

MONTEZUMA MINING COMPANY LIMITED

ABN 46 119 711 929

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2010

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 2010 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 2010

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MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2010

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 2010.

DIRECTORS

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

Denis O'Meara

Justin Brown

John Ribbons Appointed 14 July 2010

Ian Cornelius Retired 14 July 2010

REVIEW AND RESULTS OF OPERATIONS

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

| | 2010 | |
|---------------------|-----------|-------------|
| | Revenues | Results |
| | \$ | \$ |
| Consolidated entity | 1,081,525 | (2,138,660) |

During the current half-year the Company successfully released a maiden Resource of its Yanneri Ridge manganese deposit at the Company's Butcherbird Project and also confirmed copper mineralisation at the same Project.

The Company is of the view that coupled with the potential for further exploration success both in manganese and copper, the Butcherbird Project will be the Company's key focus as Montezuma Mining Company Limited advances its goal of making the transition from explorer to large scale miner.

Company funds will be focused on advancing the Butcherbird Project while a strategy for the 100% owned Peak Hill Project will be reviewed going forward.

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

Managing Director

Perth, 14 March 2011



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Phone (08) 9227 0552 www.rothsay.com.au

The Directors
Montezuma Mining Company Ltd
PO Box 910
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 2010 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Frank Vrachas (Lead auditor)



Rothsay Chartered Accountants

Dated 14 MARCH 2011



Chartered Accountants

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

| | Half-year | |
|---|--------------------|-------------|
| | 2010 | 2009 |
| | \$ | \$ |
| REVENUE | | |
| Interest received | 162,791 | 51,359 |
| Revenue from mining properties | 129,484 | 174,299 |
| Fair value gains on financial assets | 789,250 | 2,019,100 |
| EXPENDITURE | | |
| Depreciation expense | (8,730) | (5,187) |
| Salaries and employee benefits expense | (182,802) | (56,625) |
| Exploration expenditure | (2,372,752) | (547,522) |
| Secretarial and share registry expenses | (63,607) | (25,459) |
| Administration expenses | (192,221) | (126,352) |
| Share based payment expense | (921,649) | (168,450) |
| (LOSS)/PROFIT BEFORE INCOME TAX | (2,660,236) | 1,315,163 |
| Income tax benefit | 521,576 | - |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED | (2,138,660) | 1,315,163 |
| Basic (loss)/earnings per share (cents) | (5.0) | 3.1 |
| Diluted (loss)/earnings per share (cents) | (5.0) | 2.9 |

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2010

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

| | 31 December 2010 \$ | 30 June 2010 \$ |
|---|------------------------------------|--------------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 3,633,750 | 6,091,406 |
| Trade and other receivables | 219,599 | 63,635 |
| Financial assets at fair value through profit or loss | 3,292,250 | 2,498,000 |
| TOTAL CURRENT ASSETS | 7,145,599 | 8,653,041 |
| NON-CURRENT ASSETS | | |
| Receivables | 619,300 | 594,300 |
| Plant and equipment | 53,737 | 32,548 |
| TOTAL NON-CURRENT ASSETS | 673,037 | 626,848 |
| TOTAL ASSETS | 7,818,636 | 9,279,889 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 644,691 | 556,232 |
| Current tax liabilities | 166,130 | 166,130 |
| TOTAL CURRENT LIABILITIES | 810,821 | 722,362 |
| NON-CURRENT LIABILITIES | | |
| Deferred tax liabilities | 93,124 | 614,700 |
| TOTAL NON-CURRENT LIABILITIES | 93,124 | 614,700 |
| TOTAL LIABILITIES | 903,945 | 1,337,062 |
| NET ASSETS | 6,914,691 | 7,942,827 |
| EQUITY | | |
| Issued capital | 5,909,485 | 5,720,610 |
| Reserves | 1,588,276 | 666,627 |
| (Accumulated losses)/Retained earnings | (583,070) | 1,555,590 |
| TOTAL EQUITY | 6,914,691 | 7,942,827 |

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2010

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

| | Contributed Equity | Share-based Payments Reserve | Retained Earnings / (Accumulated Losses) | Total |
|---|-------------------------------|---|---|--------------|
| | \$ | \$ | \$ | \$ |
| BALANCE AT 1 JULY 2009 | 5,650,610 | 479,122 | (3,493,458) | 2,636,274 |
| Profit for the period | - | - | 1,315,163 | 1,315,163 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | - | - | 1,315,163 | 1,315,163 |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | |
| Shares issued during the period | 70,000 | - | - | 70,000 |
| Employee, contractor and supplier share options | - | 168,450 | - | 168,450 |
| BALANCE AT 31 DECEMBER 2009 | 5,720,610 | 647,572 | (2,178,295) | 4,189,887 |
| BALANCE AT 1 JULY 2010 | 5,720,610 | 666,627 | 1,555,590 | 7,942,827 |
| Loss for the period | - | - | (2,138,660) | (2,138,660) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | - | - | (2,138,660) | (2,138,660) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | |
| Shares issued during the period | 188,875 | - | - | 188,875 |
| Employee and contractor share options | - | 921,649 | - | 921,649 |
| BALANCE AT 31 DECEMBER 2010 | 5,909,485 | 1,588,276 | (583,070) | 6,914,691 |

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2010

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

| | Half-year | |
|--|--------------------|-------------|
| | 2010 | 2009 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Proceeds/royalties from sale of mining interests | 124,484 | 154,299 |
| Expenditure on mining interests | (2,576,771) | (750,063) |
| Payments to suppliers and employees | (300,655) | (188,602) |
| Interest received | 170,928 | 35,479 |
| Payments for financial assets at fair value through profit or loss | - | (72,000) |
| Net cash used in operating activities | (2,582,014) | (820,887) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for plant and equipment | (39,517) | (4,581) |
| Payments for security bonds | (25,000) | - |
| Net cash used in investing activities | (64,517) | (4,581) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 188,875 | 35,000 |
| Net cash provided by financing activities | 188,875 | 35,000 |
| Net decrease in cash and cash equivalents | (2,457,656) | (790,468) |
| Cash and cash equivalents at the beginning of the half-year | 6,091,406 | 2,243,208 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR | 3,633,750 | 1,452,740 |

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2010

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 2010 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 2010 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.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

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 2010. 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.

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

For management purposes, the Group has identified only one reportable segment being exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

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.

| | Half-year | |
|--|--------------------|---------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Exploration Segment | | |
| Segment revenue | 129,484 | 174,299 |
| Reconciliation of segment revenue to total revenue before tax: | | |
| Interest revenue | 162,791 | 51,359 |
| Fair value gains on financial assets | 789,250 | 2,019,100 |
| Total revenue | 1,081,525 | 2,244,758 |
| Segment results | (2,243,268) | (373,223) |
| Reconciliation of segment result to net profit before tax: | | |
| Other corporate and administration | (416,968) | 1,688,386 |
| Net profit before tax | (2,660,236) | 1,315,163 |
| | 31 December | 30 June 2010 |
| | 2010 | 2010 |
| | \$ | \$ |
| Segment operating assets | 149,084 | - |
| Reconciliation of segment operating assets to total assets: | | |
| Other corporate and administration assets | 7,669,552 | 9,279,889 |
| Total assets | 7,818,636 | 9,279,889 |
| Segment operating liabilities | 402,242 | 57,176 |
| Reconciliation of segment operating liabilities to total liabilities: | | |
| Other corporate and administration liabilities | 501,703 | 1,279,886 |
| Total liabilities | 903,945 | 1,337,062 |

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: MOVEMENTS OF EQUITY SECURITIES

| | 2010 | 2010 | 2009 | 2009 |
|---|----------------|----------------|---------------|-------------|
| | Shares | \$ | Shares | \$ |
| Issues of ordinary shares during the half-year | | | | |
| Issued on conversion of 20 cent options | 929,375 | 185,875 | 175,000 | 35,000 |
| Issued as consideration for consulting services | - | - | 233,333 | 35,000 |
| Cash received in advance of share issue | - | 3,000 | - | - |
| | 929,375 | 188,875 | 408,333 | 70,000 |

| | Number of options | |
|--|--------------------------|-------------|
| | 2010 | 2009 |
| Movement of options during the half-year | | |
| Exercise of listed options at 20 cents, on or before 31 August 2011 | (404,375) | - |
| Exercise of unlisted options at 20 cents, on or before 2 March 2012 | (75,000) | (175,000) |
| Exercise of unlisted options at 20 cents, on or before 30 November 2012 | (450,000) | - |
| Issue of unlisted options, exercisable at 20 cents, on or before 31 August 2011 | 600,000 | - |
| Issue of unlisted options, exercisable at 58 cents, on or before 14 December 2013 | 3,000,000 | - |
| Issue of unlisted options, exercisable at 65 cents, on or before 30 November 2015 | 1,000,000 | - |
| Cancellation of unlisted options, exercisable at 20 cents, on or before 2 March 2012 | - | (300,000) |
| Issue of unlisted options, exercisable at 20 cents, on or before 30 November 2012 | - | 1,500,000 |
| | 3,670,625 | 1,025,000 |

NOTE 4: CONTINGENCIES

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

NOTE 5: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2010, 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 2010

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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, 14 March 2011



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Phone (08) 9227 0552 www.rothsay.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 2010.

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 2010 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

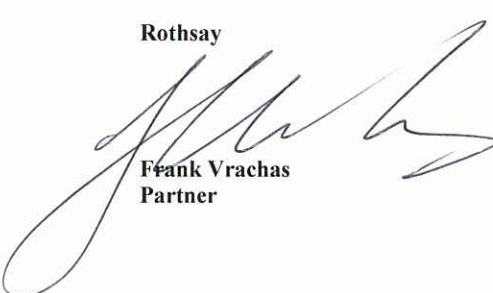
In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

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 2010 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


Frank Vrachas
Partner

Dated 14 MARCH 2011



Chartered Accountants

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