

MONTEZUMA MINING COMPANY LIMITED

ABN 46 119 711 929

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2007

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 2007 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 2007

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MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2007

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 2007.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Denis O'Meara

Justin Brown

Terrence Grammer

Ian Cornelius

REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and results for the half-year is set out below:

	2007	
	Revenues	Results
	\$	\$
Consolidated entity	442,411	(1,643,788)

During September 2007 the Company raised \$963,180 via a placement of 4,815,900 ordinary shares with a one for four listed option, exercise price 20 cents, expiring 31 August 2011, to sophisticated and institutional investors.

In February 2008 the Company also raised a further \$655,750 via a placement of 4,371,667 ordinary shares with a one for four listed option, exercise price 20 cents, expiring 31 August 2011, to sophisticated investors.

Exploration activities

The company continues exploration activity at Peak Hill, Mt Padbury and Callawa projects. Exploration is focused primarily on gold and base metals in Western Australia.

An initial focus will be directed towards Peak Hill where the company is building on existing resources of in excess of 200,000 oz of gold with an initial target resource of over 500,000 oz and production within a three year period.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' 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

Managing Director

Perth, 6 March 2008

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Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

The Directors
Montezuma Mining Company Ltd
131 Edward St
Perth WA 6000

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 2007 half yearly financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)



Rothsay Chartered Accountants

6 March 2008



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2007

**CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
REVENUE FROM CONTINUING OPERATIONS	442,411	37,552
EXPENDITURE		
Depreciation expense	(8,614)	(837)
Salaries and employee benefits expense	(55,546)	(28,956)
Exploration expenditure	(1,607,404)	(675,113)
Secretarial and share registry expenses	(27,856)	(8,703)
Administration expenses	(91,363)	(20,495)
Share based payment expense	(251,350)	-
Other expenses	(44,066)	(12,596)
LOSS BEFORE INCOME TAX	(1,643,788)	(709,148)
Income tax benefit / (expense)	-	-
LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF MONTEZUMA MINING COMPANY LIMITED	(1,643,788)	(709,148)
Basic and diluted loss per share (cents)	(4.7)	(4.5)

The above consolidated income statement should be read in conjunction with the accompanying notes.

MONTEZUMA MINING COMPANY LIMITED**31 DECEMBER 2007****CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	31 December 2007 \$	30 June 2007 \$
CURRENT ASSETS		
Cash and cash equivalents	1,255,428	2,742,423
Trade and other receivables	65,490	26,774
Other financial assets at fair value through profit or loss	381,900	-
TOTAL CURRENT ASSETS	1,702,818	2,769,197
NON-CURRENT ASSETS		
Receivables	594,300	-
Plant and equipment	39,941	20,817
TOTAL NON-CURRENT ASSETS	634,241	20,817
TOTAL ASSETS	2,337,059	2,790,014
CURRENT LIABILITIES		
Trade and other payables	107,439	120,685
Provisions	11,654	11,105
TOTAL CURRENT LIABILITIES	119,093	131,790
TOTAL LIABILITIES	119,093	131,790
NET ASSETS	2,217,966	2,658,224
EQUITY		
Contributed equity	4,979,810	4,027,630
Reserves	417,122	165,772
Accumulated losses	(3,178,966)	(1,535,178)
TOTAL EQUITY	2,217,966	2,658,224

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2007

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	2007	2006
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	2,658,224	344
LOSS FOR THE HALF-YEAR	(1,643,788)	(709,148)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED	(1,643,788)	(709,148)
Transactions with equity holders in their capacity as equity holders:		
Shares issued during the half-year	963,180	4,558,200
Transaction costs	(11,000)	(371,933)
Employee and contractor share options	251,350	-
	1,203,530	4,186,267
TOTAL EQUITY AT THE END OF THE HALF-YEAR	2,217,966	3,477,463

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

MONTEZUMA MINING COMPANY LIMITED**31 DECEMBER 2007****CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(1,648,874)	(88,729)
Payments to suppliers and employees	(228,774)	(84,473)
Interest received	62,511	29,264
Net cash used in operating activities	(1,815,137)	(143,938)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(27,738)	(5,038)
Payment for environmental bond	(594,300)	-
Payment for equity investment	(2,000)	-
Net cash used in investing activities	(624,038)	(5,038)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue transaction costs	(11,000)	(255,932)
Proceeds from issue of shares	963,180	3,702,700
Net cash provided by financing activities	952,180	3,446,768
Net increase/(decrease) in cash and cash equivalents	(1,486,995)	3,297,792
Cash and cash equivalents at the beginning of the half-year	2,742,423	189,893
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	1,255,428	3,487,685

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 2007 and any public announcements made by Montezuma Mining Company Limited during the interim 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.

NOTE 2: SEGMENT INFORMATION

The company operates in predominantly one business and geographical segment, being mineral exploration in Australia.

NOTE 3: SUBSIDIARY

Peak Hill Metals Pty Ltd was incorporated on 25 July 2007 with Montezuma Mining Company Limited being the sole shareholder. The company has been dormant since its incorporation.

NOTE 4: MOVEMENTS OF EQUITY SECURITIES

	2007 Shares	2007 \$	2006 Shares	2006 \$
Issues of ordinary shares during the half-year				
Issued for cash at 20 cents each	4,815,900	963,180	-	-
Issued to seed investors	-	-	2,500,000	187,500
Issued to seed investors	-	-	1,000,000	100,000
Issued as consideration for the acquisition of tenements	-	-	6,000,000	-
Issued as consideration for the acquisition of tenements	-	-	500,000	100,000
Issued at IPO	-	-	18,023,500	3,604,700
Issued as consideration for services	-	-	580,000	116,000
Transaction costs	-	(11,000)	-	-
	4,815,900	952,180	28,603,500	4,108,200

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: MOVEMENTS OF EQUITY SECURITIES (continued)

	Number of options	
	2007	2006
Movement of options during the half-year		
Issue of unlisted options, exercisable at 35 cents, on or before 23 July 2011	1,500,000	-
Issue of unlisted options, exercisable at 35 cents, on or before 31 August 2011	1,000,000	-
Issue of listed options, exercisable at 20 cents, on or before 31 August 2011	1,203,975	9,505,875
Cancellation of unlisted options, exercisable at 20 cents, on or before 2 March 2012	(50,000)	-
	3,653,975	9,505,875

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 13 February 2008 the Company completed a private placement to sophisticated investors of 4,371,667 ordinary shares at \$0.15 with a one for four free attaching listed option to raise \$655,750 before costs.

No other matter or circumstance has arisen since 31 December 2007, 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 2007

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 10 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 2007 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
Managing Director
Perth, 6 March 2008

The liability of Rothsay Chartered Accountants is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

ROTHSAY

Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

Independent Review Report to the Members of Montezuma Mining Company Ltd

The financial report and directors' responsibility

The interim financial report comprises the balance sheet, income statement, 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 2007.

The Company's directors are responsible for the preparation and fair presentation of the 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial position as at 31 December 2007 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 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 financial position of the company as at 31 December 2007 and of its 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



Graham R Swan
Partner

Dated this 6th day of March 2008



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).