

## QUARTERLY REPORT

**MONTEZUMA**  
MINING COMPANY LTD

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### Three Months Ending: 30 June 2008

ASX CODE: MZM  
ISSUED SHARES: 41.29M  
52 WEEK HIGH: \$0.36  
52 WEEK LOW: \$0.10

#### 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

ROBINSON RANGE (70%)  
Uranium, Gold

#### KEY SHARE POSITIONS:

AUVEX RESOURCES LTD  
10,000,000 FPO Shares

BUXTON RESOURCES LTD  
2,000,000 FPO Shares

## HIGHLIGHTS

- **PEAK HILL (100%)**
  - Target generation programme nears completion.
  - RC drilling to commence in the coming quarter - **currently awaiting the arrival of the drilling rig.**
  - We intend to complete an updated resource by year-end 2008 which will include historic drill data not in the current resource model and drilling completed since acquisition.
- **DURACK (Earning 85%)**
  - Acquired the Durack Project, adding **42,659 ounces** to Montezuma's gold inventories in the Peak Hill region.
  - The project is located **only 12km south** of Peak Hill and will be included in planned future scoping and feasibility studies in relation to renewed production from the area.
- **MT PADBURY E52/1529 (Earning 100%)**
  - Acquisition of the remaining 10% interest from Dolphin Resources Limited completed.
  - Montezuma to receive **10,000,000 FPO shares in Auvex** plus a royalty in consideration for the manganese rights.
  - Auvex Resources Limited continues to advance plans to **commence manganese production** and list on the ASX.
- **CALLAWA (100%)**
  - Currently awaiting the arrival of a drilling rig to commence first pass testing of high-grade (up to 25%) copper mineralisation.
- **KEY APPOINTMENT**
  - Trevor Saul appointed as Exploration Manager.

## PEAK HILL (MZM 100%)

Ongoing technical analysis during the Quarter by our expanded technical team has significantly advanced our understanding of the Peak Hill mineralisation.

The review has confirmed where the best potential exists to expand the known resources and will provide the basis for a new phase of RC drilling commence in the coming Quarter. The arrival of an RC drilling rig to undertake the planned work is awaited.

The current plan is to complete an updated resource model by year-end 2008 which will include historic drill data not in the current resource model and drilling completed since acquisition.

## DURACK (MZM Earning 85%)

During the Quarter, Montezuma successfully negotiated an agreement with Grange Resources Limited to acquire an 85% interest in the granted mining lease M52/801, which contains the Durack gold deposit.

Montezuma has agreed to spend \$500,000 on exploration and development over the next four years to earn an 85% interest in the licence, which is ideally located to provide satellite resources to any centralised operation at Peak Hill, 12km to the north.

Previous workers have identified an Indicated and Inferred gold Resource at Durack of 567,679t @ 2.34 (1.0g/t cutoff, and top-cut of 25 g/t) for a total of 42,659 oz Au. Uncut, the resource grade increases to 3.33 g/t with an increase in total ounces to 60,836.

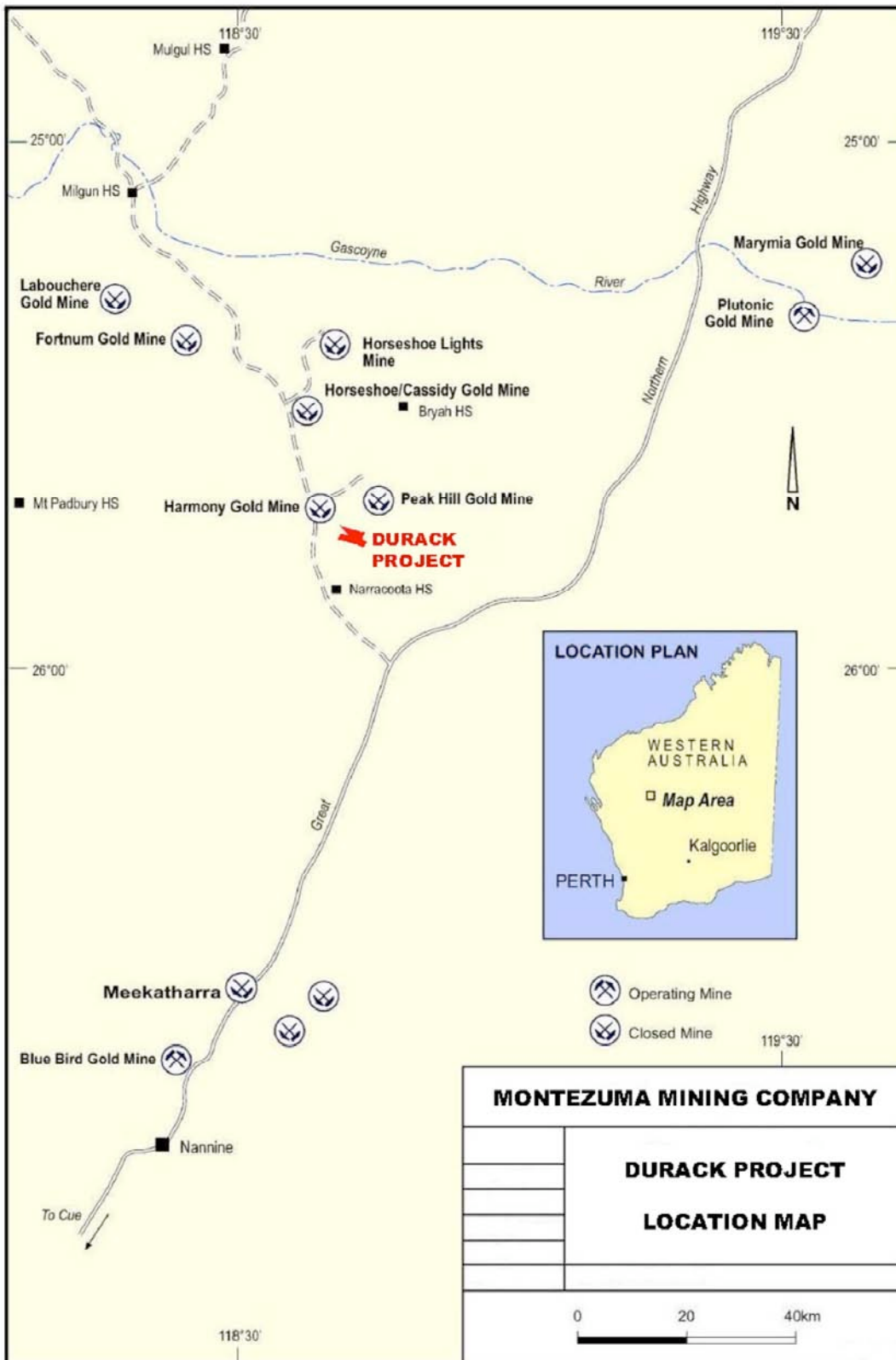
Highlights from the most recent drilling at Durack, completed in 2003 include:

- 12m @ 15.16g/t Au from 87m (DURC004)
- 8m @ 11.86g/t Au from 14m (DURC005)
- 13m @ 4.68g/t Au from 77m (DURC008)
- 8m @ 2.20g/t Au from 94m (DURC008)

A full breakdown of the existing resources at Durack are outlined in the following table:

**Durack Deposit**  
**November 2004 Resource Estimate 1.0g/t Cutoff**

Type	Indicated			Inferred			Total					
	Tonnes T	Uncut g/t	Cut25 g/t	Tonnes T	Uncut g/t	Cut25 g/t	Tonnes T	Uncut g/t	Cut25 g/t	Uncut Ounces	Cut Ounces	
Oxide	159,879	2.67	2.09	86,022	6.08	2.51	245,901	3.86	2.24	30,537	17,700	
Transition	226,895	2.97	2.31	94,883	2.82	2.67	321,778	2.93	2.41	30,298	24,959	
<b>Total</b>	<b>386,774</b>	<b>2.85</b>	<b>2.22</b>	<b>180,905</b>	<b>4.37</b>	<b>2.59</b>	<b>567,679</b>	<b>3.33</b>	<b>2.34</b>	<b>60,836</b>	<b>42,659</b>	



The gold mineralisation at Durack is associated with pyrite alteration on the margins of steeply dipping quartz veins within a package of intercalated mafic volcanics and sedimentary rocks. The main mineralised zone is broadly concordant with stratigraphy, trending at 130°, dipping sub-vertically to the north-east.

Several exploration targets have been identified within the lease which provide opportunities to add to this additional resource. Montezuma will undertake a detailed internal assessment of these and other target areas before planning the first phase of work to progress the project.

The Durack acquisition demonstrates the Company's ability to add to the Peak Hill project resources with minimal outlay and the additional resource inventory is an important step to achieving the Company's stated strategic goal of an initial target gold Resource of 500,000 ounces to underpin its plans to recommence production from the gold field.

### **MT PADBURY (Earning 100%)**

During the previous Quarter, the Company successfully negotiated an agreement with Dolphin Resources Pty Ltd to acquire their 10% of the Mt Padbury licence E52/1529. This deal has now been completed and transfer documents have been received from Dolphin in relation to this transaction.

This is an important strategic step in that it has allowed the agreement with Auvex Resources to occur, and rationalises the Company's ownership of this prospective tenement.

### **GOLD**

At the Wood Creek Prospect within the Mt Padbury Project, work to date has confirmed the presence of a significant mineralised structure beneath a strongly mineralised supergene halo.

The mineralisation is associated with a prominent regional structure with approximately 10 strike kilometres of untested potential and follow up work is anticipated to commence in the coming quarter to test the strike extensions of the known mineralised area.

### **MANGANESE**

During the Quarter, the Company successfully negotiated an agreement with Auvex Resources Limited for the sale of the manganese rights over the Mt Padbury licence E52/1529.

In consideration for the sale, Montezuma will receive 10M fully paid ordinary shares in the issued capital of Auvex. On listing, this holding will represent approximately 12% of the issued capital of Auvex. Montezuma retain a \$2/DMT royalty and will nominate one director to the Board of Auvex.

The agreement provides Montezuma with a major equity interest in an emerging manganese producer ideally positioned to capitalise on very strong demand and high prevailing prices currently associated with global manganese markets.

In addition to Mt Padbury, Auvex is party to a Joint Venture Agreement over the Sunday Hill and Ant Hill manganese deposits in Western Australia which contain JORC compliant, inferred resource of 4.7million tonnes @ 18.4% manganese and 1.19million tonnes @ 23.4% manganese respectively.

Auvex is also currently in negotiations with other parties to expand on the current portfolio and provide additional exploration upside as the foundation for a successful manganese export business.

Auvex currently has a prospectus open to raise pre-IPO capital to fund the development of their manganese production operations. Interested investors should download and review the prospectus:

<http://www.auvex.com.au/page6/page7/page7.html>

## **ROBINSON RANGE JV (MZM 70%)**

During the quarter, the technical team has focussed on target generation primarily in relation to the gold potential within the southern JV tenements covering the Naracoota volcanics along the contact of the basement gneisses. There are several historic anomalies and potential targets through this east-west striking belt that suggest some moderate potential for small-scale gold resources.

Our intention is to complete our review and prioritisation of these targets and to plan on ground programmes to test the potential.

## **PERSONNEL**

The Company is please to announce the appointment of a new Exploration Manager, Trevor Saul. Trevor has in excess of 12 years experience in open cut and underground mining operations in a variety of terranes, with extensive exposure to gold, including the Plutonic and Bluebird gold mines near Peak Hill, as well as the Bronzewing, Hill 50, Mt Magnet and Telfer mines.

Trevor is ideally skilled to manage the Company's operational efforts to develop our Peak Hill and regional projects and complements the skills of the recently appointed Project Geologist to the Peak Hill campaign.

The Board welcomes Trevor to the Company.

### **More Information**

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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.*