

QUARTERLY REPORT

MONTEZUMA
MINING COMPANY LTD

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Three Months Ending: 30 September 2008

ASX CODE: MZM
ISSUED SHARES: 41.69M
52 WEEK HIGH: \$0.31
52 WEEK LOW: \$0.06

CONTACT:

JUSTIN BROWN
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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%)**
 - Resource upgrade process has commenced.
 - Drilling deferred to end of Q1 2009.
- **MT PADBURY E52/1529 (100%)**
 - Agreement signed to sell iron ore rights to Midwest Corporation Limited for up to \$6M cash plus royalty.
 - Earn-in completed – MZM now owns 100% interest, an important step in allowing the Midwest (iron ore) and Auvex (manganese) deals to proceed.
- **CALLAWA (100%)**
 - Drilling completed to test high grade surface copper mineralisation.
 - Programme failed to define sub surface extensions, however a regional Pb/Zn anomaly was defined.
- **ROBINSON RANGE (100%)**
 - Joint Venture with Greater Pacific Gold Limited terminated.

The September quarter has seen a tumultuous period in global markets with a dramatic negative effect on the share prices of most resource companies world wide.

In light of the changing commercial environment it is critical that the Company review its strategic direction to maximise returns for shareholders going forward.

Montezuma's advantage lies in the quality of assets at Peak Hill, and the important cash generation potential of the deals with Auvex Resources and Midwest Corporation.

Outside these core components of the Company's strategy, a comprehensive review of the remaining assets has been initiated and significant rationalisation is expected to preserve capital and allow the Board to look at new opportunities in this volatile marketplace.

PEAK HILL (MZM 100%)

To preserve capital until the Company's cash position is secured by the completion of the Midwest Corporation deal in relation to the iron ore at Mt Padbury, drilling at Peak Hill has been deferred to Q1 2009.

The development of the gold resources at Peak Hill remain a core component of the Company's overall strategy and the work programme to produce a revised resource estimate for the deposit remains on track for the next two quarters.

MT PADBURY (100%)

IRON ORE

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

The deal is subject to several conditions precedent. On satisfaction or waiver of the conditions precedent prior to 30 October 2008, Montezuma will receive an initial payment of \$1M cash.

On satisfaction of certain conditions subsequent, Montezuma will receive a further payment of \$1M cash. It is anticipated that this second payment will be made in the first half of 2009.

Midwest will commence exploration as soon as practicable to define an iron ore resource in excess of 10M tonnes grading over 50% Fe. Once this hurdle is reached, Midwest will make a third payment of \$4M cash to Montezuma.

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

If the conditions subsequent are not satisfied or waived, Midwest has the right to terminate the agreement at which time Montezuma will issue shares to Midwest to the value of \$1M, calculated on the volume weighted average price of Montezuma's shares over the preceding 30 days.

The completion of this sale with Midwest is an exciting milestone for Montezuma, providing the Company with important working capital to fund our ongoing exploration work at the Peak Hill Gold Project (MZM 100%) and our regional portfolio, with retained exposure to the iron ore potential should Midwest be successful in commencing a mining operation within the project area.

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

MANGANESE

Auvex Resources Limited, in which Montezuma is entitled to 10M fully paid ordinary shares, continues to develop their manganese export business. They have successfully raised over \$4.5M in funding by placing shares at \$0.20 and these funds are being applied to the development of the Sunday Hill and Ant Hill manganese deposits in Western Australia.

Drilling is underway at Ant Hill with visually encouraging results so far, although assays are pending. They are working to have 20,000t of manganese ore on ground by the end October ready for marketing. All site infrastructure is in place to commence full scale commercial production in 2009.

GOLD

As part of the follow up programme to test previously intersected gold mineralisation at the Wood Creek Prospect within the Mt Padbury project, a programme of twelve RC drill holes were designed on four lines, with three holes per line, each hole 50m apart.

The drilling is centred on the trend of a +50ppb soil sample anomaly which has not been adequately tested by previous drilling.

One hole was successfully completed to a depth of 100m before it became clear that the rig under equipped to complete the programme.

This completed hole, MP08001 intersected weathered mafics and into fresh siltstone. Quartz veining and a weathering front was focused on the mafic/siltstone contact, with abundant fuchsite alteration and sulphides including pyrite chalcopyrite.

Initial assays returned poor results, with a maximum gold value of 0.12 ppm Au over 1m. The pulps have been submitted to an alternative lab for check assays (results pending).

Hole ID	Easting	Northing	RL	Dip	Azi	Depth
MP08001	635550	7162000	500	-60	90	100m

CALLAWA (100%)

A programme of work was completed to test previously identified high grade copper in rock chips at the Callawa Project. In the second phase of work an additional 18 rock chip samples were taken for analysis. In the north, samples were taken from outcropping gossanous material, and areas of outcropping quartz bearing rocks. In the south, these were selected on outcrops of quartz rich material.

In the north, 3 samples over outcropping gossan recorded **9.35%**, **7.63%** and **2.65%** Cu and 68ppb, 50ppb and 83ppb Au respectively. These outcrops occur in largely dolomitic sediments, close to the greenstone/granite contact.

In the south, additional significant Cu values were obtained. The Mindex location “Post Office Well”, recorded a max of 0.087% Cu, confirming low grade Cu anomalism to the mineral occurrence. A grade of 0.121% Cu occurs in a N-S trending quartz vein east of and sub parallel to the greenstone raft, and is at the far south of the tenement. This anomalous value hints that some copper may be mineralised in the nearby greenstone, and hidden by the cover sediments/soils. This area may warrant reconnaissance drilling to follow up the data.

In addition to the rock chip sampling, an aircore programme was undertaken comprising 40 holes for 1,407m targeting two areas:

- High density drilling centred over the known copper outcrops to confirm and delineate the mineralisation
- 2 lines, 5km apart, south of the de grey river, centred over the geophysical anomaly, seeking extensions under cover of the mineralisation seen at the outcropping Cu occurrences

The drilling failed to confirm the high grade surface results, however did return significant Pb anomalism and weak Zn anomalism at depth within amphibolites.

Overall, a broad zone of low order base metal anomalism was identified, open to the north. Additionally significant geological complexity was identified, in contrast to the available regional geological mapping data, including amphibolite, and meta-sediments in addition to the regional granitoid.

Sample ID	Lat	Long	AU_ppb	AU2_ppb	Ag_ppm	Cu_ppm	Pb_ppm	Zn_ppm
88369	-20.6779	120.455	-1	0	-0.05	9	3	5
88370	-20.6783	120.455	-1	0	-0.05	5	-1	3
88371	-20.6781	120.455	-1	0	-0.05	6	2	25
88372	-20.6726	120.457	-1	0	-0.05	7	4	3
88373	-20.6725	120.457	-1	0	-0.05	18	4	5
88374	-20.6657	120.462	-1	0	-0.05	8	2	8
88375	-20.6702	120.439	-1	0	-0.05	9	4	24
88376	-20.6832	120.44	68	67	25.9	93500	105	8
88377	-20.6832	120.44	83	0	2.75	26800	52	19
88378	-20.6831	120.44	50	63	15.7	76300	62	9
88379	-20.8095	120.476	-1	0	-0.05	136	6	10
88380	-20.8097	120.476	-1	0	0.3	1210	10	5
88381	-20.7392	120.478	5	0	0.7	333	17	4
88382	-20.7392	120.478	-1	0	0.2	873	4	11
88383	-20.7394	120.478	-1	0	-0.05	19	-1	2
88384	-20.7844	120.467	-1	0	-0.05	46	1	3
88385	-20.7995	120.473	-1	0	-0.05	7	-1	2
88386	-20.7996	120.473	-1	0	-0.05	20	-1	9

Table: Rockchip results.

HOLE ID	Lat	Long	DEPTH	DIP	AZIMUTH	MAX Cu (ppm)	MAX Pb (ppm)	MAX Zn (ppm)	MAX Au (ppb)
CAL001	-20.6841	120.4379	21	-60	270	43	7	66	7
CAL002	-20.6842	120.4388	61	-60	270	109	188	343	3
CAL003	-20.6842	120.4398	37	-60	270	40	15	65	1
CAL004	-20.6842	120.4407	21	-60	270	36	4	74	1
CAL005	-20.6833	120.4383	61	-60	270	130	17	45	6
CAL006	-20.6832	120.4389	61	-60	270	148	71	150	7
CAL007	-20.6833	120.4401	37	-60	270	54	28	157	3
CAL008	-20.6833	120.4404	61	-60	270	53	10	69	2
CAL009	-20.6833	120.4401	40	-60	90	79	10	102	8
CAL010	-20.6815	120.4370	49	-60	270	122	14	83	9
CAL011	-20.6814	120.4379	37	-60	270	39	15	72	1
CAL012	-20.6814	120.4378	23	-60	270	41	13	69	1
CAL013	-20.6815	120.4388	30	-60	270	37	8	96	1
CAL014	-20.6815	120.4390	30	-60	270	24	11	72	1
CAL015	-20.6814	120.4395	46	-60	270	36	20	76	1
CAL016	-20.6815	120.4398	19	-60	270	32	3	74	1
CAL017	-20.7392	120.4361	63	-60	270	153	14	56	10
CAL018	-20.7392	120.4378	48	-60	270	52	11	50	7
CAL019	-20.7402	120.4398	24	-60	270	47	11	51	4
CAL020	-20.7396	120.4418	23	-60	270	53	12	59	3
CAL021	-20.7389	120.4437	30	-60	270	66	19	53	2
CAL022	-20.7380	120.4206	16	-60	270	34	7	47	1
CAL023	-20.7381	120.4226	18	-60	270	47	10	49	5
CAL024	-20.7381	120.4245	21	-60	270	57	9	58	5
CAL025	-20.7382	120.4264	44	-60	270	41	10	92	4
CAL026	-20.7382	120.4265	22	-60	270	37	9	71	5
CAL027	-20.7798	120.4422	22	-60	270	42	9	54	1
CAL028	-20.7802	120.4439	30	-60	270	46	9	60	1
CAL029	-20.7801	120.4459	35	-60	270	48	10	42	2
CAL030	-20.7805	120.4458	60	-60	270	9	10	14	1
CAL031	-20.7804	120.4480	43	-60	270	7	6	19	3
CAL032	-20.7824	120.4565	42	-60	270	9	28	38	1
CAL033	-20.7827	120.4585	22	-60	270	9	7	75	1
CAL034	-20.7832	120.4604	31	-60	270	78	19	61	1
CAL035	-20.7833	120.4620	37	-60	270	121	711	341	81
CAL036	-20.6796	120.4371	30	-60	270	85	131	280	4
CAL037	-20.6797	120.4380	31	-60	270	30	24	108	2
CAL038	-20.6797	120.4381	30	-60	270	73	70	128	23
CAL039	-20.6797	120.4388	31	-60	270	54	18	107	3
CAL040	-20.6797	120.4390	20	-60	270	41	5	73	1

Table: Aircore drilling results.

Based on the drilling, the high-grade copper mineralisation is interpreted as a superficial supergene phenomenon with little depth extension.

The geochemistry provides some indication of a possible VMS style anomaly, which strengthens and remains open to the north. There is a magnetic anomaly coincident with the geochemical anomaly which may also be significant.

Further interpretation of the data and appropriate field work will be planned to further explore the potential of the project.

ROBINSON RANGE JV (MZM 70%)

During the Quarter Montezuma and our Joint Venture partners in the Robinson Range Project, Greater Pacific Gold Limited ("GPN") have agreed to terminate the Joint Venture effective immediately.

Montezuma will retain 100% interest in the project tenements that it held prior to entering into the JV with GPN, and similarly, GPN will retain the ground that they brought into the partnership.

This dissolution fits well with our strategy to rationalise our tenement holdings and maintain a primary focus on the Peak Hill gold mine.

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.