

QUARTERLY REPORT

MONTEZUMA
MINING COMPANY LTD

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Three Months Ending: 31 December 2008

ASX CODE: MZM
ISSUED SHARES: 41.69M
52 WEEK HIGH: \$0.20
52 WEEK LOW: \$0.02

CONTACT:

JUSTIN BROWN
Managing Director
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BOARD:

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

KEY PROJECTS:

PEAK HILL (100%)
Gold

MT PADBURY (100%)
Gold, Manganese, Iron

CALLAWA (100%)
Copper, Gold

TALGA (90%)
Gold, VMS

KEY SHARE POSITIONS:

AUVEX RESOURCES LTD
10,000,000 FPO Shares

BUXTON RESOURCES LTD
2,000,000 FPO Shares

HIGHLIGHTS

• AUVEX RESOURCES LIMITED (MZM 10M SHARES)

- Assay results have been returned from 59 of a total of 96 holes completed (for 2,954m). Results include:

Hole ID	Depth	Width	Grade (Mn)
AHRC001	0-22m	22m @	32.82%
	Including 3m @ 43.08% Mn from 3m		
AHRC002	1-11m	10m @	37.98%
	Including 5m @ 43.20% Mn from 4m		
AHRC015	0-6m	6m @	43.26%
AHRC017	0-17m	17m @	33.22%
	Including 3m @ 40.55% Mn from 12m		
AHRC021	0-20m	20m @	30.10%
	Including 6m @ 40.09% Mn from 0m		
AHRC041	0-10m	10m @	38.09%
	Including 7m @ 40.14% Mn from 2m		
AHRC085	24-34m	10m @	40.82%
AHRC086	8-34m	26m @	36.91%
	Including 5m @ 40.51% Mn from 8m and; 6m @ 44.91% Mn from 18m		
AHRC087	18-35m	15m @	37.17%
	Including 5m @ 43.21% Mn from 28m		
AHRC093	11-26m	15m @	33.90%

- Trial mining well advanced to produce initial 60,000t of direct ship ore.
 - Trial mining shows that sub 40% Mn ore can be upgraded by simple crushing and screening.
 - Production target of 300,000t/year @ 44% Mn commencing in third quarter 2009.
 - Only one third of Ant Hill manganese deposit drilled to date, with revised resource estimate expected by February 2009.
- ### • PEAK HILL (100%)
- Resource upgrade process continues on schedule.
- ### • MT PADBURY E52/1529 (100% EXCLUDING Mn AND Fe)
- Midwest iron ore rights sale agreement completed, first cash payment of \$1M received.
 - Application for extension of term has been submitted to DoIR.
 - Second payment of \$1M payable on grant of extension.

Difficult market conditions continued throughout the fourth quarter of 2008, and into 2009. The key impacts on Montezuma have been a significant reduction in the Company's share price and an increased difficulty in accessing new capital to fund our activities.

Despite market conditions, all key strategies have been advanced and we have continued to add value to our asset and investment portfolios. Coupled with appropriate capital management strategies, we are optimistic that continued progress will translate into improved shareholder returns as markets recover.

Montezuma's advantage through this difficult part of the cycle continues to lie in the quality of its assets at Peak Hill, and the important cash generation potential of the deals with Auvex Resources and Midwest Corporation.

The latter largely insulates the Company from the need to raise new capital in the current environment, whilst still providing the required funding to continue rolling out our global exploration and investment strategies.

PEAK HILL (MZM 100%)

To preserve capital until the Company's cash position is secured by the completion of the Midwest Corporation deal in relation to the iron ore at Mt Padbury, drilling at Peak Hill has been deferred to Q2 2009.

The development of the gold resources at Peak Hill remain a core component of the Company's overall strategy and the work programme to produce a revised resource estimate for the deposit remains on track for the next quarter, with first results expected by the end of Q1 2009.

MT PADBURY (100%)

IRON ORE

Montezuma has an agreement in place with Midwest Corporation Limited whereby Midwest will purchase 100% of the iron ore rights over E52/1529 by paying Montezuma up to \$6M cash plus a royalty on production.

The first cash payment of \$1M in relation to the sale was received in Q4 2008, and the second \$1M cash payment is payable on grant of an extension of term in relation to E52/1529. The application for extension of term was submitted to DoIR on 19 January 2009.

Midwest have indicated that, subject to the successful grant of the extension of term and relevant heritage and governmental clearances, drilling on E52/1529 is expected to commence in the second half of 2009. Midwest will endeavour to define an iron ore resource in excess of 10M tonnes grading over 50% Fe. Once this hurdle is reached, Midwest will make a third payment of \$4M cash to Montezuma.

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

We look forward to keeping the market apprised as key milestones and payments related to this agreement are completed.

GOLD

Further work on the gold potential at Mt Padbury, which has returned encouraging results to date, is pending the grant of the extension of term application currently being assessed by DoIR.

AUVEX RESOURCES LIMITED (MZM 10M SHARES)

Auvex Resources Limited have reported that early RC Drilling results from the Ant Hill Project continue to confirm the presence of high grade manganese.

Montezuma are a major shareholder in Auvex, with 10M fully paid shares or approximately 16.7% of the total shares on issue.

Trial Mining at the Ant Hill manganese deposit.



The results confirm the potential for large tonnages of manganiferous material, comprising significant tonnages of direct shipping (DSO) material in excess of 40% Mn, within a broader deposit comprising sub DSO grade material which trial mining suggests can be significantly upgraded by simple crushing and screening.

Trial mining work to date utilising simple crushing and screening has produced direct ship product with an average composition of 44.75% Mn, 12.31% Fe, 3.16% SiO₂ and 0.02% P. The successful sale of this material will confirm the commercial potential of the operation and inject significant cashflow into Auvex to finance the further development of the project.

Auvex are targeting an initial production rate of 300,000t per annum grading 44% Mn over a minimum of five years commencing in the third quarter of 2009. It is expected that further exploration drilling will extend the potential min life out beyond this initial target, with only one third of the deposit drilled to date.

The Project is located approximately 70kms southeast of Nullagine in the Pilbara district of Western Australia. The Project also contains the Sunday Hill deposit, which has the potential to add further significant tonnages of manganese ore to the production operation. In addition to the drilling at Ant Hill, a further 14 holes for a total of 605m were completed at Sunday Hill as part of the current programme. Results from the drilling at Sunday Hill are pending.

Montezuma are very pleased with progress to date at Sunday Hill and Ant Hill and have a high level of confidence that Auvex will succeed in developing a long-term commercial manganese operation.

Potential future capital returns and dividends from the Company's Auvex shareholding are expected to provide valuable working capital to fund continued work at Peak Hill, as well as potential future acquisitions, underpinning Company growth and shareholder returns.

CAPITAL MANAGEMENT PROGRAMME

During the Quarter, the Company completed a review of expenditure and strategies which has resulted in the company withdrawing or divesting non core assets that do not offer the prospect of near or medium term returns.

In addition, the number of staff has been reduced, and all remaining staff and board members have agreed to salary/fee reductions of approximately 20%.

These measures will reduce the Company's expenditure over the next twelve months and allow resources to be directed at core assets in the Peak Hill region.

More Information

Justin Brown

Managing Director

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