

MONTEZUMA MINING COMPANY LIMITED

ABN 46 119 711 929

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2017

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 2017 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 2017

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 2017

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 2017.

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:

	2017	
	Revenues	Results
	\$	\$
Consolidated entity	197,089	(1,264,315)

During the half year ending 31 December 2017, the Company advanced its Butcherbird Project and high purity manganese studies. Purification testwork was completed during the period and achieved industry specification for producing Electrolytic Manganese Dioxide.

The Company also commenced a Scoping Study during the period with the appointment of a study manager. The Study will assess the options for project development and provide an assessment of the potential capital and operating cost requirements relating to project development.

In the event that a successful Scoping Study is delivered, a decision to proceed to a Preliminary Feasibility Study will be considered by the Company.

Also during the half year ending 31 December 2017, the Company initiated a strategic review of the Company's business strategies and asset portfolio with the aim of establishing the best way to extract shareholder value whilst maintaining a priority focus on the project development of the Company's Butcherbird Project.

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, 9 March 2018

ROTHSAY

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
45 Richardson St
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 2017 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Rolf Garda (Lead auditor)

Rothsay Auditing

Dated 9 March 2018



Chartered Accountants

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Half-year	
	2017	2016
	\$	\$
REVENUE AND OTHER INCOME		
Interest received	37,089	56,370
Net gain on sale of mining interests	160,000	840,000
Fair value gains on financial assets	-	250,308
EXPENDITURE		
Administration expenses	(167,538)	(156,183)
Depreciation expense	-	(11,190)
Exploration expenditure	(870,028)	(939,588)
Salaries and employee benefits expense	(156,539)	(56,060)
Secretarial and share registry expenses	(70,397)	(98,235)
Fair value losses on financial assets	(31,842)	-
Share-based payments expense	(165,060)	(82,566)
LOSS BEFORE INCOME TAX	(1,264,315)	(197,144)
Income tax expense	-	-
LOSS FOR THE HALF-YEAR AFTER TAX	(1,264,315)	(197,144)
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	8,748	(615)
Other comprehensive income for the period, net of tax	8,748	(615)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MONTEZUMA MINING COMPANY LIMITED	(1,255,567)	(197,759)
Basic and diluted loss per share (cents)	(1.5)	(0.2)

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 2017

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Notes	31 December 2017 \$	30 June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		3,261,299	4,175,060
Trade and other receivables		67,045	35,410
Financial assets at fair value through profit or loss	3	7,091,569	7,253,475
TOTAL CURRENT ASSETS		10,419,913	11,463,945
NON-CURRENT ASSETS			
Plant and equipment		1,317	-
TOTAL NON-CURRENT ASSETS		1,317	-
TOTAL ASSETS		10,421,230	11,463,945
CURRENT LIABILITIES			
Trade and other payables		260,914	213,122
TOTAL CURRENT LIABILITIES		260,914	213,122
TOTAL LIABILITIES		260,914	213,122
NET ASSETS		10,160,316	11,250,823
EQUITY			
Issued capital	4	14,351,850	14,351,850
Reserves		3,592,975	3,419,167
Accumulated losses		(7,784,509)	(6,520,194)
TOTAL EQUITY		10,160,316	11,250,823

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2017

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Contributed Equity	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2016	12,353,350	3,265,162	(22,518)	(7,520,419)	8,075,575
Loss for the period	-	-	-	(197,144)	(197,144)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(615)	-	(615)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(615)	(197,144)	(197,759)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	2,210,000	-	-	-	2,210,000
Share issue transaction costs	(211,500)	-	-	-	(211,500)
Employee, contractor and supplier share options	-	168,966	-	-	168,966
BALANCE AT 31 DECEMBER 2016	14,351,850	3,434,128	(23,133)	(7,717,563)	10,045,282
BALANCE AT 1 JULY 2017	14,351,850	3,439,193	(20,026)	(6,520,194)	11,250,823
Loss for the period	-	-	-	(1,264,315)	(1,264,315)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	8,748	-	8,748
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	8,748	(1,264,315)	(1,255,567)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Employee, contractor and supplier share options	-	165,060	-	-	165,060
BALANCE AT 31 DECEMBER 2017	14,351,850	3,604,253	(11,278)	(7,784,509)	10,160,316

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2017

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Half-year	
	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(824,798)	(976,034)
Payments to suppliers and employees	(404,757)	(328,600)
Proceeds on sale of mining interests	160,000	50,000
Interest received	26,404	53,007
Proceeds from sale of financial assets at fair value through profit or loss	380,064	54,160
Payments for financial assets at fair value through profit or loss	(250,000)	-
Net cash outflow from operating activities	(913,087)	(1,147,467)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(1,294)	-
Net cash outflow from investing activities	(1,294)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	-	2,210,000
Payments for share issue transaction costs	-	(125,100)
Net cash inflow from financing activities	-	2,084,900
Net (decrease)/increase in cash and cash equivalents	(914,381)	937,433
Cash and cash equivalents at the beginning of the half-year	4,175,060	3,692,673
Effects of exchange rate changes on cash and cash equivalents	620	(1,005)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	3,261,299	4,629,101

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2017

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 2017 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 2017 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 unless otherwise stated.

New and amended standards adopted by the Group

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the interim reporting period.

Impact of standards issued but not yet applied by the Group

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 2017. 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.

Critical accounting estimates and judgements

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. In preparing this half-year financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2017.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2017

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	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Segment revenue	160,000	840,000 ⁽¹⁾	-	-	160,000	840,000
Reconciliation of segment revenue to total revenue:						
Interest revenue					37,089	56,370
Fair value gains on financial assets					-	250,308
Total revenue and other income					197,089	1,146,678
Segment results	(620,562)	(70,463)	(97,042)	(29,125)	(717,604)	(99,588)
Reconciliation of segment result to net loss before tax:						
Fair value losses on financial assets					(31,842)	-
Other corporate and administration					(874,869)	(97,556)
Net loss before tax					(1,264,315)	(197,144)
	31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017
	\$	\$	\$	\$	\$	\$
Segment operating assets	-	-	-	-	-	-
Reconciliation of segment operating assets to total assets:						
Other corporate and administration assets					10,421,230	11,463,945
Total assets					10,421,230	11,463,945

(1) During October 2016, the Group completed the sale of exploration licence E15/1447 to Lefroy Exploration Limited ("LEX"). In consideration for the sale, Montezuma was issued 4.2 million fully paid ordinary shares in LEX at a deemed value of \$0.20 per share.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2017	30 June 2017
	\$	\$
Australian listed equity securities	7,091,569	7,253,475

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

	2017 Shares	2017 \$	2016 Shares	2016 \$
As at 1 July	83,464,350	14,351,850	70,464,350	12,353,350
Issues of ordinary shares during the half-year				
Issued for cash at \$0.17 per share	-	-	13,000,000	2,210,000
Share issue costs	-	-	-	(211,500)
As at 31 December	83,464,350	14,351,850	83,464,350	14,351,850

	Number of options	
	2017	2016
As at 1 July	16,700,000	18,320,000
Movement of options during the half-year		
Issued, exercisable at 20 cents, on or before 24 November 2021 ⁽¹⁾	-	2,000,000
Issued, exercisable at 22 cents, on or before 2 December 2019 ⁽¹⁾	-	200,000
Issued, exercisable at 30 cents, on or before 2 December 2019 ⁽¹⁾	-	200,000
Issued, exercisable at 30 cents, on or before 22 August 2020 ⁽²⁾	-	2,000,000
Issued, exercisable at 32.5 cents, on or before 3 November 2022 ⁽¹⁾	600,000	-
Issued, exercisable at 35.5 cents, on or before 28 November 2022 ⁽¹⁾	1,200,000	-
Expired on 1 July 2017, exercisable at 20 cents	(1,000,000)	-
Expired on 15 September 2017, exercisable at 27.5 cents	(500,000)	-
Expired on 30 November 2017, exercisable at 38 cents	(3,000,000)	-
Expired on 30 July 2016, exercisable at 20 cents	-	(1,020,000)
Expired on 30 July 2016, exercisable at 30 cents	-	(1,000,000)
Expired on 30 November 2016, exercisable at 32.5 cents	-	(3,000,000)
As at 31 December	14,000,000	17,700,000

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: EQUITY SECURITIES ISSUED (continued)

- (1) The weighted average fair value of employee and consultant options granted during the half-year was 9.2 cents (2016: 3.7 cents), for a total value of \$165,060 (2016: \$82,566) 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:

	2017	2016
Weighted average exercise price (cents)	34.5	21.0
Weighted average life of the option (years)	5.0	4.6
Weighted average underlying share price (cents)	25.2	12.5
Weighted average expected share price volatility	50.0%	50.0%
Weighted average risk free interest rate	2.2%	2.4%

- (2) The fair value of options granted as part consideration for capital raising fees during the 2016 half-year was 4.3 cents, for a total value of \$86,400 included within share issue costs as part of contributed equity. The fair value was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2017	2016
Exercise price (cents)	N/A	30.0
Life of the option (years)	N/A	4.0
Underlying share price (cents)	N/A	17.0
Expected share price volatility	N/A	50.0%
Risk free interest rate	N/A	1.8%

NOTE 5: CONTINGENCIES

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

NOTE 6: SUBSEQUENT EVENTS

On 26 February 2018 a new 100% owned subsidiary company, Fortitude Metals Limited, was incorporated.

No other matter or circumstance has arisen since 31 December 2017, 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 2017

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 2017 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, 9 March 2018



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 2017.

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 2017 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 2017 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 Auditing

Rolf Garda
Partner

Dated 9 March 2018



Chartered Accountants