 18 November 2019	-	2,750,000
As at 31 December	19,070,000	18,595,000

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: EQUITY SECURITIES ISSUED (continued)

The weighted average fair value of the options granted during the half-year was 8.78 cents (2014: 4.14 cents), for a total value of \$276,710 (2014: \$155,200) included within share-based payments expense. The fair values were calculated by using the Black-Scholes European Option Pricing Model applying the following weighted average inputs:

	2015	2014
Exercise price (cents)	33.57	21.10
Life of the option (years)	4.24	4.47
Underlying share price (cents)	25.67	13.50
Expected share price volatility	50.00%	50.00%
Risk free interest rate	2.22%	2.78%

NOTE 5: CONTINGENCIES

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

NOTE 6: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2015, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2015

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Montezuma Mining Company Limited will be able to pay its debts as and when they become due and payable.

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



Justin Brown

Executive Director

Perth, 1 March 2016



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

Independent Review Report to the Members of Montezuma Mining Company Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Montezuma Mining Company Ltd for the half-year ended 31 December 2015.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2015 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Montezuma Mining Company Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Montezuma Mining Company Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2015 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Graham R Swan
Partner

Dated 1 March 2016



Chartered Accountants