

# QUARTERLY REPORT

## MONTEZUMA MINING COMPANY LTD

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### Three Months Ending: 30 June 2009

ASX CODE: MZM  
ISSUED SHARES: 41.69M  
52 WEEK HIGH: \$0.20  
52 WEEK LOW: \$0.02  
SHARE PRICE: \$0.12  
MARKET CAP: \$5.0M  
CASH ON HAND: \$2.25M

#### CONTACT:

JUSTIN BROWN  
Managing Director  
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#### BOARD:

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

#### KEY PROJECTS:

PEAK HILL (100%)  
Gold

DURACK (earning 85%)  
Gold

MT PADBURY (100%)  
Gold, Manganese, Iron

BUTCHER BIRD (100%)  
\*under application  
Manganese, Copper

#### KEY SHARE HOLDINGS:

AUVEX RESOURCES LTD  
10,000,000 FPO Shares

BUXTON RESOURCES LTD  
2,000,000 FPO Shares

## HIGHLIGHTS

### • PEAK HILL (100%)

- RC programme completed comprising 28 holes for 3,721m.
- Highlights include **4m @ 8.62 g/t Au** from 172m including **1m @ 31.6 g/t Au** and **5m @ 3.2 g/t Au** from 5m.
- Applications have been lodged which will double the Company's ground holding in the Peak Hill Project.
- Drilling highlights by previous workers include;
  - **6m @ 21.2 g/t from 51m,**
  - **4m @ 11.0 g/t from 27m;**
  - **2m @ 25.7 g/t from 52m and;**
  - **8m @ 5.7 g/t from 10m.**
- Resource upgrade process continues on schedule.

### • BUTCHER BIRD MANGANESE (100% under application)

- Best rock chip result of **41.1% Mn with only 4.55% Fe.**
- Tenement also contains a copper prospect with historical grades of up to **20% Cu with gold and silver credits.**
- Several priority targets identified for drilling once tenement is granted.

### • MT PADBURY IRON ORE

- Sinosteel Midwest currently preparing to commence significant RC drilling programme targeting iron mineralisation.
- \$4M cash payable to Montezuma on definition of a JORC Resource in excess of 10Mt grading over 50% Fe.

### • AUVEX RESOURCES LIMITED (MZM 10M SHARES)

- Auvex in advanced discussions regarding final funding of the development of the Ant Hill and Sunday Hill deposits.
- ASX listing expected by Q4 2009.
- Production target of 300,000t/year @ 44% Mn commencing in Q1 2010.

## **PEAK HILL (100%)**

### **RC Drilling Programme**

Montezuma is pleased to announce initial assay results from the recently completed RC drilling programme at its 100% owned Peak Hill project.

The programme included drilling at Jubilee, Harmony, Enigma and Fiveways (Main Pit). The planned drilling at Durack has been postponed until the next drilling programme.

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

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

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

Montezuma's strategy is to continue to extend the known gold resources at the Peak Hill project with the goal of recommencing gold production in the medium term.

The current programme continues to confirm the potential of the project to yield significant additional ounces and the company looks forward to rolling out further drilling programmes and updated resource estimates in the near term.

### **Ground Acquisition**

During the Quarter, Montezuma also announced a major increase in the Company's tenure at Peak Hill, increasing near mine ground holdings by over 100%. Specifically, the Company has lodged two exploration licences covering approximately 40km<sup>2</sup> of highly prospective ground adjacent to the main production areas at the Main Pit, Jubilee and Harmony.

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

HoleID	Easting	Northing	Azimuth	Dip	From	To	Au	Composite
E09001	664365	7161739	60	-60	47	48	3.9	
					51	52	1.5	
					54	55	2.9	2m @ 2.7 g/t
					55	56	2.4	
E09006	664897	7161352	60	-60	107	108	3.5	
					120	121	2.3	
					124	125	1.4	
E09007	664922	7161313	60	-60	175	176	1.1	2m @ 1.5 g/t
					176	177	1.8	
					181	182	2.5	3m @ 1.5 g/t
					182	183	0.8	
E09008	664764	7161409	60	-60	48	49	1.3	
					54	55	4.7	
					115	116	2.0	
					137	138	1.7	
					172	173	31.6	4m @ 8.62 g/t
					173	174	1.8	
					174	175	0.3	
175	176	0.7						
J09003	672470	7165379	130	-60	106	107	2.0	
J09004	672426	7165343	90	-60	66	67	2.1	
J09005	672394	7165303	130	-60	72	73	2.2	
J09006	672362	7165275	130	-60	70	71	1.2	
J09007	672427	7165247	290	-60	5	6	4.3	5m @ 3.2 g/t
					6	7	5.4	
					7	8	0.4	
					8	9	2.6	
					9	10	3.3	
J09008	672544	7165539	180	-60	21	22	1.5	
					81	82	1.9	
					88	89	2.5	
					132	133	1.7	
J09009	672539	7165521	180	-60	23	24	2.4	2m @ 1.7 g/t
					24	25	1.0	
					118	119	1.5	2m @ 2.4 g/t
					119	120	3.3	
					126	127	2.3	2m @ 2.7 g/t
					127	128	3.1	
					140	141	1.4	
178	179	2.6						
231	232	2.2						
J09010	672592	7165461	270	-60	17	18	2.5	10m @ 1.3 g/t
					18	19	1.4	
					19	20	1.4	
					20	21	3.1	
					21	22	0.7	
					22	23	1.4	
					23	24	1.0	
					24	25	0.2	
					25	26	0.1	
					26	27	1.0	
					114	115	1.1	4m @ 1.2 g/t
					126	127	1.5	
					127	128	0.7	
					128	129	0.0	
129	130	2.5						

HoleID	Easting	Northing	Azimuth	Dip	From	To	Au	Composite
JW09001	671893	7165675	90	-60	38	39	1.6	
JW09003	671924	7165625	90	-60	7	8	2.6	4m @ 2.0 g/t
					8	9	3.9	
					9	10	0.1	
					10	11	1.5	
					52	53	2.1	
					68	69	2.4	
JW09004	671898	7165627	90	-60	34	35	1.3	
					85	86	1.7	
					103	104	1.5	
M09003	672459	7163701	0	-90	149	150	2.5	2m @ 2.1 g/t
					150	151	1.8	
					155	156	7.6	
M09004	672575	7163923	270	-60	136	137	1.3	

Table 1: Significant Drilling Results

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

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

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

Highlights include:

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

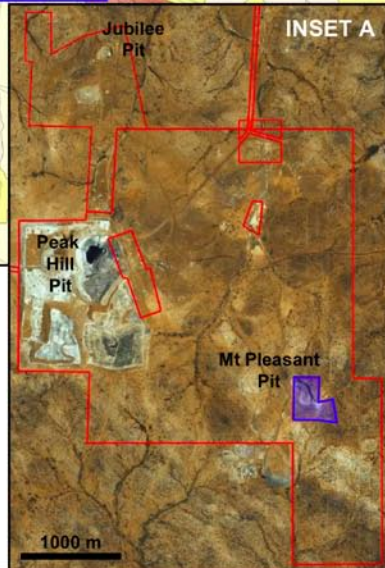
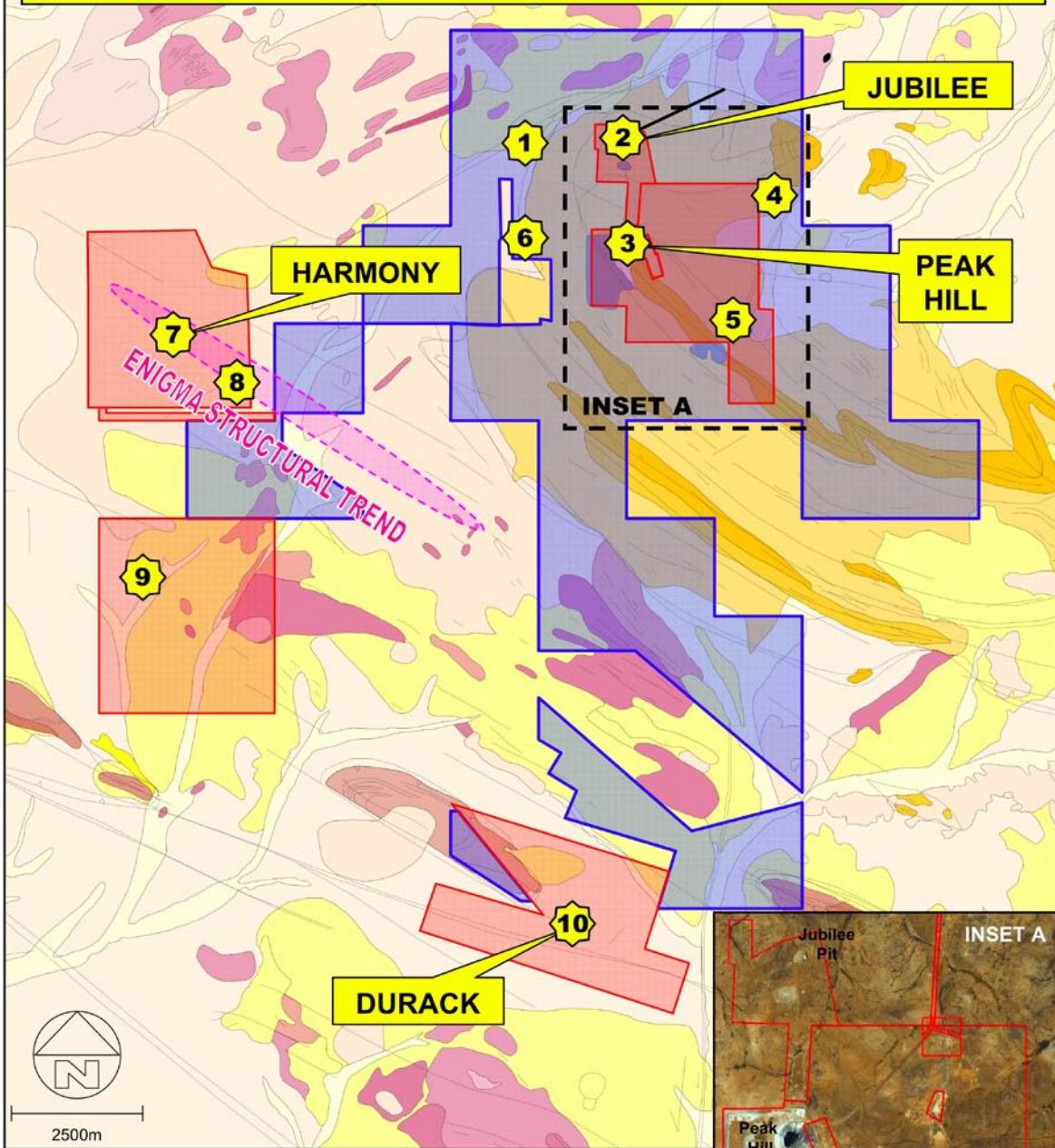
\*True widths of mineralisation cannot be determined with currently available data.

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



# MONTEZUMA MINING PEAK HILL PROJECT

## Priority Target areas



- MONTEZUMA MINING TENEMENT
- NEW TENEMENT APPLICATION

**HISTORICAL PRODUCTION**

PEAK HILL MINE: 683,787oz  
 MT PLEASANT: 14,225oz @ 3.03g/t  
 JUBILEE: 6,559oz @ 4.00g/t  
 HARMONY: 221,000oz @ 3.24g/t

**PRIORITY TARGETS**

- 1 ARCHERS
- 2 JUBILEE
- 3 PEAK HILL MINE
- 4 FENCE HILL
- 5 MT PLEASANT
- 6 CHRISTMAS GIFT
- 7 HARMONY
- 8 ENIGMA
- 9 BAXTER'S SOUTH
- 10 DURACK

The ground also includes the Mt Pleasant mine where gold has been successfully produced from a small open cut mining operation by previous holders. Significant untested exploration potential remains for extensions to this deposit.

The acquisition of this additional tenure around the Company's core holdings at Peak Hill significantly expands the potential of this project by allowing unrestricted access potential for extensions to the known resource areas as well as adding significantly to the brown-fields potential of the project.

In many cases, the targets outside the immediate gold producing areas have been subjected to very limited or at best only shallow exploration. Montezuma intends to leverage off extensive in-house datasets and geological understanding of the Peak Hill gold mineralisation to aggressively pursue the additional potential provided by this extended holding.

The development of the gold resources at Peak Hill remains 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.

### **BUTCHER BIRD (MZM 100% under application)**

Montezuma is pleased to announce that first pass sampling on EL 52/2350 "Butcher Bird" have returned very strong manganese results providing encouragement for larger scale systematic follow up work.

ID	East (GDA)	North (GDA)	Mn (%)	Fe (%)	Al2O3 (%)	SiO2 (%)	TiO2 (%)	LOI (%)
BB01	773419	7296380	34.1	10.8	6.21	16.8	0.22	10.1
BB02	773957	7297726	39.2	9.15	5.96	12.2	0.19	10.7
BB03	774128	7297719	40.4	12.1	5.19	8.09	0.15	10.4
BB04	774301	7297712	29.7	15.4	5.6	18.3	0.19	9.96
BB05	774270	7297893	31.6	14.1	5.24	18.6	0.18	9.54
BB06	773515	7297781	36.1	11.3	5.01	15.7	0.17	9.87
BB07	772622	7298559	15.7	24	7.93	24.4	0.42	9.65
BB08	772672	7302715	25.2	17.3	4.91	20.9	0.34	10
BB10	773123	7304219	34.3	10.6	5.45	18.6	0.2	9.78
BB11	773334	7304217	36.3	8.82	5.64	17.7	0.2	9.79
BB12	773258	7304384	32.1	14.8	4.86	17.3	0.18	9.52
BB13	772753	7297635	39.5	6.96	5.28	16.6	0.18	9.8
BB14	772569	7297561	41.1	4.55	5.07	18	0.19	9.42
BB15	772405	7297597	35.5	9.83	5.17	18.7	0.19	9.6
BB16	772340	7297549	20.4	23.2	5.59	21	0.22	9.66
BB17	774537	7297583	38.8	7.94	4.47	17	0.17	9.69

A follow up field programme has resulted in the delineation of a number of priority targets for follow up work. The tenement is currently going through the grant process and, once granted, drill testing of a number of areas will be a priority. Based on the work to date, the tenement shows strong potential for commercial manganese mineralisation and compliments the Company's other investments in the manganese sector.

Work programmes to follow up these early results are currently being planned, and subject to further success and receipt of necessary approvals, drill testing of priority targets will be scheduled.



### **MT PADBURY (100% of rights other than iron ore and manganese)**

As previously announced, Sinosteel Midwest ("Sinosteel Midwest") has purchased the iron ore rights within the Mt Padbury Project pursuant to a sale agreement completed earlier this year. Per the terms of the agreement, Sinosteel Midwest is currently preparing to commence a significant RC drilling programme targeting iron ore mineralisation within approximately 20 strike kilometres of Banded Iron Formation outcropping within the Project area

If Sinosteel Midwest defines a JORC compliant iron ore resource in excess of 10M tonnes grading over 50% Fe, Midwest will make a third payment of \$4M cash to Montezuma.

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

This milestone is an important step in providing the Company with working capital to fund ongoing acquisition and exploration strategies at the Peak Hill Gold Project.

### **AUVEX RESOURCES LIMITED (MZM 10M SHARES)**

Montezuma's investment in Auvex Resources Limited ("Auvex") continues to mature, with Auvex entering into advanced discussions with a number of parties regarding final funding of the development of the Ant Hill and Sunday Hill manganese deposits. In conjunction with discussions



with major investors, Auvex is also making arrangements to seek listing on the ASX in the fourth quarter of 2009.

The global JORC Resource calculation for the Ant Hill manganese deposit yields a four fold increase to **4.911Mt @ 20.3% Mn** and 25.4% Fe using a 10% Mn cutoff.

It is estimated that the revised Resource figure covers approximately 30% of the known deposit at Ant Hill and excludes the Sunday Hill deposit where there is an **additional JORC Resource of 4.7Mt @ 18.4% Mn**.

Recently completed **trial mining has yielded approximately 30,000 tonnes of high grade product at 44.75% Mn** and 12.2% Fe and 25,000 tonnes of medium grade material from a parcel of 126,500 tonnes mined. The trial confirms the potential for the production of a high grade product stream through low cost crushing and screening of the primary ore.

Auvex are targeting an initial production rate of 300,000t per annum grading 44% Mn over a minimum of five years commencing in the second half of 2009. It is expected that further exploration drilling will extend the potential mine 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 operation



**Figure 1: Manganite - MnO(OH) crystals from Sunday Hill**

The Company is 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.

Successful listing of the Auvex on the ASX in the near term will provide an opportunity to generate tangible returns from Montezuma's shareholding in the company, with the potential to inject significant capital onto our balance sheet to fund continued work at Peak Hill and Butcher Bird, as well as potential future acquisitions, underpinning Company growth and shareholder returns.



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## **More Information**

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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.*