

MONTEZUMA MINING COMPANY LIMITED

ABN 46 119 711 929

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2011

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 2011 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 2011

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MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2011

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 2011.

DIRECTORS

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

Seamus Cornelius

Justin Brown

John Ribbons

REVIEW AND RESULTS OF OPERATIONS

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

	2011	
	Revenues	Results
	\$	\$
Consolidated entity	318,717	(1,938,579)

Work during the period ending 31 December 2011 the Company comprised the advancement of the company's manganese and copper exploration prospects at its 100% owned Butcherbird Project as well as the completion of a substantial upgrade in the gold resource estimate for the Peak Hill Project.

A substantial increase in the global manganese resource at Butcherbird was completed during the period, confirming the Butcherbird manganese deposit as the largest defined onshore manganese deposit in Australia and underpinning the company's ambitions to become the next large scale manganese producer in Australia.

As well as the large bulk mineable resource, the Company's Direct Shipping Ore ("DSO") study identified six potential DSO locations with five tested with a bulk sample programme using scraping and trenching. Test work emulated simple mining and mobile processing methods, with low capital requirements and operational risk. The study has confirmed the potential to produce substantial tonnages of low cost high grade manganese concentrate with the potential for early returns from the project.

The Butcherbird Copper Prospect has continued to impress, returning 61m @ 1.96% Cu and 228ppm Co from 113m, including 6m @ 6.08% Cu and 631ppm Co. Further drilling along strike from this hole returned 83m @ 0.43% Cu from 118m including 3m @ 4.15% Cu. The Company has confirmed the prospectivity of the Butcherbird Shear Zone and follow up drilling will occur in early 2012.

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, 28 February 2012



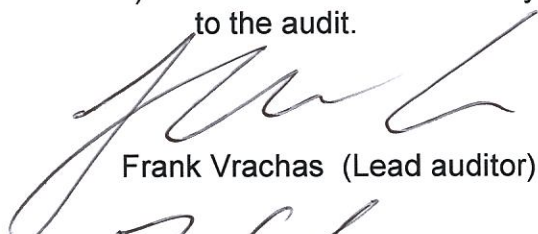
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The Directors
Montezuma Mining Company Ltd
PO Box 910
West Perth WA 6872

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 2011 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 28 February 2012



Chartered Accountants

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Half-year	
	2011	2010
	\$	\$
REVENUE		
Interest received	260,536	162,791
Revenue from mining properties	-	129,484
Fair value gains on financial assets	58,181	789,250
EXPENDITURE		
Depreciation expense	(10,650)	(8,730)
Salaries and employee benefits expense	(100,832)	(182,802)
Exploration expenditure	(1,700,504)	(2,372,752)
Secretarial and share registry expenses	(100,403)	(63,607)
Administration expenses	(156,807)	(192,221)
Share based payment expense	(188,100)	(921,649)
LOSS BEFORE INCOME TAX	(1,938,579)	(2,660,236)
Income tax benefit	-	521,576
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED	(1,938,579)	(2,138,660)
Basic and diluted loss per share (cents)	(3.1)	(5.0)

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2011

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	31 December 2011 \$	30 June 2011 \$
CURRENT ASSETS		
Cash and cash equivalents	8,614,371	3,398,780
Trade and other receivables	225,910	113,917
Financial assets at fair value through profit or loss	810,938	3,619,000
TOTAL CURRENT ASSETS	9,651,219	7,131,697
NON-CURRENT ASSETS		
Receivables	619,300	619,300
Plant and equipment	80,078	47,180
TOTAL NON-CURRENT ASSETS	699,378	666,480
TOTAL ASSETS	10,350,597	7,798,177
CURRENT LIABILITIES		
Trade and other payables	270,329	412,031
TOTAL CURRENT LIABILITIES	270,329	412,031
TOTAL LIABILITIES	270,329	412,031
NET ASSETS	10,080,268	7,386,146
EQUITY		
Issued capital	11,743,350	7,298,749
Reserves	2,322,007	2,133,907
Accumulated losses	(3,985,089)	(2,046,510)
TOTAL EQUITY	10,080,268	7,386,146

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2011

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Contributed Equity	Share-based Payments Reserve	Retained Earnings / (Accumulated Losses)	Total
	\$	\$	\$	\$
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
BALANCE AT 1 JULY 2011	7,298,749	2,133,907	(2,046,510)	7,386,146
Loss for the period	-	-	(1,938,579)	(1,938,579)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	(1,938,579)	(1,938,579)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Shares issued during the period	4,444,601	-	-	4,444,601
Employee and contractor share options	-	188,100	-	188,100
BALANCE AT 31 DECEMBER 2011	11,743,350	2,322,007	(3,985,089)	10,080,268

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2011

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Half-year	
	2011	2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds/royalties from sale of mining interests	-	124,484
Expenditure on mining interests	(1,912,316)	(2,576,771)
Payments to suppliers and employees	(345,561)	(300,655)
Payment of income taxes	(7,156)	-
Interest received	214,482	170,928
Proceeds from sale of financial assets at fair value through profit or loss	2,866,244	-
Net cash provided by/(used in) operating activities	815,693	(2,582,014)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(44,703)	(39,517)
Payments for security bonds	-	(25,000)
Net cash used in investing activities	(44,703)	(64,517)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	4,444,601	188,875
Net cash provided by financing activities	4,444,601	188,875
Net increase/(decrease) in cash and cash equivalents	5,215,591	(2,457,656)
Cash and cash equivalents at the beginning of the half-year	3,398,780	6,091,406
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	8,614,371	3,633,750

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

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated 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 2011 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*.

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 2011, 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 2011.

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 2011. 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 2011

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	
	2011	2010
	\$	\$
Exploration Segment		
Segment revenue	-	129,484
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	260,536	162,791
Fair value gains on financial assets	58,181	789,250
Total revenue	318,717	1,081,525
Segment results	(1,700,504)	(2,243,268)
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	(238,075)	(416,968)
Net loss before tax	(1,938,579)	(2,660,236)
	31 December	30 June 2011
	2011	2011
	\$	\$
Segment operating assets	-	-
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	10,350,597	7,798,177
Total assets	10,350,597	7,798,177
Total assets includes additions to plant and equipment:		
Other corporate and administration	43,548	39,840

MONTEZUMA MINING COMPANY LIMITED

31 DECEMBER 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: MOVEMENTS OF EQUITY SECURITIES

	2011	2011	2010	2010
	Shares	\$	Shares	\$
Issues of ordinary shares during the half-year				
Issued on conversion of 20 cent options	11,928,825	2,367,165	929,375	185,875
Issued for cash at 20 cents per share	1,637,180	327,436	-	-
Issued on conversion of 35 cent options	5,000,000	1,750,000	-	-
Cash received in advance of share issue	-	-	-	3,000
	18,566,005	4,444,601	929,375	188,875

	Number of options	
	2011	2010
Movement of options during the half-year		
Exercise of listed options at 20 cents, on or before 31 August 2011	(11,278,825)	(404,375)
Exercise of unlisted options at 20 cents, on or before 31 August 2011	(600,000)	-
Exercise of unlisted options at 20 cents, on or before 2 March 2012	(50,000)	(75,000)
Exercise of unlisted options at 20 cents, on or before 30 November 2012	-	(450,000)
Exercise of unlisted options at 35 cents, on or before 23 July 2011	(1,500,000)	-
Exercise of unlisted options at 35 cents, on or before 31 August 2011	(3,500,000)	-
Issue of unlisted options, exercisable at 20 cents, on or before 31 August 2011	-	600,000
Issue of unlisted options, exercisable at 41 cents, on or before 21 October 2015	375,000	-
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
Issue of unlisted options, exercisable at 80 cents, on or before 30 November 2015	1,500,000	-
	(15,053,825)	3,670,625

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 2011, 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 2011

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 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 2011 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, 28 February 2012



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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 2011.

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 2011 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 2011 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 28 February 2012



Chartered Accountants

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