

MONTEZUMA MINING COMPANY LIMITED  
ACN 119 711 929

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

**Date of Meeting**  
29 November 2011

**Time of Meeting**  
11:00 am

**Place of Meeting**  
The Celtic Club  
48 Ord Street  
WEST PERTH WA

*The 2011 Annual Report may be viewed on the Company's website at*  
[www.montezumamining.com.au](http://www.montezumamining.com.au)

Notice is hereby given that the Annual General Meeting of Shareholders of Montezuma Mining Company Limited (**Company**) will be held at The Celtic Club, 48 Ord Street, West Perth WA 6005 on 29 November 2011 at 11:00 am for the purpose of transacting the following business.

## ORDINARY BUSINESS

### 2011 Financial Statement

To receive the financial statements of the Company for the year ended 30 June 2011, consisting of the Annual Financial Report, the Directors' Report and the Auditor's Report.

### Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of section 250R(2) of the Corporations Act, the Remuneration Report in the 2011 Annual Report of the Company be adopted."*

**Short Explanation:** The Remuneration Report is in the Directors' Report section of the Company's Annual Report. Listed companies are required to put the Remuneration Report to the vote for adoption at the Company's Annual General Meeting.

The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution that a further meeting is held at which all of the Company's Directors (other than the Managing Director and CEO) must stand for re-election.

### Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any of the key management personnel listed in the Remuneration Report and any closely related parties of those people. However, the Company need not disregard a vote if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
- (b) it is cast by the person chairing the meeting as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution.

### Resolution 2 - Re-election of Mr John Ribbons as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That Mr John Ribbons, having retired as a Director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for re-election, be re-elected a Director of the Company."*

**Short Explanation:** Pursuant to the Company's Constitution, one-third of the Directors of the Company (other than the managing director) must retire at each Annual General Meeting and, being eligible, may offer themselves for re-election.

### Resolution 3 - Election of Mr Seamus Cornelius as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That Mr Seamus Cornelius, having been appointed a director since the previous General Meeting, retires as a director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for election, be elected a director of the Company."*

**Short Explanation:** Pursuant to the Company's Constitution, directors appointed to fill a casual vacancy must retire at the next meeting of members and, being eligible, may offer themselves for election.

#### Resolution 4 - Approval of Grant of Options to Mr Justin Brown

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Listing Rule 10.11 of ASX, the issue of 500,000 Options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 143% of the VWAP of the fully paid ordinary Shares of the Company on the five days prior to the date of the meeting to approve the issue and expiring on 30 November 2015 and otherwise on the terms and conditions outlined in Annexure A, to Mr Justin Brown, or his nominee, for nil consideration, be and is hereby approved."*

**Short Explanation:** Approval is sought under Listing Rule 10.11 to authorise the Company to issue these securities. Please refer to the Explanatory Memorandum for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

#### Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 4 by Mr Brown and any associate of Mr Brown. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### Resolution 5 - Approval of Grant of Options to Mr John Ribbons

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Listing Rule 10.11 of ASX, the issue of 500,000 Options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 143% of the VWAP of the fully paid ordinary Shares of the Company on the five days prior to the date of the meeting to approve the issue and expiring on 30 November 2015 and otherwise on the terms and conditions outlined in Annexure A, to Mr John Ribbons, or his nominee, for nil consideration, be and is hereby approved."*

**Short Explanation:** Approval is sought under Listing Rule 10.11 to authorise the Company to issue these securities. Please refer to the Explanatory Memorandum for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

#### Voting Exclusion Statement

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 5 by Mr Ribbons and any associate of Mr Ribbons. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### Resolution 6 - Approval of Grant of Options to Mr Seamus Cornelius

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Listing Rule 10.11 of ASX, the issue of 500,000 Options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 143% of the VWAP of the fully paid ordinary Shares of the Company on the five days prior to the date of the meeting to approve the issue and expiring on 30 November 2015 and otherwise on the terms and conditions outlined in Annexure A, to Mr Seamus Cornelius, or his nominee, for nil consideration, be and is hereby approved."*

**Short Explanation:** Approval is sought under Listing Rule 10.11 to authorise the Company to issue these securities. Please refer to the Explanatory Memorandum for details. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

**Voting Exclusion Statement**

The Company will, in accordance with the Listing Rules, disregard any votes cast on Resolution 6 by Mr Cornelius and any associate of Mr Cornelius. However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 7 - Ratification of Allotment and Issue of Shares**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Listing Rule 7.4 of the ASX and for all other purposes, the Company approves and ratifies the allotment and issue of 1,515,513 fully paid ordinary shares issued on terms and conditions set out in the Explanatory Memorandum accompanying this Notice to persons who are not related parties of the Company."*

**Short Explanation:** Approval is sought under Listing Rule 7.4 to allow the Company to ratify the allotment and issue of these securities. Please refer to the Explanatory Memorandum for details.

**Voting Exclusion Statement**

The Company will, in accordance with the Listing Rules of the ASX, disregard any votes cast on Resolution 7 by any person who participated in the issue and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 8 - Ratification of Allotment and Issue of Options**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Listing Rule 7.4 of the ASX and for all other purposes, the Company approves and ratifies the allotment and issue of 1,500,000 Options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 58 cents and expiring on 14 December 2013 and otherwise on the terms and conditions outlined in Annexure B, to Kongming Investments Limited."*

**Short Explanation:** Approval is sought under Listing Rule 7.4 to allow the Company to ratify the allotment and issue of these securities. Please refer to the Explanatory Memorandum for details.

**Voting Exclusion Statement**

The Company will, in accordance with the Listing Rules of the ASX, disregard any votes cast on Resolution 8 by any person who participated in the issue and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**Resolution 9 - Ratification of Allotment and Issue of Options**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purpose of Listing Rule 7.4 of the ASX and for all other purposes, the Company approves and ratifies the allotment and issue of 1,500,000 Options to acquire ordinary fully paid shares in the capital of the Company at an exercise price of 58 cents and expiring on 14 December 2013 and otherwise on the terms and conditions outlined in Annexure C, to Kongming Investments Limited."*

**Short Explanation:** Approval is sought under Listing Rule 7.4 to allow the Company to ratify the allotment and issue of these securities. Please refer to the Explanatory Memorandum for details.

**Voting Exclusion Statement**

The Company will in accordance with the Listing Rules of the ASX, disregard any votes cast on Resolution 9 by any person who participated in the issue and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

A proxy form is attached.

To be valid, properly completed proxy forms must be received by the Company no later than 11:00 am (WST) on 27 November 2011:

- By post at PO Box 1153, West Perth WA 6872
- By facsimile on 08 9389 2199

By order of the Board

A handwritten signature in blue ink that reads "John Ribbons". The signature is written in a cursive style with a large loop at the end.

John Ribbons  
Company Secretary  
Date: 5 October 2011

## PROXIES

A shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.

A proxy may, but need not be, a shareholder of the Company.

The instrument appointing the proxy must be in writing, executed by the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, either under seal or under hand of an officer duly authorised.

The instrument of proxy (and the power of attorney or other authority, if any, under which it is signed) must be lodged by person, post, courier or facsimile and reach the registered office of the Company at least 48 hours prior to the meeting. For the convenience of Shareholders a Proxy Form is enclosed.

## ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding ordinary Shares at 5:00 pm Perth time on 27 November 2011 will be entitled to attend and vote at the Annual General Meeting.

## CORPORATIONS

A corporation may elect to appoint a representative in accordance with the Corporations Act, in which case the Company will require written proof of the representative's appointment, which must be lodged with, or presented to the Company before the meeting.

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the Shareholders of Montezuma Mining Company Limited ACN 119 711 929 (**Company**) in connection with the business to be conducted at the Annual General Meeting of the Company to be held at The Celtic Club, 48 Ord Street, West Perth WA 6005, on 29 November 2011 commencing at 11:00 am.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

At the Annual General Meeting, Shareholders will be asked to consider resolutions:

- Adopting the remuneration report, this resolution is advisory only;
- Re-electing Mr John Ribbons as a director, who retires by rotation in accordance with the Company's constitution;
- Electing Mr Seamus Cornelius as a director, in accordance with the Company's Constitution;
- Approving Grant of Options to Mr Justin Brown;
- Approving Grant of Options to Mr John Ribbons;
- Approving Grant of Options to Mr Seamus Cornelius;
- Ratification of Allotment and Issue of Shares;
- Ratification of Allotment and Issue of Options; and
- Ratification of Allotment and Issue of Options.

Each resolution is an ordinary resolution requiring it to be passed by a simple majority of votes cast by the Shareholders entitled to vote on it.

### Financial and Other Reports

As required by section 317 of the Corporations Act, the financial statements for the year ended 30 June 2011 and the accompanying Directors Report, Directors' Declaration and Auditor's Report will be laid before the meeting.

Neither the Corporations Act, nor the Company's Constitution requires a vote on the reports. However, the Shareholders will have an opportunity to ask questions about the report at the Annual General Meeting.

### Resolution 1 - Remuneration Report

#### Introduction

As required by the Corporations Act, the Board is presenting the Remuneration Report to Shareholders for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- information about the Board's policy for determining the nature and amount of remuneration of the Directors and senior executives of the Company;
- a description of the relationship between the Company's remuneration policy and the Company's performance;
- a summary of performance conditions for each of the Directors and senior executives, including a summary of why they were chosen and how performance is measured against them; and
- remuneration details for each Director and for each of the Company's specified executives.

The Remuneration Report, which is part of the 2011 Annual Report, has been sent to Shareholders who have made an election to receive the Annual Report. Copies of the 2011 Annual Report are available by contacting the Company's share register or visiting the Company's web site [www.montezumamining.com.au](http://www.montezumamining.com.au).

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution that a further meeting is held within 90 days at which all of the Company's Directors (other than the Managing Director) must go up for re-election.

### Voting on the Remuneration Report

In accordance with section 250R(4) of the Corporations Act, a vote on the Remuneration Report Resolution must not be cast (in any capacity) by or on behalf of either the following persons:

- (a) a member of the key management personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may cast a vote on the Resolution if:

- (c) the person does so as a proxy appointed in writing that directs how the proxy is to vote on the Remuneration Report Resolution; and
- (d) the vote is not cast on behalf of the person described in paragraphs (a) or (b) above.

In respect of Resolution 1, Shareholders are advised that their votes will not be counted if the Chairman is appointed to vote on their behalf with an undirected proxy form. As a result, if Shareholders wish to appoint the Chairman to vote on their behalf, they should ensure that they have specified the way that the Chairman must vote on Resolution 1.

### Resolution 2 - Re-election of John Ribbons as a Director

Mr John Ribbons retires as a director of the Company in accordance with the Company's Constitution and, being eligible, has offered himself for election.

Mr Ribbons is an accountant who has worked within the resources industry for over eighteen years.

Mr Ribbons has extensive knowledge and experience with ASX listed production and exploration companies. He has considerable site based experience with operating mines and has also been involved with the listing of several exploration companies on ASX. Mr Ribbons has experience in capital raising, ASX and TSX compliance and regulatory requirements and is the Company's Secretary.

All the Directors except for Mr Ribbons recommend that Shareholders vote in favour of Resolution 2.

### Resolution 3 - Election of Seamus Cornelius as a Director

Resolution 3 deals with the election of Mr Seamus Cornelius who was appointed a non-executive director during the year. Mr Cornelius has been appointed a director since the previous General Meeting and retires as a director of the Company in accordance with the Company's Constitution and, being eligible, has offered himself for election.

Mr Cornelius is a lawyer with twenty one years of corporate experience in both legal and commercial negotiations. Mr Cornelius has lived in Shanghai and Beijing since 1993 where he has worked as a corporate lawyer.

From 2000 to 2010, Mr Cornelius was an international partner with one of Australia's leading law firms and specialised in dealing with cross border investments, particularly in the energy and resource sectors. Mr Cornelius has for many years advised large international companies on their investments in China and in recent years advised Chinese state owned entities on their investments in natural resource projects outside China, including Australia.

All the Directors except for Mr Cornelius recommend that Shareholders vote in favour of Resolution 3.

### Resolutions 4, 5 and 6 - Approval of Grant of Options to Directors

The Company proposes to grant a total of 1,500,000 Options to Directors, or their nominees, for nil consideration, as noted in the table below.

Approval is sought under Listing Rule 10.11 to authorise the Company to issue these securities. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Name	Number of options	Exercise price	Expiry date	Vesting
Justin Brown	500,000	143% of the VWAP of the fully paid ordinary shares 5 days prior to the meeting to approve the issue	30 November 2015	At date of allotment
John Ribbons	500,000	143% of the VWAP of the fully paid ordinary shares 5 days prior to the meeting to approve the issue	30 November 2015	At date of allotment
Seamus Cornelius	500,000	143% of the VWAP of the fully paid ordinary shares 5 days prior to the meeting to approve the issue	30 November 2015	At date of allotment

The full terms of the Options are set out in Annexure A to this Explanatory Memorandum.

The Directors consider that the incentives represented by the grant of the Options are a cost effective and efficient means for the Company to provide a reward and an incentive.

The exercise price will only be known on the date of issue. Assuming that the Options were issued on the date of this Notice, the exercise price would be \$0.38. On that basis, in the event all the Options are exercised, the Directors (or their nominees) will need to pay a total of \$570,000 to the Company.

### *Related Party Transactions Generally*

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

1. the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
2. prior Shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E, Directors and persons who were a related party in the previous six months, are considered to be a related party of the Company.

Resolutions 4, 5 and 6 provide for the grant of Options to a related party which is a financial benefit which requires Shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

***The related party to whom the proposed resolution would permit the financial benefit to be given***

Subject to Shareholder approval, the Options the subject of Resolutions 4, 5 and 6 will be granted to Directors or their nominee within one month of the passing of this Resolution. Mr Brown, Mr Ribbons and Mr Cornelius are Directors of the Company and are therefore classified as related parties.

***The nature of, reasons for and basis for the financial benefit***

The proposed financial benefit is the grant to Directors or their nominees, for no issue price, that number of Options shown beside the name of the Director in Table 1 below. Each Option will allow Directors to subscribe for one ordinary fully paid Share in the Company. The exercise price of each Option is also detailed in Table 1.

The Options form part of the Directors' incentive for continuing and future efforts. Options are considered to be an appropriate incentive given the Company's current size and stage of development, being an exploration company with limited cash reserves. If the Directors are to derive any value from the Options, the market Share price must be in excess of the exercise price at the time of exercise. As the exercise price of the Options is at a significant premium the Options represent an incentive to Directors to achieve this significant increase in the Share price, which would result in an increase in Shareholder value.

The exercise price of 143% of the VWAP of the fully paid ordinary Shares of the Company on the five days prior to the date of issue represents a significant premium to the most recent closing Share price prior to the date of this Notice. The Company reviewed the practices of other exploration companies of a similar size and stage of development to determine the number of options required to be issued to attract and retain directors. Based on that review, the Board determined the number of Options proposed in Resolutions 4 to 6 to be appropriate.

***Directors' recommendation***

Mr Brown recommends Shareholders vote in favour of Resolutions 5 and 6.

Mr Brown does not wish to make a recommendation about the proposed Resolution 4 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of the Options and do not consider himself sufficiently independent to make a recommendation.

Mr Ribbons recommends Shareholders vote in favour of Resolutions 4 and 6.

Mr Ribbons does not wish to make a recommendation about the proposed Resolution 5 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of the Options and does not consider himself sufficiently independent to make a recommendation.

Mr Cornelius recommends Shareholders vote in favour of Resolutions 4 and 5.

Mr Cornelius does not wish to make a recommendation about the proposed Resolution 6 as he may potentially receive a financial benefit from the passing of the Resolution in relation to the grant of the Options and does not consider himself sufficiently independent to make a recommendation.

***Interests of Directors***

Mr Brown, Mr Ribbons and Mr Cornelius have noted their respective interests in the approval of Resolutions 4, 5 and 6 in relation to the Options.

***Any other information that is reasonably required by members to make a decision and that is known to the Company or any of its officers.***

- (a) The proposed Resolutions would have the effect of giving power to the Directors to grant 500,000 Options to Mr Brown or his nominee, 500,000 Options to Mr Ribbons or his nominee and 500,000 Options to Mr Cornelius or his nominee.
- (b) The exercise of the Options is subject to the terms and conditions as set out in Annexure A to this Explanatory Memorandum and as otherwise mentioned above;
- (c) The Directors, in conjunction with the Company's advisers have provided an indicative value of the options by reference to the Black-Scholes valuation method, based upon the assumptions outlined in Table 3. The valuation cannot be finalised until the grant date of the Options;

- (d) The total value of the Options to be issued is outlined in Table 1. If Options granted to Directors or their nominee are exercised, the effect would be to dilute the Shareholdings of the existing Shareholders;
- (e) As at the date of this Notice, the issued capital of the Company comprised 67,242,683 Shares. If all Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, and assuming no other share issues proceed, the effect would be to dilute the Shareholding of existing Shareholders as per the table below:

	Existing Shares & Options
Shares & Options	75,042,683
Options to be granted	1,500,000
<b>New Total</b>	<b>76,542,683</b>
Dilutionary effect	<b>2.0%</b>

- (f) The Directors current interests in securities of the Company are detailed in Table 2;
- (g) The market price of the Company's Shares during the term of the Options will normally determine whether or not the Option holder exercises the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Options;
- (h) The Options will not be quoted on ASX and as such have no actual market value. The fully paid ordinary Shares of the Company have been traded on ASX since November 2006. In the twelve months prior to the date of this notice the Shares have traded in the range of 26 cents to 95 cents, the most recent closing price prior to the date of this Notice was 26.5 cents. The Options are capable of being converted to Shares by payment of the exercise price;
- (i) Mr Brown currently receives a salary of \$240,000, plus superannuation, Mr Ribbons currently receives director's fees of \$42,000 per annum and Mr Cornelius currently receives director's fees of \$60,000 per annum;
- (j) Under the Australian Accounting Standards, the Company is required to expense the value of the Options in its Statement of Comprehensive Income for the current financial year. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments, including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Options to Directors or their nominee pursuant to Resolutions 4 to 6; and
- (k) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by this resolution.

***Additional Information***

The following information in relation to the Options to be granted pursuant to Resolutions 4, 5 and 6 is provided to Shareholders:

- (a) the Options will be granted to Mr Brown, Mr Ribbons and Mr Cornelius, or their nominees, as noted above;
- (b) the maximum number of Options to be granted pursuant to Resolutions 4, 5 and 6 is 1,500,000;
- (c) the Options will be allotted and issued on a date which will be no later than 1 month after the date of the annual general meeting;
- (d) the Options will be granted for no consideration and accordingly no funds will be raised by the grant of the Options; and
- (e) the terms and conditions of the Options are set out in Annexure A to this Explanatory Memorandum.

**Table 1 - Details of options to be issued to Related Parties**

Name	Relationship	Number of options	Exercise price	Expiry date	Vesting	Value as determined by Black-Scholes valuation
Justin Brown	Director	500,000	143% of the VWAP of the fully paid ordinary Shares 5 days prior to issue	30 November 2015	At date of allotment	\$82,800
John Ribbons	Director	500,000	143% of the VWAP of the fully paid ordinary Shares 5 days prior to issue	30 November 2015	At date of allotment	\$82,800
Seamus Cornelius	Director	500,000	143% of the VWAP of the fully paid ordinary Shares 5 days prior to issue	30 November 2015	At date of allotment	\$82,800

**Table 2 - Details of current holdings of securities in the Company**

Director	Shareholding	Option holding
Justin Brown	2,112,500	2,500,000
John Ribbons	291,671	1,000,000
Seamus Cornelius	2,868,655	3,000,000

**Table 3 - Option Valuation details**

Details	Input
Share price	\$0.265
Exercise Price	\$0.38*
Risk Free Rate (RBA Cash Rate)	4.25%
Volatility (Annualised)	95%
Start Date	29 November 2011
Expiry Date	30 November 2015
<b>Value per Option</b>	<b>\$0.1656</b>

\* Based on 5 day VWAP of the fully paid ordinary shares 5 days prior to the date of this Notice, being 5 October 2011.

**Resolution 7 - Ratification of Allotment and Issue of Shares**

Resolution 7 of the Notice of Annual General Meeting proposes the ratification of the allotment and issue of 1,515,513 Shares on 8 September 2011 in the Capital of the Company at an issue price of \$0.20 each.

ASX Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such a ratification is to restore a company's maximum discretionary power to issue further securities up to 15% of the issued capital of the company without requiring shareholder approval.

Resolution 7 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify previous issues of Shares. The Company confirms that the allotment and issue of the Shares, the subject of Resolution 7 did not breach ASX Listing Rule 7.1.

Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.4 and the following information is included in this Explanatory Memorandum for that purpose:

- (a) 1,515,513 shares were allotted and issued by the Company;
- (b) the issue price per share was \$0.20;
- (c) the shares rank equally with the existing shares;
- (d) the shares were allotted to Dragon Gas Limited, South Boulder Mines Limited, Tao Yuan Resources Limited, Mr Dominic Sum, Ranguta Limited, Alpha Boxer Limited and Duketon Consolidated Limited;
- (e) these shares were issued as consideration for the underwriting of options expired on 31 August 2011; and
- (f) a voting exclusion statement is included in the Notice.

The Directors recommend shareholders vote in favour of Resolution 7 as it will provide the Company with further flexibility should any share issue be considered desirable or advisable in the next 12 months.

#### **Resolution 8 - Ratification of Allotment and Issue of Options**

Resolution 8 of the Notice of Annual General Meeting proposes the ratification of the allotment and issue of 1,500,000 Options on 21 December 2010 in the Capital of the Company.

ASX Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such a ratification is to restore a company's maximum discretionary power to issue further securities up to 15% of the issued capital of the company without requiring shareholder approval.

Resolution 8 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify previous issues of Options. The Company confirms that the issue and allotment of the Options, the subject of Resolution 8 did not breach ASX Listing Rule 7.1.

Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.4 and the following information is included in this Explanatory Memorandum for that purpose:

- (a) 1,500,000 options were allotted and issued by the Company;
- (b) the option exercise price is 58 cents and the options expire on 14 December 2013;
- (c) the options were allotted to Kongming Investments Limited (a company associated with Mr Cornelius). The Options were issued on 21 December 2010, prior to Mr Cornelius' appointment as a Director;
- (d) the Options were issued to Kongming Investments Limited as part consideration for consulting services provided to the Company;
- (e) the options were issued on the terms and conditions outlined in Annexure B; and
- (f) a voting exclusion Statement is included in the Notice.

Messrs Brown and Ribbons recommend shareholders vote in favour of Resolution 8 as it will provide the Company with further flexibility should any issue of securities be considered desirable or advisable in the next 12 months.

#### **Resolution 9 - Ratification of Allotment and Issue of Options**

Resolution 9 of the Notice of Annual General Meeting proposes the ratification of the allotment and issue of 1,500,000 Options on 21 December 2010 in the Capital of the Company.

ASX Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such a ratification is to restore a company's maximum discretionary power to issue further securities up to 15% of the issued capital of the company without requiring shareholder approval.

Resolution 9 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify previous issues of Options. The Company confirms that the issue and allotment of the Options, the subject of Resolution 9 did not breach ASX Listing Rule 7.1.

Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.4 and the following information is included in this Explanatory Memorandum for that purpose:

- (a) 1,500,000 options were allotted and issued by the Company;
- (b) the option exercise price is 58 cents and the options expired 14 December 2013;
- (c) the options were allotted to Kongming Investments Limited (a company associated with Mr Cornelius). The Options were issued on 21 December 2010, prior to Mr Cornelius' appointment as a Director;
- (d) the Options were issued to Kongming Investments Limited as part consideration for consulting services provided to the Company;
- (e) the options were issued on the terms and conditions outlined in Annexure C; and
- (f) a voting exclusion Statement is included in the Notice.

Messrs Brown and Ribbons recommend shareholders vote in favour of Resolution 9 as it will provide the Company with further flexibility should any issue of securities be considered desirable or advisable in the next 12 months.

## GLOSSARY

In this Explanatory Memorandum and the Notice, the following terms have the following meanings unless the context otherwise requires:

<b>ASX</b>	means ASX Ltd ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.
<b>Board</b>	means the board of Directors of the Company.
<b>Company</b>	means Montezuma Mining Company Limited ACN 119 711 929.
<b>Corporations Act</b>	means Corporations Act 2001 (Cth).
<b>Director</b>	means a director of the Company.
<b>Explanatory Memorandum</b>	means this information attached to the Notice, which provides information to Shareholders about the Resolutions contained in the Notice.
<b>Listing Rules</b>	means the listing rules of ASX.
<b>Notice or Notice of Meeting</b>	means the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
<b>Option</b>	means an option to acquire 1 fully paid ordinary Share.
<b>Resolution</b>	means a resolution contained in the Notice.
<b>Remuneration Report</b>	means the remuneration report in the Directors' Report section of the Company's Annual Report.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.

ANNEXURE A

TERMS AND CONDITIONS  
OPTIONS EXPIRING 30 NOVEMBER 2015

The Options to be issued pursuant to Resolutions 4 to 6 will be issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 143% of the VWAP of the fully paid ordinary shares of the Company on the five days prior to the meeting to approve the issue ("**Exercise Price**").
3. Each Option entitles the holder to subscribe for one Share in Montezuma Mining Company Ltd ABN 46 119 711 929 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
4. The Options will lapse at 5.00 pm, Western Standard Time on 30 November 2015 ("**Expiry Date**").
5. The Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
6. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
7. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before closing date to exercise the Options.
8. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
9. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
10. The Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
11. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
12. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

**ANNEXURE B**  
**TERMS AND CONDITIONS**  
**OPTIONS EXPIRING 14 DECEMBER 2013**

The Options are issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 58 cents ("**Exercise Price**").
3. Each Option entitles the holder to subscribe for one Share in Montezuma Mining Company Ltd ABN 46 119 711 929 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
4. The Options will lapse at 5.00 pm, Western Standard Time on 14 December 2013 ("**Expiry Date**").
5. The Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
6. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
7. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before closing date to exercise the Options.
8. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
9. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
10. The Options shall be exercisable at any time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
11. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
12. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

ANNEXURE C

TERMS AND CONDITIONS  
OPTIONS EXPIRING 14 DECEMBER 2013

The Options are issued on the following terms:

1. Each Option shall be issued for no consideration.
2. The exercise price of each Option will be 58 cents ("**Exercise Price**").
3. Each Option entitles the holder to subscribe for one Share in Montezuma Mining Company Ltd ABN 46 119 711 929 ("**Company**") upon the payment of the Exercise Price per Share subscribed for.
4. The Options will vest on 14 June 2011 ("**Vesting Date**").
5. The Options will lapse at 5.00 pm, Western Standard Time on 14 December 2013 ("**Expiry Date**").
6. The Options may be transferred at any time in accordance with the Corporations Law, the SCH Business Rules and/or the Listing Rules;
7. There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
8. Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days before closing date to exercise the Options.
9. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
10. In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
11. The Options shall be exercisable at any time from the Vesting Date until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
12. The Company shall allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the Options.
13. The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
14. In the event that the terms of the consultancy between the Company and Mr Seamus Cornelius do not remain in effect at the Vesting Date, the options can be cancelled at the discretion of the Board.

**MONTEZUMA MINING COMPANY LIMITED**  
**ACN 119 711 929**  
**PROXY FORM**

The Company Secretary  
 Montezuma Mining Company Limited  
 C/ - PO Box 1153  
 WEST PERTH WA 6872

**Facsimile: +61 8 9389 2199**

I/We (name of shareholder) .....  
 of (address) .....  
 being a member/members of Montezuma Mining Company Limited HEREBY APPOINT  
 (name) .....  
 of (address) .....  
 and/or failing him (name) .....  
 of (address) .....  
 or failing that person then the Chairperson of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 29 November 2011 and at any adjournment of the meeting.

**PROXY INSTRUCTIONS**

<p>If you wish to instruct your proxy how to vote, insert "X" in the appropriate column against the item of business set out below. <i>You must direct the proxy how to vote on Resolution 1 (Remuneration Report) in order for your vote to be cast.</i></p> <p>If you do not wish to direct your proxy how to vote on all resolutions other than Resolution 1, please place a mark in the box. By marking this box, you acknowledge that the Chairperson may exercise your proxy for all resolutions other than Resolution 1 even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of that interest. The Chairperson has advised that his intention is to vote in favour of the resolutions.</p> <p>If you do not mark this box, and you have not directed your proxy how to vote, the Chairperson will not cast your votes on the resolutions and your votes will not be counted in calculating the required majority if a poll is called on the resolutions.</p>	
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*Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below. Note that you must direct the Proxy how to vote on Resolution 1 in order for your vote to be cast:*

I/We direct my/our Proxy to vote in the following manner:

RESOLUTION	FOR	AGAINST	ABSTAIN
1      Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2      Re-election of Mr John Ribbons	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3      Election of Mr Seamus Cornelius	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4      Approval of Grant of Options to Mr Justin Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5      Approval of Grant of Options to Mr John Ribbons	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6      Approval of Grant of Options to Mr Seamus Cornelius	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7      Ratification of Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8      Ratification of Allotment and Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9      Ratification of Allotment and Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*This Proxy is appointed to represent \_\_\_\_\_ % of my voting right, or if 2 proxies are appointed Proxy 1 represents \_\_\_\_\_ % and Proxy 2 represents \_\_\_\_\_ % of my total votes. My total voting right is \_\_\_\_\_ Shares.*

**SIGNATURE OF SECURITY HOLDERS – PLEASE SIGN HERE**

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Sole Director & Sole Company Secretary

Director / Company Secretary

Director

Dated this \_\_\_\_\_ Day of \_\_\_\_\_ 2011

## INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this Annual General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint Shareholders, this proxy must be signed by each of the joint Shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies **must be received by the Company no later than 48 hours** before the time appointed for the holding of this Annual General Meeting **that is by 11:00 am on 27 November 2011** by post or facsimile to the respective addresses stipulated in this proxy form.
6. In respect of the Remuneration Report resolution, Shareholders are advised that their votes will not be counted if the Chairman is appointed to vote on their behalf with an undirected proxy form. As a result, if Shareholders wish to appoint the Chairman to vote on their behalf, they should ensure that they have specified the way that the Chairman must vote on that resolution.
7. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
  - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
  - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
  - (c) if the proxy is the Chairperson, the proxy must vote on a poll and must vote that way, and
  - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.
8. If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.