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Montezuma Mining Company Ltd

Annual Report 2010

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1. Letter From the Chairman

During the past year we have seen the global economy emerge from the grips of a deep recession and the inexorable growth in demand for raw materials in China re-emerge as the core driver for the Australian resources sector.

I am pleased to report that despite the difficulties of 2008 and 2009, Montezuma has emerged with a robust balance sheet, has continued to progress the development of its key assets, and has been recapitalized through the timely divestment of non-core assets providing a strong platform for the Company as we accelerate into 2011.

The year has not been without sadness, however, with the loss of one of our founding Directors, Ian 'Inky' Cornelius, who passed away after a long battle with cancer. Inky was a key part of our team and a close friend - on my part for nearly 50 years. He was a credit to the mining and exploration industries and left an indelible record.

On a more positive note, our partners in the Mt Padbury Project, Sinosteel Midwest Limited successfully delineated a maiden iron ore Resource at their Jabiru Prospect, with the size of the Resource exceeding the required tonnage and grade thresholds to trigger the final cash payment of four million dollars to Montezuma.

Additionally, we elected to divest a portion of our holding in Auvex Resources Limited for a further one million in cash to provide robust funding for the Company's aggressive exploration plans. Importantly, this funding has been realized without the need to issue further shares in a weak market environment with the associated dilution of your respective holdings.

With funding in hand following these transactions, exploration has resumed at an accelerated pace, with work at Peak Hill continuing to underpin the quality of the asset. Drilling and geological work continue to yield solid results and, in an environment of strengthening gold prices, we are very happy with progress to date and are confident that this asset will yield good returns for shareholders going forward.

Perhaps the highlight of the year however has come from our Butcherbird manganese and copper Project. Since the key tenement at Butcherbird was granted earlier this year we have successfully completed two drilling programmes on the manganese potential and a reconnaissance drilling programme on the copper potential.

The potential for both commodities has been enhanced by the work to date, and in particular the manganese mineralization looks to have all the hallmarks of a large tonnage, beneficiable orebody with the potential to form the basis of a long-term production operation.

Work at Butcherbird is full steam ahead and we hope to have further drilling information on both the copper and manganese potential as well as a maiden JORC Resource in relation to the manganese mineralization prior to Christmas this year.

Based on these near term results, we hope to move into a scoping study in early 2011, followed by more detailed commercial assessment subject to the results of that work.

The year ahead looks to be an exciting one and we look forward to guiding the company through the challenges ahead. I would also like to take this opportunity to thank you for your continued support and I look forward to bringing you the results of our work in the coming months.

Yours sincerely



Denis O'Meara

Chairman

2. Review of Operations

2.1. Strategy and Objectives

The Company's primary objective continues to be achieving returns for shareholders through proactive exploration and selected strategic acquisitions which add value to the company.

As the global markets have emerged from the recent downturn, we have continued to deliver on these strategic goals by capitalizing on the opportunities from the slowdown and the company is now in a strong position, with significant capital inflows having been realised from two key investments, and very encouraging exploration results continuing to flow from our work on our core Projects at Peak Hill and Butcherbird.

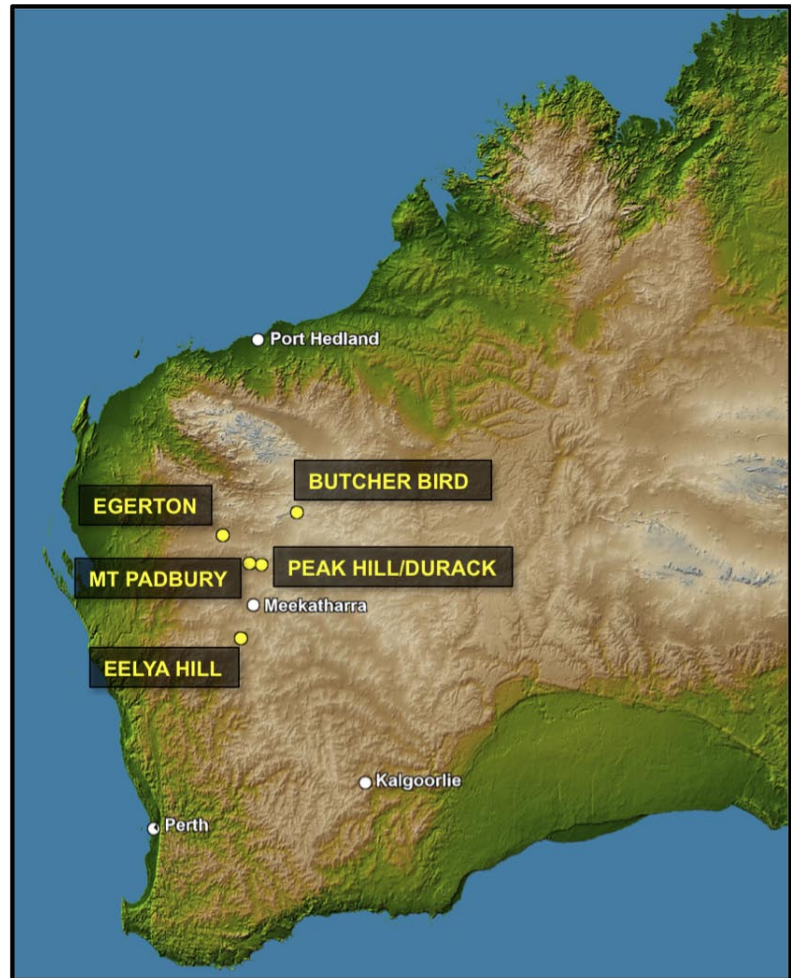
The hard work to date has the Company well placed to build on recent success as the global recovery continues.

2.2. Exploration

The recent capital inflows from the Company's investments has allowed the technical team to accelerate on ground work at both Peak Hill and Butcherbird

Work at Peak Hill during the year has continued to return good results with continued drilling as well as the identification of a number of new targets which will attract proactive follow up in the coming year.

Maiden drilling programmes have also been completed at both manganese and copper targets at Butcherbird, with very robust results from both. The manganese in particular is showing potential as a candidate for commercial production and the first results from the copper drilling highlight it as a priority target for additional work.



The Company continues to have an active focus on field exploration as a key strategy to generate returns for shareholders.

2.2.1. Peak Hill Mine (MZM 85-100%)

The Peak Hill Gold Mine was acquired at the beginning of the 2008 financial year from the Barrick and Rio Tinto Groups. Peak Hill is the Company's flagship project and will be the focus of the majority of planned exploration expenditure in the coming year.



Tenements

The Project is located approximately 100 km north of Meekathara and comprises granted mining leases over the main resource areas and several prospecting and exploration licences covering the surrounding target areas for a total of approximately 157 km².

Production History

The project has a strong gold production history having produced from four modern-era open cut pits on top of extensive historical high-grade production from underground mining in the latter part of the 19th century.

Since the 1980's, the Main, Jubilee, Fiveways and Harmony open cut operations have produced approximately 650,000 oz of gold while historically, pre-1913 production yielded around 270,000 oz. The combined ounces confirm the Peak Hill field as a +million ounce high-grade gold system.

The size and grades associated with the system to date is suggestive that the geology is conducive to additional mineralisation with further work, and underpins Montezuma's confidence in making the acquisition.

Ownership History

The history of the Peak Hill mining camp involves a string of successive owners each the subject of takeovers by progressively larger companies, until the project ended in shared ownership under Barrick and Rio Tinto.

Previous holders and operators included Grant's Patch, Forsayth, North, Plutonic, Homestake and finally Rio Tinto and Barrick Gold.

Gold production continued from 1988 until 1997 when the Barrick and Rio joint venture partners took the decision that the reserve potential was insufficient to meet their minimum size criteria and ceased operations.

Resource Extension Drilling

Since acquiring the Project, Montezuma's strategy has been to work to expand the known resources to a critical mass which would enable the Company to move to a feasibility phase with the aim of recommencing gold production at Peak Hill.

We have made significant progress to date, completing a number of programmes which culminated in an increased Resource at Jubilee. Further work on the existing resource models at Enigma, Jubilee, the Main Pit and Durack is ongoing with revised Resource estimates expected in due course.

Jubilee Resource Increase

Montezuma announced during the year the results of a revised mineral resource estimate for the Jubilee deposit at the Peak Hill Project.

CSA Global Pty Ltd. (CSA) was commissioned by Montezuma to undertake Mineral Resource estimates for the J2 and J3 zones at the Jubilee gold project, located 2km north of the historic Peak Hill Mine site, approximately 120km north of Meekatharra.

This exercise has delivered a Mineral Resource for the J2 and J3 zones of 605,000 tonnes at 2.41 g/t for 46,800 contained ounces based upon a 1g/t gold cut off. The deposits were classified, as per the JORC Code (2004), as Inferred and Indicated and presented in Table 1.

Deposit	Tonnes	Au (g/t)	Ounces
Indicated			
J2	22,000	2.63	1,900
J3	78,000	1.74	4,400
SubTotal	100,000	1.95	6,300
Inferred			
J2	179,000	2.81	16,200
J3	326,000	2.32	24,300
SubTotal	505,000	2.49	40,500
Total			
J2	202,000	2.79	18,100
J3	403,000	2.21	28,700
Total	605,000	2.41	46,800

Table 1. J2 and J3 Mineral Resource Estimates, 1g/t Cut-Off

This Resource Estimate provides a significant increase in both the grade and the total contained ounces over the previously released Resource Estimate for the deposit. This has resulted from an increase in the number of drill holes and a revised geological model for the deposit.

The Jubilee Resource is one of five main resource areas within the Peak Hill and surrounding projects. The significantly increased resource announced here provides further encouragement for the potential of the project to continue to grow in terms of gold endowment and the company remains focused in its endeavours to increase the Resource going forward through proactive drilling campaigns.

The Jubilee Project is located adjacent to, and enveloping, the historic Jubilee Open Pit (J1 zone). This pit records production of 6,559 ounces of gold at an average of 4.00 g/t.

Within the Jubilee project, white mica schist is intruded by a body of metadolerite that has a stratigraphic thickness of up to 250m. Gold mineralisation lies adjacent to both the hanging wall and footwall contacts between the metadolerite and the schist.

The J2 zone is located south of the metadolerite/schist contact with mineralisation occurring within 40 metres of the contact. Regionally, gold mineralisation is associated with stratabound quartz veins, however locally the quartz can have multiple orientations. The schist dips shallowly to the west.

The J3 zone is located within the hanging wall along the northern margin of the metadolerite/schist contact. Mineralised quartz veins in the J3 zone are regionally stratabound but have locally orientated variation. Mineralisation is more extensive than at the J2 zone, and extends approximately 100m from the metadolerite/schist contact and possibly to the northwest.

Historic reverse circulation drillholes used for this Mineral Resource estimate range from 1988 to 1995, with the majority of holes drilled in 1990-1995. Montezuma drilled fifteen reverse circulation holes in 2007 totaling 2,511 metres.

The team of Competent Persons involved in the preparation of the Mineral Resource is as follows:

The estimate was completed under the overall supervision and direction of Steven Hodgson, MAIG, of CSA Global who is a Competent Person as defined by the Australasian Code for the Reporting of Exploration Results, Mineral Resources or Ore Reserves (JORC Code 2004 Edition) and who consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

The resource estimate in this report relates to information provided by Montezuma Mining Ltd. The information including database compilation, geological interpretation and mineralisation wire framing was completed by Craig Richards B.Sc. Hons Grad.Dip. and supervised by Trevor Saul B.Sc.Hons MAusIMM. Mr Saul 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. Trevor Saul consents to the inclusion in the report of the matters based on his information in the form and context in which it appear.

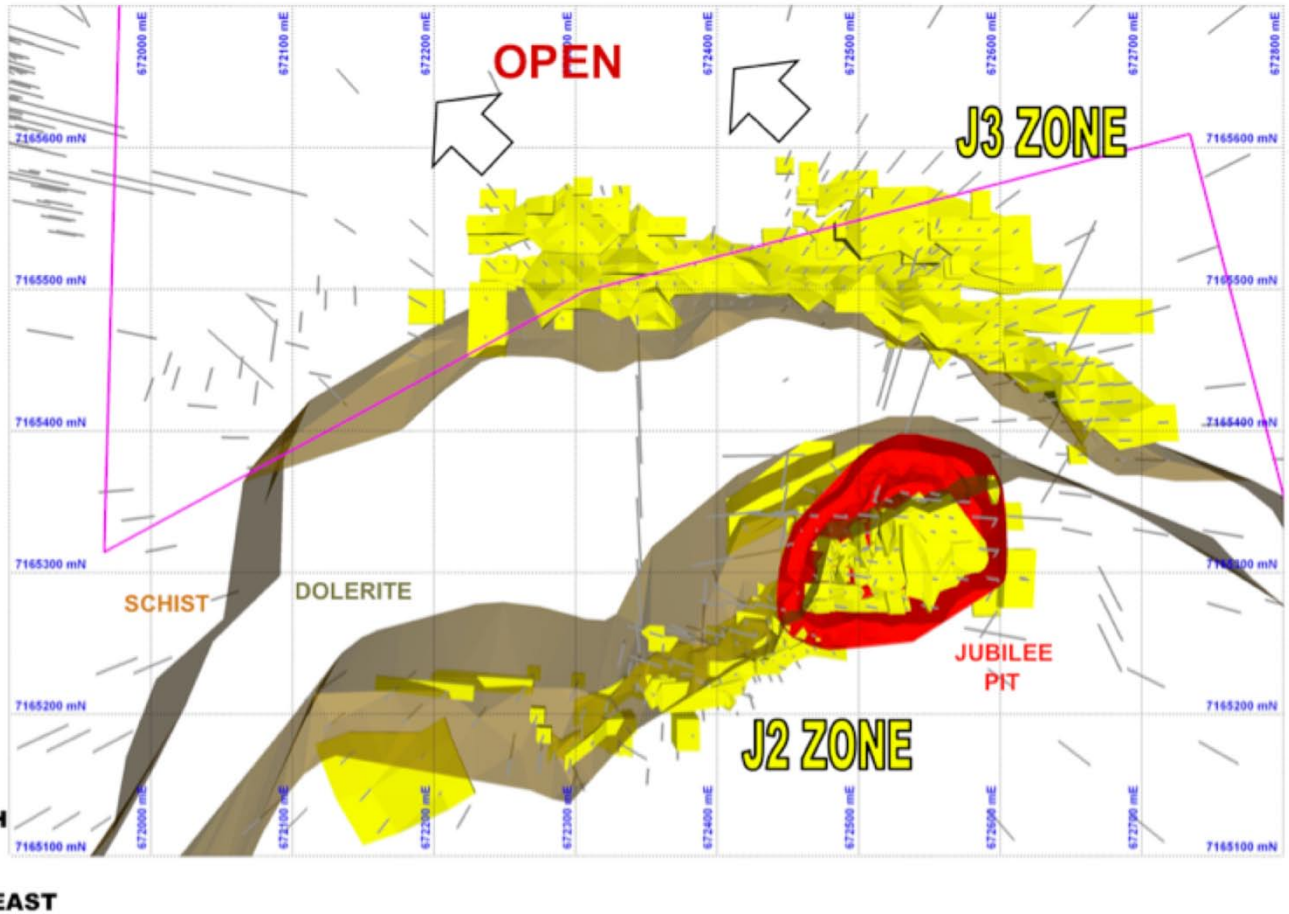


FIGURE 1: PLAN VIEW OF JUBILEE RESOURCE AREA

Gold Production

Montezuma has in place a Tribute Mining Agreement with Resource Gold Pty Ltd (“RGL”) to process suitable material from within the Project using RGL’s gravity plant. All costs and environmental liabilities are carried by RGL and Montezuma receives 25% of all gold produced.

Resource Gold has ramped up their processing operation and during the year produced a total of 1,413.95 ounces of gold and 85.68 ounces of silver, from the sale of which the Company received 25% of total proceeds.

2.2.2. Durack (MZM earning 85%)

In May 2008, the Company announced an agreement with Grange Resources Limited to acquire an 85% interest in the granted mining lease M52/801, which contains the Durack gold deposit. The Project is located approximately 12km south of Peak Hill.

Montezuma has agreed to spend \$500,000 on exploration and development over the subsequent four years to earn an 85% interest in the licence, which adds significantly to Montezuma's existing gold Resources and is ideally located to provide satellite resources to any centralised operation at Peak Hill, 12km to the north.

During the year Montezuma advised Grange that this expenditure commitment had been met and discussions are currently underway to arrange for the transfer of the relevant interest to Montezuma.

Previous workers have identified an Indicated and Inferred gold Resource at Durack of 567,679t @ 2.34 (1.0g/t cutoff, and top-cut of 25 g/t) for a total of **42,659 oz Au**. Uncut, the resource grade increases to 3.33 g/t with an increase in total ounces to 60,836.

Several exploration targets have been identified within the lease which provide opportunities to add to this additional resource. Montezuma will undertake a detailed internal assessment of these and other target areas before planning the first phase of work to progress the project.

The gold mineralisation at Durack is associated with pyrite alteration on the margins of steeply dipping quartz veins within a package of intercalated mafic volcanics and sedimentary rocks. The main mineralised zone is broadly concordant with stratigraphy, trending at 130°, dipping sub-vertically to the north-east.

Existing Resources

A full breakdown of the existing resources at Durack are outlined in the following table:

**Durack Deposit
November 2004 Resource Estimate 1.0g/t Cutoff**

Type	Indicated			Inferred			Total				
	Tonnes T	Uncut g/t	Cut25 g/t	Tonnes T	Uncut g/t	Cut25 g/t	Tonnes T	Uncut g/t	Cut25 g/t	Uncut Ounces	Cut Ounces
Oxide	159,879	2.67	2.09	86,022	6.08	2.51	245,901	3.86	2.24	30,537	17,700
Transition	226,895	2.97	2.31	94,883	2.82	2.67	321,778	2.93	2.41	30,298	24,959
Total	386,774	2.85	2.22	180,905	4.37	2.59	567,679	3.33	2.34	60,836	42,659

Table 2. Durack Deposit Mineral Resource Estimate

Windsor Gold Zone

During the year, the Company completed first pass testing of the Windsor gold zone discovered to the south of the known Resource within the Durack Project area.

A total of 12 holes were completed for 1,457m to test the extensions of mineralisation intersected in discovery hole D09002 which returned a best intersection of 33m @ 1.89 g/t gold including 3m @ 3.52 g/t and 7m @ 5.32 g/t.

Seven out of the twelve completed holes intersected significant gold mineralisation and the mineralised zone remains open in all directions. Work will now turn to understanding the controls on

mineralisation so that the next round of work can focus on targeting the thicker, higher grade sections of the orebody.

Mineralisation at Windsor is structurally complex, with a strong tendency to pinch and swell in size and position. Gold is associated with siliceous, sericite alteration with minor pyrite within quartz stringers.

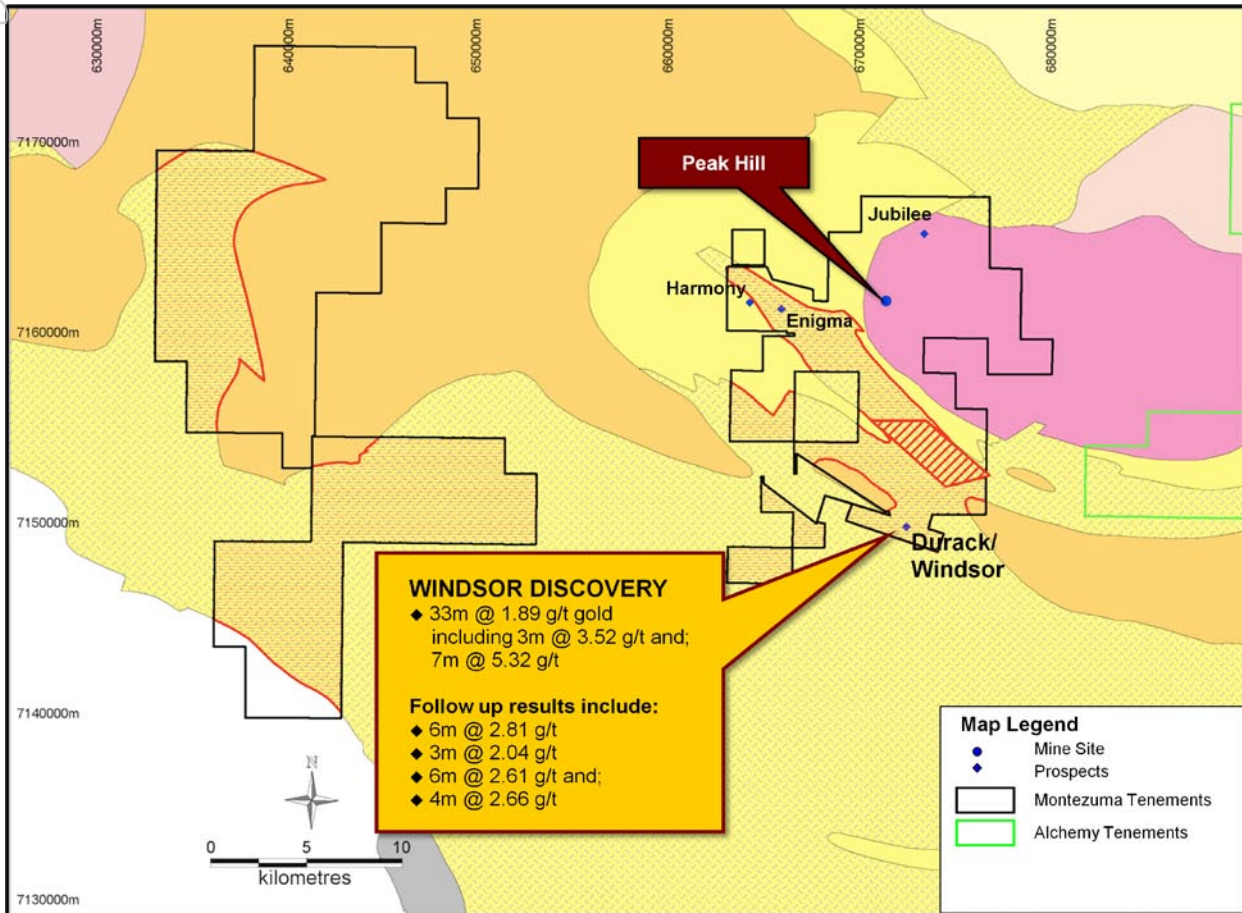


Figure 1. Windsor Discovery location plan and significant intercepts

Hole ID	North (GDA)	East (GDA)	Azimuth	Dip	Depth (m)	From (m)	To (m)	Au (g/t)	Composite
D09014	7150422	671088	220	-60	198	116	117	1.53	
D09016	7150293	671045	220	-60	90	34	35	1.01	
						41	42	5.94	
						42	43	0.08	
						43	44	0.52	
						44	45	1.35	
						45	46	1.81	
					46	47	1.09	6m @ 1.8 g/t	
D09018	7150369	671111	220	-60	150	93	94	1.51	
						98	99	1.44	
						99	100	3.25	2m @ 2.35 g/t
						102	103	3.18	
D09020	7150280	671099	220	-60	90	47	48	1.48	
						62	63	1.53	
						71	72	0.52	
						72	73	0.99	
						73	74	1.41	3m @ 0.97 g/t
						76	77	1.53	
D09021	7150317	671132	220	-60	140	38	39	3.86	
						39	40	0.85	
						40	41	0.9	
						41	42	2.8	4m @ 2.1 g/t
D09022	7150355	671164	220	-60	140	67	68	0.85	
						68	69	3.1	
						69	70	0.19	
						70	71	11.7	
						71	72	0.16	
						72	73	0.88	6m @ 2.81 g/t
						82	83	2.9	
						86	87	2.85	
						87	88	0.62	
						88	89	2.65	3m @ 2.04 g/t
						92	93	6.9	
						93	94	0.61	
						94	95	0.4	
						95	96	0.99	
96	97	5.29							
97	98	1.48	6m @ 2.61 g/t						
					103	104	1.28		
					107	108	5.65		

Table 3. Note: Assays have been determined by the Aqua Regia ICP_MS method. Samples were collected at 1m intervals. Intervals are expressed as down hole intervals in metres. There is insufficient information at present to make an estimation of the true width of the mineralisation encountered.

2.2.3. Butcherbird (MZM 100%)

The Butcherbird licence application straddles the Great North Highway approximately 120km south of Newman. The land is open with sparse vegetative cover, giving good access to all areas of the licence.

Manganese

Rock Chip Sampling

Following the reconnaissance surface sampling in the previous year, further work early in the current year continues to underpin the manganese potential of the Butcherbird project.

Extensive surface sampling was completed prior to designing drilling programmes, with all samples analysed by Ultra Trace Pty Ltd using XRF glass beads. The results provided a very strong case for the drill testing of key target areas, which was completed later in the year and is summarized later in this report.

Prospect	ID	East (GDA)	North (GDA)	Mn (%)	Fe (%)	Al2O3 (%)	SiO2 (%)	TiO2 (%)	LOI (%)
Bindi Bindi Hill	BB51	765909	7299246	33.7	11.2	4.89	17.9	0.18	10.5
Bindi Bindi Hill	BB52	765701	7299229	43.6	3.87	4.08	14.8	0.14	10.2
Bindi Bindi Hill	BB53	765466	7299169	39.5	6.46	4.69	16.2	0.18	9.73
Bindi Bindi Hill	BB54	765466	7299171	35.4	10.7	4.36	17.4	0.18	9.36
Bindi Bindi Hill	BB55	765469	7299160	41.6	4.76	4.65	15.6	0.16	10.2
Bindi Bindi Hill	BB56	765472	7299143	44.0	3.68	4.06	14.2	0.14	10.2
Bindi Bindi Hill	BB57	765479	7299128	44.4	4.30	3.89	13.3	0.15	10.4
Bindi Bindi Hill	BB58	765477	7299136	43.1	4.22	4.37	14.3	0.14	10.3
Bindi Bindi Hill	BBG06	765335	7299208	44.2	3.3	3.9	13.1	0.15	10.3
Bindi Bindi Hill	BBG07	765372	7299196	45.4	2.2	3.6	12.5	0.14	10.2
Bindi Bindi Hill	BBG08	765183	7299259	43.8	2.7	4.1	14.1	0.15	9.9
Bindi Bindi Hill	BBG09	765181	7299264	41.2	5.0	4.5	14.5	0.17	10.0
Bindi Bindi Hill	BBG10	765178	7299268	35	9.0	5.4	18.3	0.21	9.6
Bindi Bindi Hill	BBG11	765176	7299274	42.4	3.7	4.6	14.5	0.17	10.0
Bindi Bindi Hill	BBG12	765190	7299260	45.7	2.5	3.7	11.7	0.14	10.5
Bindi Bindi Hill	BBG13	765285	7299006	43.6	3.6	4.0	13.5	0.14	10.0

Table 4. Rockchip sampling from Bindi Bindi Hill

The manganese at Bindi Bindi Hill is predominantly manganite recrystallised in fine layers as thin slabs and blocks in a paleochannel environment.

Prospect	ID	East (GDA)	North (GDA)	Mn (%)	Fe (%)	Al2O3 (%)	SiO2 (%)	TiO2 (%)	LOI (%)
Yanneri Ridge	BB21	774293	7297732	39.4	6.49	5.23	16.4	0.18	11.1
Yanneri Ridge	BB22	774262	7297736	36.6	7.04	6.09	18.7	0.21	10.7
Yanneri Ridge	BB23	774482	7297553	40.7	5.39	4.79	16.2	0.16	10.1
Yanneri Ridge	BB24	774488	7297608	37.6	8.01	4.65	17.5	0.17	10.3
Yanneri Ridge	BB45	773958	7297729	36.2	13.7	6.19	8.9	0.19	12.0
Yanneri Ridge	BB46	773977	7297703	38.7	7.31	5.28	15.7	0.18	11.4
Yanneri Ridge	BB47	773815	7297806	33.1	5.67	7.50	24.6	0.25	10.4
Yanneri Ridge	BB48	773731	7297810	36.5	9.64	4.94	16.7	0.17	11.1
Yanneri Ridge	BB49	773660	7297818	42.4	4.98	4.55	15.6	0.16	11.2
Yanneri Ridge	BB50	773589	7297818	34.9	9.48	6.13	17.7	0.20	11.2

Table 5. Rock chip sampling from Yanneri Ridge

Yanneri Ridge represents supergene Mn enrichment of manganiferous shales, forming a manganite enriched cap over a strike of approximately 6km.

Prospect	Name	Easting GDA	Northing GDA	Mn (%)	Fe (%)	Al2O3 (%)	SiO2 (%)	TiO2 (%)	LOI (%)
Cadgies Flats	BBG01	765532	7300778	33.4	8.7	5.3	19.2	0.18	9.9
Cadgies Flats	BBG02	765535	7300773	34.3	9.5	5.1	18.1	0.19	9.6
Cadgies Flats	BBG03	765541	7300765	35.3	9.9	4.7	17.1	0.17	9.4
Cadgies Flats	BBG04	765772	7301062	35.4	8.8	4.7	18.2	0.21	10.0
Cadgies Flats	BBG05	765873	7301114	38.4	6.3	5.3	16.4	0.18	10.0

Table 6. Rock chip sampling from Cadgies Flats

Cadgies Flats is located between Bindi Bindi Hill and Illgararie Hill. The mineralisation occurs as buried paleochannels that have been eroded by present day flat pans. Mineralisation is seen at the surface as scattered zones of thin and platey slabs of recrystallised manganite.

Prospect	Name	Easting GDA	Northing GDA	Mn (%)	Fe (%)	Al2O3 (%)	SiO2 (%)	TiO2 (%)	LOI (%)
Bindi Bindi West	BBG19	763330	7298138	36.6	7.4	5.1	17.9	0.19	10.3
Bindi Bindi West	BBG20	763267	7298205	35.1	8.8	5.9	18.3	0.21	10.3
Bindi Bindi West	BBG21	763255	7298172	36.5	7.3	5.5	18.5	0.2	10.2
Bindi Bindi West	BBG22	763258	7298154	4.2	33.4	8.2	27.2	0.32	7.6

Table 7. Rock chip sampling from Bindi Bindi West

Bindi Bindi West represents a buried manganese rich paleochannel that is exposed by present day gully erosion. The paleochannel strikes roughly NE, and directly along strike from Bindi Bindi Hill. This paleochannel represents one of the tributaries of the Bindi Bindi Hill paleochannel, and provides an exploration target comprising the western margins of the present day Bindi Bindi Flats (approx 4km in strike).

RC Drilling

BUTCHERBIRD WEST

Drilling results from the phase 1 drilling at the Bindi Bindi Hill, Alcoa Hole and Cadgies Flats manganese Prospects within the Butcherbird manganese/copper project programme comprised 90 holes for 3,132m.

The drilling and associated preliminary metallurgical testing results have confirmed the presence of broad areas of beneficiable manganese material starting at surface and extending over significant mineable widths of 5-24m.

The work completed to date supports an ****Exploration Target potential at Bindi Bindi Hill of 20-30 Mt at 8-12% Mn.** Beneficiation test work completed so far suggests that the material can be beneficiated by crushing, screening and dense media separation and work is ongoing to further refine this process.

***It should be noted that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource, and that it is uncertain if further exploration will result in the determination of a Mineral Resource*

At Cadgies Flat the mineralisation is somewhat thinner, at around 5m but some very high grades have been returned from rock chips in this area and based on mapping since the first pass drilling was completed, we now believe that the best areas have yet to be drilled.



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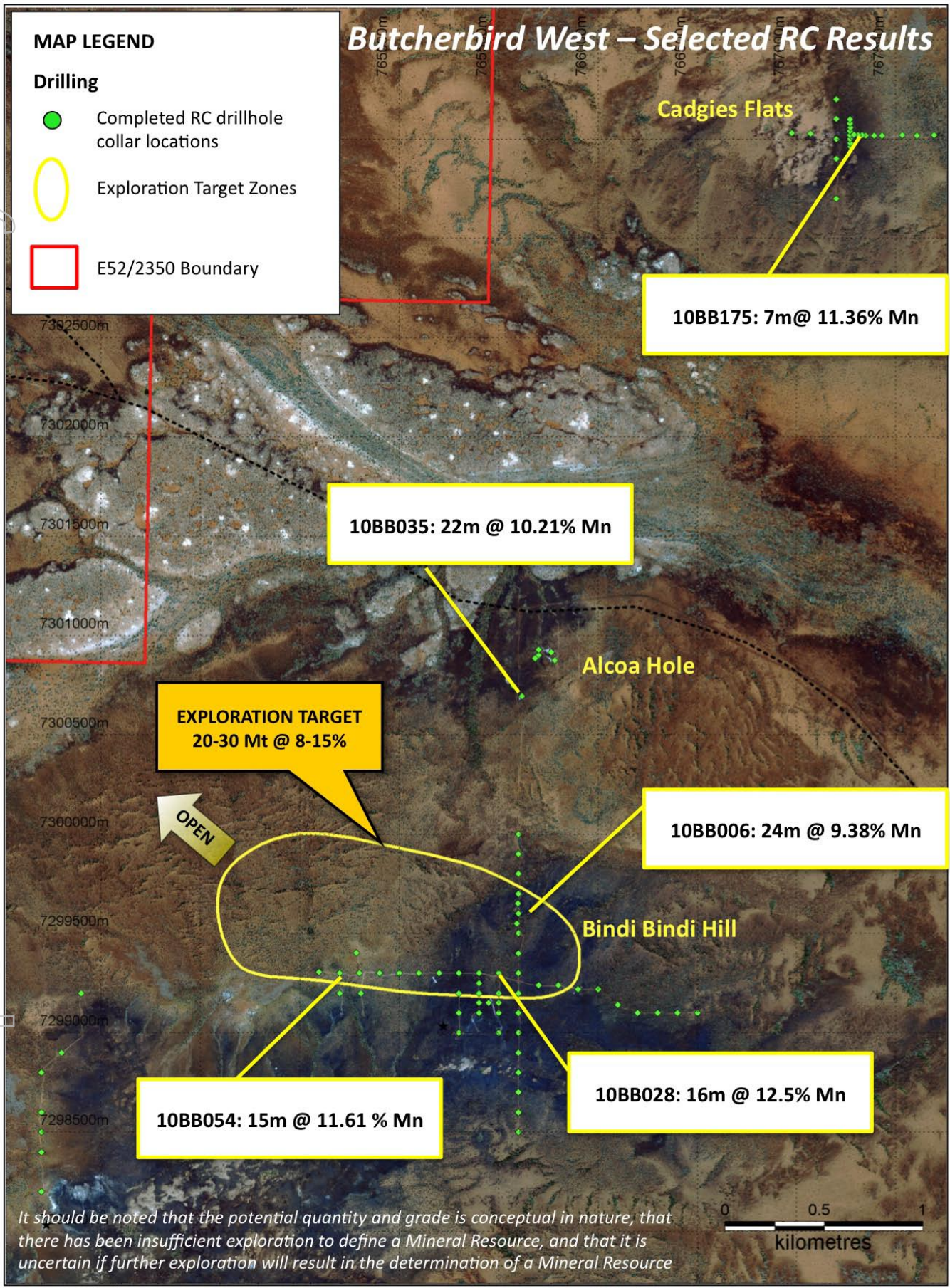


Figure 2. Plan view showing completed drillhole locations, selected RC composite intersections and prospect locations at Butcherbird (west). Individual assays are from 1m splits, using fused disc XRF analysis.

Hole ID	Prospect	Northing	Easting	From	To	Interval	Mn(%)	Including	Fe(%)	SiO2(%)	P(%)
10BB001	Alcoa Hole	7300915	765764	0	1	1	7.26		8.3	46.1	0.03
				8	10	2	11.3		10.04	46.4	0.1
				12	14	2	9.1		8.56	49.95	0.12
10BB002	Alcoa Hole	7300900	765700	22	23	1	14.41		14.69	29.7	0.05
10BB003	Alcoa Hole	7300876	765781	4	9	5	10.66		9.27	43.76	0.06
				18	24	6	13.12		9.73	44.02	0.06
				29	38	9	11.54		11.21	37.86	0.07
10BB034	Alcoa Hole	7300694	765616	8	11	3	8.29		9.46	50.13	0.05
				25	37	12	11.6		9.98	37	0.08
10BB035	Alcoa Hole	7300745	765573	2	24	22	10.21	2m@16.03	11.29	45.01	0.08
				29	34	5	7.88		8.76	43.92	0.08
10BB005	Bindi Bindi Hill	7299650	765598	5	17	12	9.22		10.85	46.58	0.1
				20	29	9	9		10.14	40.5	0.14
10BB006	Bindi Bindi Hill	7299549	765593	0	24	24	9.38		9.99	43.47	0.09
10BB007	Bindi Bindi Hill	7299150	765500	0	10	10	12.2		10.8	43.94	0.1
10BB008	Bindi Bindi Hill	7299150	765450	0	9	9	11.8		11.23	43.03	0.1
10BB009	Bindi Bindi Hill	7299151	765400	0	9	9	10.24		10.57	42.68	0.12
10BB010	Bindi Bindi Hill	7299250	765400	1	12	11	10.86		11.55	42.34	0.11
10BB017	Bindi Bindi Hill	7299000	765300	0	2	2	7.38		9.65	47.1	0.08
10BB018	Bindi Bindi Hill	7299100	765300	6	12	6	9.72		8.88	46.38	0.09
10BB019	Bindi Bindi Hill	7299200	765300	0	10	10	12.81		10.57	42.92	0.1
10BB020	Bindi Bindi Hill	7299300	765300	2	11	9	13.15		11.68	40.66	0.11
10BB022	Bindi Bindi Hill	7299100	765400	0	4	4	11.23		10.05	40.48	0.08
				10	13	3	9.24		9.93	47.5	0.09
10BB023	Bindi Bindi Hill	7299200	765400	0	10	10	12.22	5m@16.21	9.57	42.5	0.11
10BB024	Bindi Bindi Hill	7299300	765400	0	15	15	11.87	3m@16.78	9.48	43.37	0.09
10BB025	Bindi Bindi Hill	7299000	765500	1	4	3	7.76		8.86	46.76	0.07
10BB026	Bindi Bindi Hill	7299100	765500	0	8	8	12.12	3m@17.14	9.07	42.43	0.08
10BB027	Bindi Bindi Hill	7299200	765500	0	13	13	12.16	4m@18.50	9.84	43.82	0.1
10BB028	Bindi Bindi Hill	7299300	765500	0	16	16	12.5	1m@22.23	9.61	45.06	0.1
10BB029	Bindi Bindi Hill	7299000	765600	1	6	5	5.33		8.04	47	0.13
10BB030	Bindi Bindi Hill	7299100	765600	0	6	6	8.01		7.78	46.43	0.09
10BB031	Bindi Bindi Hill	7299200	765600	0	7		12.42	2m@12.42	11.12	42.08	0.11
10BB032	Bindi Bindi Hill	7299300	765600	1	16	15	8.82		9.55	43.69	0.08
10BB054	Bindi Bindi Hill	7299300	764700	0	15	15	11.61	2m@22.70	9.02	46.62	0.08
				22	24	2	9.6		10.35	47.15	0.07
10BB054B	Bindi Bindi Hill	7299200	764700	1	6	5	8.09		10.52	49.94	0.1
				25	26	1	10.53		8.88	47.4	0.09

Hole ID	Prospect	Northing	Easting	From	To	Interval	Mn(%)	Including	Fe(%)	SiO2(%)	P(%)
10BB054S	Bindi Bindi Hill	7299306	764597	4	25	21	10.58	9m@13.77	10.55	46.7	0.09
10BB055	Bindi Bindi Hill	7299300	764800	2	8	6	11.66	2m@13.89	8.96	47.13	0.08
				18	19	1	14.02		9.79	43.5	0.14
10BB055B	Bindi Bindi Hill	7299403	764784	8	24	16	9.87		10.86	47.79	0.1
10BB055C	Bindi Bindi Hill	7299200	764807	0	1	1	15.1		7.27	45.7	0.05
10BB056	Bindi Bindi Hill	7299300	764900	1	2	1	13.3		7.48	51.7	0.03
				5	13	8	9.04		8.54	50.31	0.07
10BB057	Bindi Bindi Hill	7299300	765000	1	13	12	12.26	6m@14.26	10.03	45.33	0.1
				23	26	3	6.49		8.09	47.27	0.12
10BB058	Bindi Bindi Hill	7299300	765100	1	14	13	8.28	4m@10.47	10.09	46.5	0.1
10BB059	Bindi Bindi Hill	7299300	765200	0	8	8	8.71	1m@12.00	8.02	44.55	0.1
10BB060	Bindi Bindi Hill	7298500	765600	1	2	1	10.38		10.91	46.7	0.04
10BB061	Bindi Bindi Hill	7298600	765600	4	6	2	9.6		9.82	46.95	0.09
10BB065	Bindi Bindi Hill	7299400	765600	0	17	17	8.66	5m@11.06	9.26	42.21	0.09
10BB066	Bindi Bindi Hill	7299500	765600	0	19	19	8.47	3m@10.77	10.07	45.23	0.09
10BB067	Bindi Bindi Hill	7299600	765600	1	27	26	9.52	2m@20.68	9.31	42.01	0.11
10BB068	Bindi Bindi Hill	7299700	765600	6	15	9	8.14		11.35	47.49	0.12
				20	33	13	8.09		9.39	39.77	0.09
10BB069	Bindi Bindi Hill	7299800	765600	14	18	4	7.4		10.98	44.52	0.1
10BB071	Bindi Bindi Hill	7300000	765600	40	50	10	8.37		9.08	37.64	0.1
10BB072	Bindi Bindi Hill	7299240	765700	1	15	14	12.14	4m@15.76	10.52	42.12	0.09
10BB073	Bindi Bindi Hill	7299240	765800	0	16	16	9.73	2m@14.48	10.02	42.34	0.1
10BB074	Bindi Bindi Hill	7299220	765900	1	13	12	9.64		9.42	41.21	0.08
10BB075	Bindi Bindi Hill	7299220	766000	0	12	12	9.31		9.41	44.33	0.08
10BB076	Bindi Bindi Hill	7299140	766100	0	11	11	10.76	4m@13.54	9.75	46.94	0.1
10BB077	Bindi Bindi Hill	7299100	766200	0	11	11	9.94		9.64	48.34	0.07
10BB078	Bindi Bindi Hill	7299100	766300	0	12	12	9.31		9.06	46.16	0.08
10BB079	Bindi Bindi Hill	7299100	766400	0	12	12	9.96	4m@12.76	9.83	47.87	0.12
10BB080	Bindi Bindi Hill	7299100	766500	0	12	12	10.59	5m@10.59	9.81	44.68	0.12
10BB103	Cadgies Flats	7303520	767250	0	2	2	7.39		8.78	49.8	0.1
				6	7	1	8.98		10.77	47.3	0.09
				12	16	4	9.31		9.98	40.35	0.14
10BB105	Cadgies Flats	7303520	767210	7	17		7.81	1m@15.80	10.68	46.96	0.14
10BB106	Cadgies Flats	7303520	767190	2	4	2	9.83		8.37	43.8	0.12
				6	7	1	9.14		11.75	46.8	0.15
				10	13	3	8.23		11.21	42.97	0.14
10BB107	Cadgies Flats	7303520	767170	5	11	6	8.68		10.98	47.27	0.15

Hole ID	Prospect	Northing	Easting	From	To	Interval	Mn(%)	Including	Fe(%)	SiO2(%)	P(%)
10BB108	Cadgies Flats	7303520	767150	1	2		8.21		10.42	39.3	0.15
				4	11	7	8.9	1m@15.33	12.43	44.58	0.15
10BB163	Cadgies Flats	7303461	767271	0	5	5	9.11		9.76	47.18	0.12
10BB164	Cadgies Flats	7303480	767270	0	6	6	10.91	2m@16.88	9.73	46	0.1
				15	18	3	8.21		10.4	41.3	0.13
10BB165	Cadgies Flats	7303500	767269	0	4	4	9.07		10.09	45.98	0.15
				11	18	7	6.79		9.3	46.66	0.1
10BB166	Cadgies Flats	7303520	767269	0	4	4	9.68	1m@14.33	10.91	46.2	0.11
				13	17	4	9.24		10.37	39.98	0.12
10BB167	Cadgies Flats	7303539	767269	0	4	4	8.68	1m@16.42	10.54	47.75	0.11
				14	17	3	8.44		10.51	40.97	0.11
10BB168	Cadgies Flats	7303557	767270	2	4	2	11.06	1m@14.71	7.89	48.05	0.16
10BB169	Cadgies Flats	7303578	767268	0	4	4	8.19	1m@14.79	10.01	45.12	0.16
				14	18	4	8.13		9.79	42.1	0.1
10BB170	Cadgies Flats	7303598	767267	0	4	4	9.58	1m@17.66	9.55	45.6	0.11
				7	9	2	8.85		9.65	48.75	0.1
10BB171	Cadgies Flats	7303522	767289	0	5	5	10.58	2m@14.29	10.1	46	0.11
				8	10	2	10.26		8.7	47.65	0.12
				14	18	4	8.3		10.07	41.65	0.13
10BB172	Cadgies Flats	7303520	767310	0	6	6	10.23		12.71	44.05	0.14
				13	19	6	7.06		9.11	45.27	0.11
10BB173	Cadgies Flats	7303519	767328	2	8	6	9.2	3m@11.23	10.72	47.62	0.12
10BB174	Cadgies Flats	7303517	767348	1	5	4	10.25	2m@13.86	8.78	47.98	0.07
				18	22	4	7.86		9.98	41.82	0.11
10BB175	Cadgies Flats	7303518	767391	2	9	7	11.36	4m@13.14	10.34	45	0.09
				16	23	7	6.67		9.14	45.16	0.09
10BB176	Cadgies Flats	7303517	767430	0	11	11	6.93	1m@15.72	10.86	51.34	0.1
				20	24	4	7.33		9.9	42.92	0.1
10BB177	Cadgies Flats	7303519	767533	2	12	10	8.37	3m@11.67	10.39	50.39	0.11
				22	24	2	9.1		10.14	39.85	0.14
10BB178	Cadgies Flats	7303518	767607	0	12	12	7.81	1m@17.43	10.38	51.12	0.1
				22	25	3	8.34		9.37	42.27	0.1
10BB179	Cadgies Flats	7303520	767692	0	1	1	7.31		25.25	30.1	0.05
10BB180	Cadgies Flats	7303528	767071	7	10	3	11.08		12.43	43.53	0.13
10BB181	Cadgies Flats	7303530	766976	3	13	10	7.61	2m@11.08	10	48.89	0.11
10BB043	Mungajerrie	7298200	763200	13	14	1	11.62		12.17	43.2	0.03
10BB047	Mungajerrie	7298600	763200	2	7	5	8.22		7.2	52.18	0.09
10BB050	Mungajerrie	7298900	763300	6	8	2	8.25		7.5	51.35	0.07
10BB053	Mungajerrie	7299200	763400	7	9	2	7.08		5.68	55.8	0.06

Table 8. RC Drilling results from the Bindi Bindi Hill, Alcoa Hole, and Cadgies Flats Prospects within the Butcherbird Project area. Composite results shown from geologically constrained zones and a bottom cut of approximately 6% manganese. Assays are from 1m splits using XRF fused disc analysis.

BUTCHERBIRD EAST

Additional RC drilling at the Yanneri Ridge, Budgie Hill, Ilgararie Ridge and Ilgararie Hill manganese Prospects within the Butcherbird manganese/copper project. A total of 67 holes were completed for 2,376m.

The drilling results further confirmed the presence of additional broad areas of beneficiable manganese material starting at surface and extending over significant mineable widths of 5-28m.

All four target areas are priority targets with the potential to yield significant tonnages of manganese ore. In all cases, mineralisation is open along strike and down dip, with cross sections showing very consistent mineralised horizons starting at or near surface.

Hole ID	Prospect	Northing	Easting	From	To	Interval	Mn(%)	Including	Fe(%)	SiO2(%)	P(%)
10BB091	Budgie Hill	7307700	778804	0	10	10	9.49	5m@11.15	11.43	45.02	0.28
10BB099	Budgie Hill	7306411	779954	9	16	7	10.34	3m@10.99	15.04	44.4	0.2
10BB098	Budgie Hill	7306321	779955	3	8	5	9.41		10.21	49.59	0.11
10BB100	Budgie Hill	7306487	779941	0	7	7	9.72	2m@12.16	11.54	47.4	0.12
10BB101	Budgie Hill	7306582	779946	0	6	6	9.35		13.07	43.44	0.16
10BB208	Budgie Hill	7306488	779850	1	9	8	13.05	5m@15.54	12.88	41.85	0.13
10BB113	Ilgararie Ridge	7304094	773801	5	8	3	9.98		15	44.21	0.09
10BB114	Ilgararie Ridge	7304198	773793	1	5	4	10.51		11.69	46.34	0.13
				12	20	8	11.65		14.24	42.55	0.2
10BB202	Ilgararie Ridge	7304297	773799	8	20	12	10.67	2m@15.08	12.9	45.15	0.2
10BB203	Ilgararie Ridge	7304401	773799	1	3	2	7.68		8.43	37.06	0.02
				15	25	8	11.04		12.99	44.23	0.17
10BB204	Ilgararie Ridge	7304501	773799	8	25	17	10.46		13.37	44.52	0.17
10BB205	Ilgararie Ridge	7304601	773800	7	14	7	9.19	1m@16.17	11.52	48.08	0.11
				23	31	8	10.19		13.51	42.04	0.17
10BB201	Ilgararie Ridge	7304712	773777	7	11	4	12.22	2m@15.97	11.63	43.88	0.09
				24	25	1	16.56		9.56	41.36	0.08
				34	38	4	9.8		9.12	42.04	0.08
10BB200	Ilgararie_Hill	7302394	774021	3	4	1	14.13		8.98	44.63	0.08
				16	18	2	10.9		12.29	45.61	0.11
				24	28	4	11.11		12.91	38.04	0.12
10BB199	Ilgararie_Hill	7302496	774016	29	30	1	11.71		11.92	45.36	0.11
				33	40	7	10.13		9.6	42.92	0.12
10BB198	Ilgararie_Hill	7302603	774023	0	14	14	10.22	8m@11.85	13.86	45.6	0.15
10BB197	Ilgararie_Hill	7302698	774024	0	9	9	11.16		13.52	44.36	0.14
10BB196	Ilgararie_Hill	7302801	774020	0	1	1	20.18		8.61	39.45	0.04

Hole ID	Prospect	Northing	Easting	From	To	Interval	Mn(%)	Including	Fe(%)	SiO2(%)	P(%)
10BB119	Ilgararie_Hill	7302864	774021	4	10	6	11.55		13.24	43.48	0.1
10BB126	Yaneri Ridge	7297849	773317	0	22	22	9.96	2m@16.06	13.12	44.6	0.1
								3m@15.98			
								2m@17.57			
10BB188	Yaneri Ridge	7298001	773300	8	30	22	10.82	2m@14.20	11.58	43.73	0.12
10BB189	Yaneri Ridge	7298098	773298	15	30	15	9.76		11.18	44.56	0.12
10BB190	Yaneri Ridge	7298198	773298	5	7	2	8.66		7.08	52.54	0.04
10BB145	Yaneri Ridge	7297710	774099	0	5	5	7.11		11.52	50.43	0.04
10BB146	Yaneri Ridge	7297749	774101	0	13	13	8.86	1m@22.07	12.17	47.9	0.07
10BB146				17	21	4	10.98		11.04	45.99	0.1
10BB147	Yaneri Ridge	7297801	774100	0	15	15	12.04	2m@18.42	12.28	44.45	0.08
10BB148	Yaneri Ridge	7297898	774102	5	18	13	12.27	2m@16.80	11.93	43.83	0.13
								3m@15.44			
								1m@19.17			
10BB149	Yaneri Ridge	7297996	774100	0	17	17	11.54		11.72	44.74	0.11
10BB152	Yaneri Ridge	7297592	774498	19	21	2	9		11.9	46.57	0.14
10BB153	Yaneri Ridge	7297646	774522	0	6	6	11.86		10.79	45.23	0.12
10BB154	Yaneri Ridge	7297691	774529	0	9	9	11.44	1m@16.56	13.09	44.1	0.11
10BB155	Yaneri Ridge	7297806	774502	0	4	4	9.4		11.21	49.99	0.13
10BB156	Yaneri Ridge	7297901	774498	0	13	13	13.58	4m@14.58	12.1	41.86	0.12
10BB157	Yaneri Ridge	7297406	774893	0	1	1	8.55		9.76	48.03	0.04
10BB159	Yaneri Ridge	7297598	774903	0	4	4	7.81		8.67	37.56	0.11
10BB160	Yaneri Ridge	7297701	774903	0	4	4	10.87		10.17	42.21	0.11
10BB160				10	12	2	9.33		10.21	36.73	0.1
10BB162	Yaneri Ridge	7297899	774899	0	28	28	10.63	4m@13.18	12.2	43.34	0.14

Table 9. RC Drilling results from the Budgie Hill, Yanneri Ridge, Ilgararie Hill and Ilgararie Ridge Prospects within the Butcherbird Project area. Composite results shown from geologically constrained zones and a bottom cut of approximately 6% manganese.

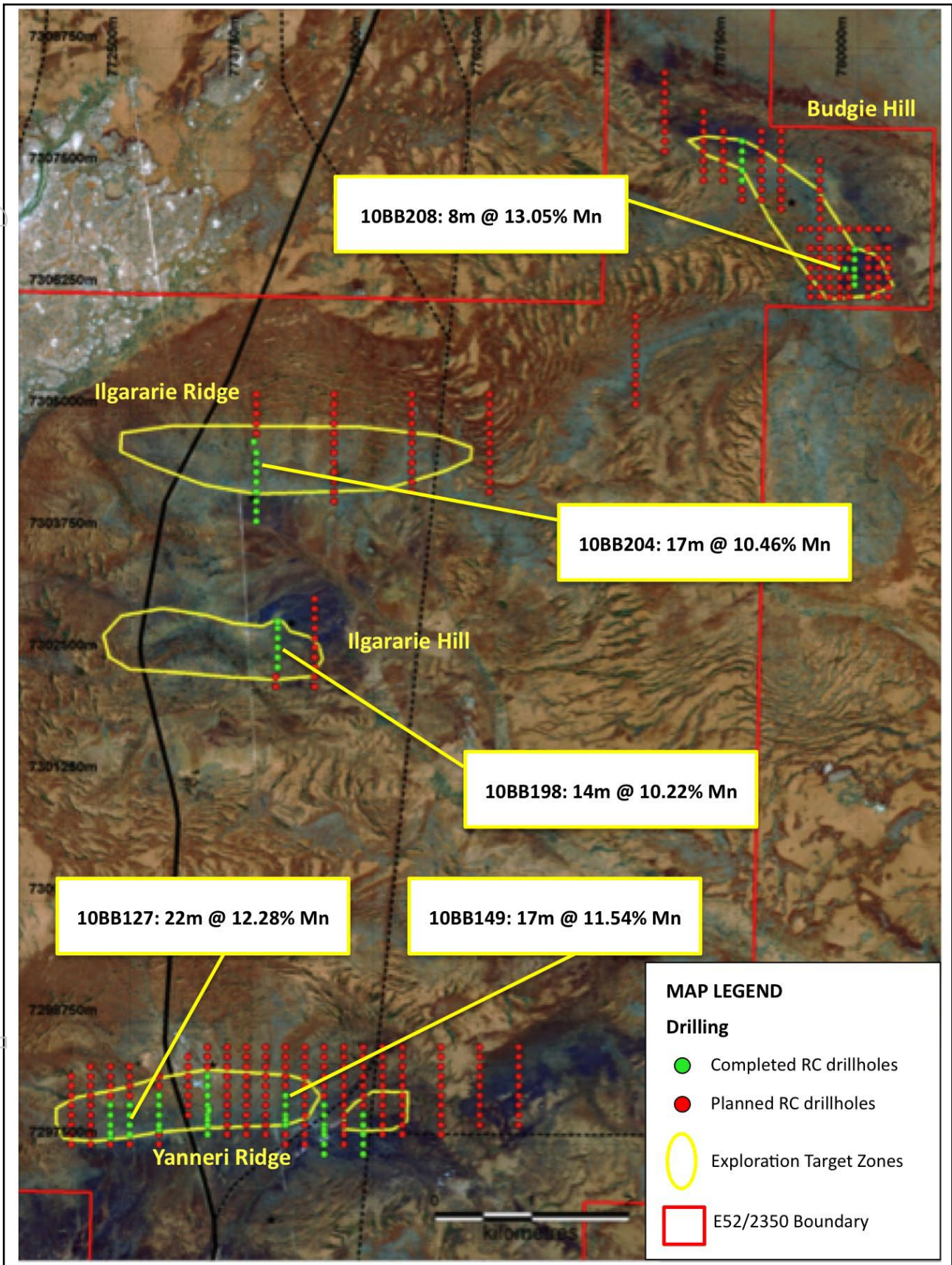


Figure 3. Plan view showing completed drillhole locations, selected RC composite intersections and prospect locations at Butcherbird East.

BENEFICIATION TESTING

Beneficiation testing has yielded encouraging first pass DMS beneficiation test results for composite material sampled from recent drilling at the Budgie Hill and Yanneri Ridge Prospects at the Butcherbird manganese project.

Grades of up to 37.65% have been achieved using a separation Specific Gravity (“SG”) of 3.4, with favourable values for both phosphorous and iron, two key impurities in manganese ore. Work is ongoing to further investigate and refine the beneficiation behaviour of the material. Results to date are shown in the table below.

The work completed to date continues to define large tonnages of manganiferous material and beneficiation test data continues to show that the material from a number of identified deposits can be upgraded to commercial grades using routine techniques.

Composite	Rock Unit	From	To	Feed Description	Yield	Mn %	P %	Fe %	SiO2 %
208-1	Manganese Zone Mineralisation	0	5	DMS Concentrate	23.3%	37.65	0.06	8.71	16.36
				DMS Tail	8.8%	7.06	0.09	17.14	44.92
				-1.18mm Fines%	68.0%				
208-2	Manganese Zone Mineralisation	5	10	DMS Concentrate	12.0%	36.24	0.08	9.48	16.73
				DMS Tail	4.0%	2.13	0.23	34.99	31.77
				-1.18mm Fines%	84.0%				
208-3	Manganese Zone Mineralisation	10	17	DMS Concentrate	11.3%	31.15	0.09	13.99	18.26
				DMS Tail	6.1%	5.89	0.27	32.20	29.31
				-1.18mm Fines%	82.5%				
091-1	Manganese Zone Mineralisation	0	5	DMS Concentrate	13.8%	32.97	0.11	12.35	17.95
				DMS Tail	5.3%	11.90	0.26	26.89	27.09
				-1.18mm Fines%	80.9%				
091-3	Manganese Zone Mineralisation	10	16	DMS Concentrate	15.9%	35.88	0.11	8.50	17.86
				DMS Tail	4.9%	21.17	0.18	16.21	24.13
				-1.18mm Fines%	79.2%				
091-4	Manganese Zone Mineralisation	16	21	DMS Concentrate	4.2%	35.84	0.07	7.30	18.67
				DMS Tail	17.1%	3.24	0.06	8.69	54.64
				-1.18mm Fines%	78.7%				
201-1	Manganese Zone Mineralisation	7	13	DMS Concentrate	11.4%	34.97	0.08	9.06	19.22
				DMS Tail	11.1%	26.01	0.10	11.43	26.78
				-1.18mm Fines%	77.5%				
201-2	Manganese Zone Mineralisation	13	19	DMS Concentrate	4.4%	30.22	0.14	11.75	20.90
				DMS Tail	16.5%	21.74	0.13	15.99	26.93
				-1.18mm Fines%	79.0%				
201-4	Manganese Zone Mineralisation	24	29	DMS Concentrate	17.5%	31.47	0.14	13.18	18.60
				DMS Tail	6.0%	14.11	0.33	25.48	25.64
				-1.18mm Fines%	76.5%				
185-1	Caprock, minor Manganese	0	5	DMS Concentrate	11.2%	34.11	0.07	11.64	17.82
				DMS Tail	27.2%	5.29		15.27	51.17
				-1.18mm Fines%	61.6%				
185-2	Manganese Zone Mineralisation	5	10	DMS Concentrate	15.5%	37.29	0.08	7.71	18.13
				DMS Tail	5.8%	19.00		17.16	30.03

Composite	Rock Unit	From	To	Feed Description	Yield	Mn %	P %	Fe %	SiO2 %
				-1.18mm Fines%	78.7%				
185-3	Manganese Zone Mineralisation	10	15	DMS Concentrate	18.5%	33.81	0.11	10.72	18.84
				DMS Tail	10.2%	24.60		15.25	25.41
				-1.18mm Fines%	71.2%				
185-4	Manganese Zone Mineralisation	15	21	DMS Concentrate	20.7%	33.88	0.10	10.12	18.70
				DMS Tail	6.9%	20.06		18.54	27.38
				-1.18mm Fines%	72.5%				
185-5	Manganese Zone Mineralisation	21	25	DMS Concentrate	5.9%	33.97	0.17	11.98	16.19
				DMS Tail	6.5%	6.85		28.03	31.22
				-1.18mm Fines%	87.7%				
138-2	Manganese Zone Mineralisation	7	12	DMS Concentrate	10.8%	36.56	0.07	8.39	18.74
				DMS Tail	15.5%	20.20		14.00	30.94
				-1.18mm Fines%	73.7%				
138-3	Manganese Zone Mineralisation	12	17	DMS Concentrate	14.2%	36.25	0.09	7.69	19.03
				DMS Tail	8.7%	23.72		14.10	27.15
				-1.18mm Fines%	77.0%				
138-4	Manganese Zone Mineralisation	17	23	DMS Concentrate	14.0%	34.36	0.09	9.02	19.64
				DMS Tail	9.7%	27.13		11.70	25.80
				-1.18mm Fines%	76.3%				
138-5	Manganese Zone Mineralisation	23	27	DMS Concentrate	6.5%	36.10	0.13	7.86	16.88
				DMS Tail	5.4%	17.77		16.78	31.06
				-1.18mm Fines%	88.1%				

Table 10.

XRF assay values of DMS fractions at 3.4 SG. Analyses was performed on the >1.18mm fraction. Yield % values for each composite are calculated from mass recoveries. Composites which yielded concentrate grades >30%Mn are shown.

5 drill holes were selected for DMS test work. Each hole was further subdivided into approx 5m benches, based on geological boundaries. Each bench comprises 1m drilled intervals composited by the test lab. Each Composite was screened at 1.18mm to separate out the fines fraction, which comprises weathered clays and finely pulverised rock material. The composites were then crushed to achieve a grain size of between 1.18mm and 6.7mm.

The feed material was run through the Dense Media Separation Cyclone at a SG. of 3.4. The DMS Concentrate material comprises rock chips with SG.'s greater than 3.4, while the DMS Tail constitutes material with SG.s lighter than 3.4.

The Concentrate and Tails were analysed using Fused Bead XRF to determine grades as reported. The fines fraction was not assayed due to the high clay contents.

All testwork was undertaken by Nagrom, with specialised equipment suited to this small scale DMS study.



Figure 4. Composite 208-2, DMS Tail on left, DMS Concentrate on right.

TONNAGE POTENTIAL

Based on the work to date, Exploration Target ranges have been determined for several of the manganese deposits at Butcherbird as follows.

Prospect	Exploration Target	
	Tonnage Potential	Grade Estimate
Yanneri Ridge	40-50 Mt	10-15% Mn
Budgie Hill	40-50 Mt	10-15% Mn
Bindi Bindi Hill	20-30 Mt	8-12% Mn
Ilgararie Hill	Insufficient Drilling	
Ilgararie Ridge	Insufficient Drilling	
TOTAL**	100-130 Mt	8-15% Mn

Table 11. Butcherbird Exploration Target size estimates for zones drilled to date.

***It should be noted that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource, and that it is uncertain if further exploration will result in the determination of a Mineral Resource*

WORK PROGRAMME GOING FORWARD

The consistency of grade, low stripping ratios, positive beneficiation behaviour, excellent infrastructure and large size underpin the Company's strategy to rapidly develop the Project. Drilling will now be accelerated to provide the required data for a scoping study which will investigate the commercial and logistical hurdles to near term development of Butcherbird as a significant manganese producing operation.

RC and Diamond drilling is scheduled to re-commence mid-late October 2010 and will also support more definitive metallurgical testing which is expected to yield better recoveries and potentially higher beneficiation grades than the work completed to date on RC chips. The drilling will also support a maiden JORC Resource Estimate over selected mineralised zones.

	2010			2011		
Task	October	November	December	January	February	March
EM Survey						
RC Drilling						
DD Drilling						
Detailed Met Tests						
JORC Resource						
MLA Applications						
Scoping Study						

Table 12. Indicative timeline for work at Butcherbird over the next two quarters.

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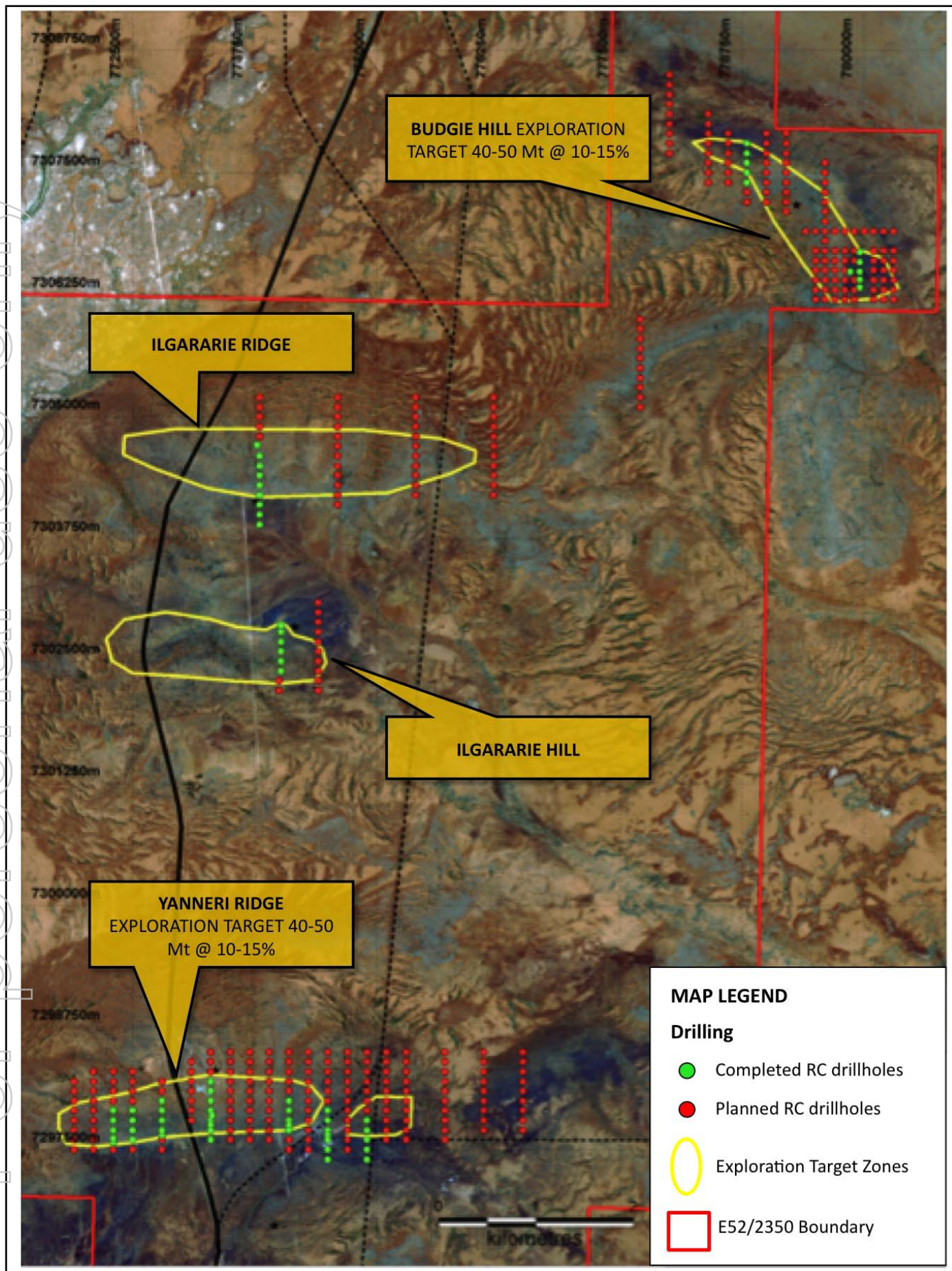


Figure 5. Plan view showing completed drillhole locations, and planned RC collar locations for the upcoming infill drilling programme at Butcherbird (east).

Copper

The historic Butcherbird mine is a high grade near surface copper mine which targeted supergene copper mineralisation. The mine has recorded production of 8.46t of copper at an average grade of 22.6%. The main 3 shafts lay in the south-eastern portion of the tenement.

The main shaft was sunk to approx 10m, and 2 drives were cut along the fault, a lower one at 8m depth and an upper one at 3m depth. The shaft was not extended deeper due to a high water table at 9m depth. Above the water table the rocks are strongly weathered, with secondary copper oxides of malachite and azurite variably replacing the original host breccia.

As part of an initial reconnaissance program, a selection of mullock samples were selected and submitted for multi-element assays. The selected samples were chosen to represent the range in weathering and copper mineralisation apparent at the time. A summary of results is presented in the following tables.

Sample	Cu %	Fe %	Au ppb	Ag ppm	As ppm	Co ppm	Mo ppm	Ni ppm	Pb ppm	Zn ppm
BB26	6.86	12.8	6	19.5	101	265	2	120	1040	105
BB29	21.7	1.01	58	87.5	16	840	2	720	48	575
BB30	26.0	1.82	47	156	36	585	2.5	515	48	565
BB32	12.4	10.6	7	6	28	1070	2.5	600	235	85

Table 13. Oxidised rocks with visible azurite and malachite.

The rocks included in the above table were highly weathered azurite and malachite rich. They were selected to represent the ore material mined from the shallow underground stopes and are considered to represent supergene copper oxide mineralisation.

Sample	Cu %	Fe %	Au ppb	Ag ppm	Pb ppm	Sb ppm	Si %	U ppm	Zn ppm	Co ppm	Ni ppm	As ppm
BB59	4.31	13.8	8	39	917	5220	33.6	18.7	40	145	90	80
BB27	6.07	20.3	7	26	1120	4920	22.4	51.1	125	415	180	162
BB28	7.05	19.4	5	48	1250	7850	20.4	38.1	80	280	145	121

Table 14. Iron oxide breccia samples. Note BB59 and 27 are unweathered, and BB28 is weakly gossanous with minor visible azurite.

The second table shows results from samples that were selected to represent the Iron Oxide matrix material of the breccia which is considered the primary target for primary mineralisation below the supergene zone. BB28 contains visible azurite, and is considered to represent gossan weathered Iron Oxide breccia. Copper values are very robust and Antimony (Sb) is highly significant. Silver (Ag), Cobalt (Co) and Lead (Pb) are also anomalous. Gold in these samples is low, but has been historically reported in anomalous amounts in some samples of adjacent fault systems.

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Importantly, copper mineralisation is confirmed to have a primary source in an iron oxide matrix supported breccia, infilling a fault zone.

The fault hosting the Butcherbird Copper Mine has been mapped as an iron rich gossan for a strike of 3.3km. There are 3 adjacent faults mapped around the Butcherbird fault providing a number of targets in addition to the currently known areas of mineralisation.

Based on the large regional extent of the mapped surface gossans, the anomalous geochemistry, the sampling and remote sensing data, Butcherbird is regarded as having excellent potential to host significant tonnages of copper mineralisation.

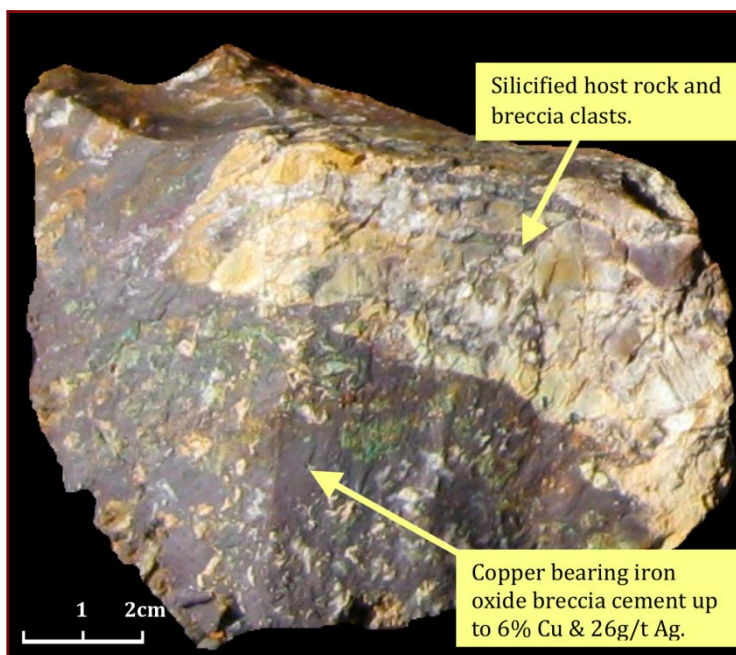


Figure 6. RC Drilling chips for 10BBC01 showing strong copper oxide mineralization 16-20m downhole.

Consequently, a maiden drilling programme was completed during the year comprising a total of five RC holes for 470m, targeting sulphide mineralisation beneath the surface oxide expression.

Unfortunately, however, an intrusive dolerite appears to have truncated the mineralisation at this location so no true primary sulphide material was intersected.

The tenor and polymetallic nature of the results however suggest that the shear hosted mineralisation represents a target with significant potential, further supported by an approximately 4km long interpreted host structure defined in the regional aeromagnetic data.

The success of this first drilling programme has enhanced the prospectivity of the target and follow up work is currently being planned, including an airborne EM survey to attempt to define a sulphide body beneath the surficial oxide occurrence.

Hole_ID	From	To	Cu %	Au ppm	Ag ppm	As ppm	Co ppm	Fe %	Ni ppm	Pb ppm	Zn ppm	Cd ppm	Sb ppm	Bi ppm
10BBC05	19	20	0.11	0.005	1	38	475	1.98	143	50	40	0.1	28	1
	20	21	0.04	0.005	0.5	55	30	2.26	23	54	23	0.1	38	2
	21	22	0.05	0.005	1	61	30	1.9	35	275	26	0.1	178	3
	22	23	0.34	0.01	2	65	125	2.39	116	535	47	0.2	425	5
	23	24	1.69	0.01	2	25	128	0.79	154	449	36	0.2	449	11
	24	25	1.36	0.005	2	51	152	1.74	185	447	101	0.2	289	10
	25	26	0.45	0.005	1	42	16	1.03	34	256	101	0.1	115	1
	26	27	0.79	0.005	5	72	22	7.85	50	779	320	0.3	156	11
	27	28	0.14	0.005	2	47	203	3.39	149	1490	850	0.5	57	2
	28	29	0.04	0.005	2	38	49	2.56	121	1540	730	0.3	29	1
	29	30	0.06	0.01	41	25	43	7.05	136	1940	1075	0.5	7	1
30	31	0.02	0.005	3	26	35	4.5	127	1775	805	8.5	4	0.5	
31	32	0.01	0.005	3	20	35	7.75	119	601	1175	8.7	2	0.5	
10BBC06	51	52	0.34	0.01	10	70	67	7.15	93	316	141	0.3	35	2
	52	53	0.08	0.03	4	73	50	7.35	120	785	142	0.2	210	6
	53	54	0.45	0.02	62	47	215	8.15	163	996	76	0.8	103	2
10BBC01	15	16	0.46	0.005	2	77	228	7.87	221	293	80	0.2	185	3
	16	17	9.69	0.005	1	24	483	1.86	216	51	58	0.3	75	14
	17	18	10.79	0.005	2	24	620	1.36	358	36	54	0.2	83	8
	18	19	4.35	0.005	1	40	785	3.43	274	159	58	0.3	117	7
	19	20	3.06	0.005	1	23	375	1.34	165	64	66	0.2	61	6
	20	21	0.22	0.01	1	31	531	3.22	175	392	150	0.2	20	1
	21	22	0.10	0.005	1	21	269	1.29	96	264	91	0.3	6	1
	22	23	0.11	0.005	2	27	508	1.92	200	603	252	0.2	8	1
10BBC03	20	21	0.15	0.005	1	52	43	7.25	64	143	56	0.3	75	8
10BBC02	52	53	0.43	0.005	10	61	117	7.31	71	878	250	0.6	132	5
	53	54	0.15	0.005	2	31	13	0.96	25	399	60	0.2	34	1

Table 15. Significant assays from recent drilling at the Butcherbird copper mine. Intervals with copper grades in excess of 0.1% are shown. All samples are 1m metre intervals assayed by Aqua Regia digest with AAS finish. These results have also been confirmed by mixed acid digest analysis.

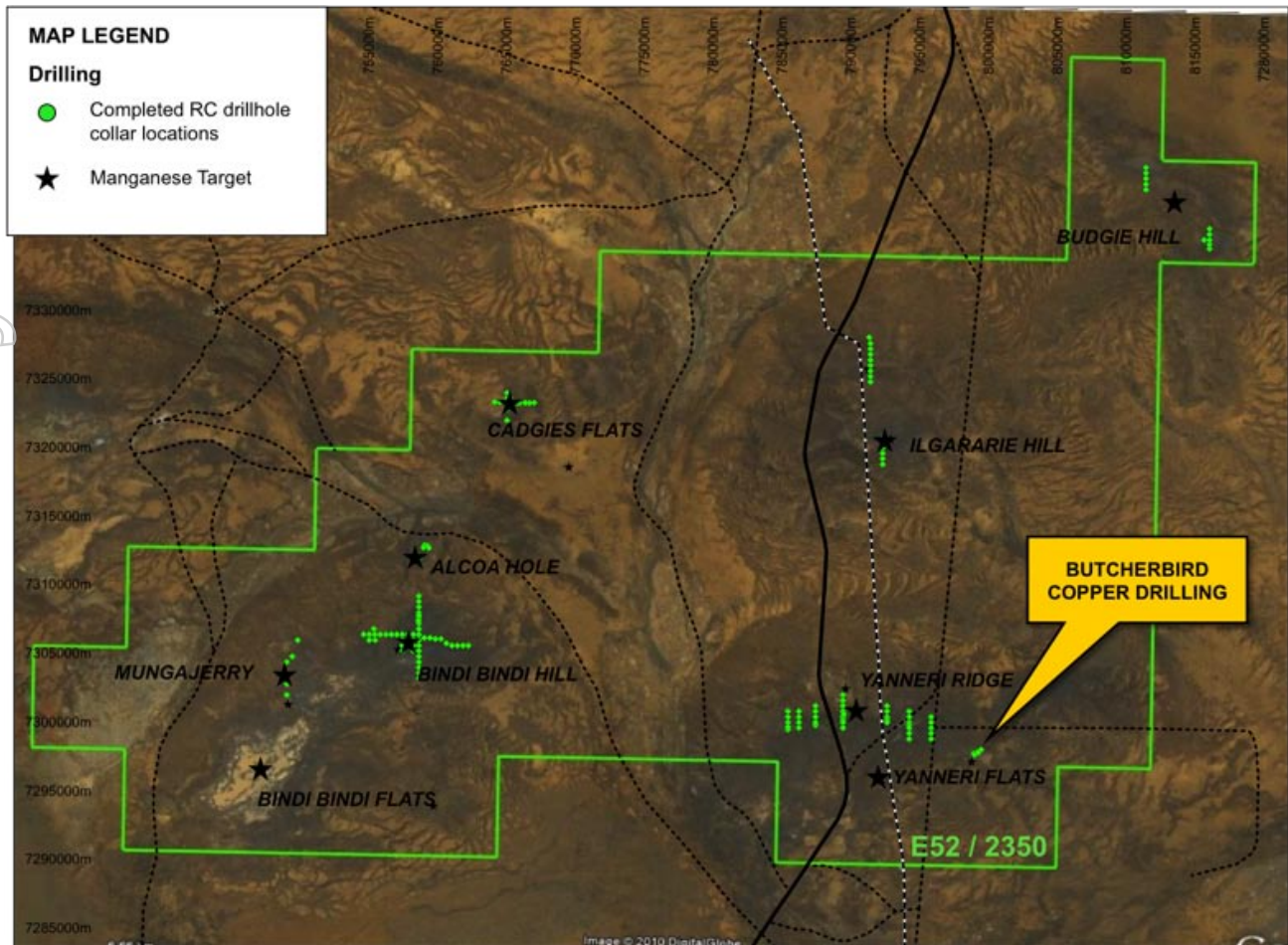


Figure 7. Butcherbird Project Plan showing the location of the Butcherbird Copper Prospect

2.2.4. Mt Padbury (MZM 100% of Rights excluding Iron Ore and Manganese)

Iron Ore

The Mt Padbury Project contains approximately 23 strike kilometres of the banded iron and chert sediments that make up the Robinson Range. The sequence is known to host significant iron enrichment with sampling by previous workers highlighting elevated surface iron values in excess of 50% over significant strike lengths.

The iron ore rights have been sold to Sinosteel Midwest Corporation (“SMC”) under a deal which requires payments to Montezuma of up to \$6M cash plus a royalty on production. The first two \$1M cash payments have been received previously and the third payment of \$4M was received during the year, having been triggered by Sinosteel successfully delineating an iron ore resource which exceeded both the agreed grade and tonnage thresholds.

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.

As part of the initial drill testing of the Jabiru Prospect, SMC completed a 76 hole RC drilling programme for a total of 6,958 metres, the results from which confirmed high grade iron ore mineralisation over a strike length of approximately 1,000m. The intersections occur over broad down-hole widths.

*Sinosteel Midwest Corporation Ltd (Robinson Range Project Exploration) - Significant Drill Hole Assay Intervals
Jabiru Prospect (E52/1529)*

Hole No.	Hole Depth(m)	MGA_North	MGA_East	From (m)	To (m)	Width (m)	Fe%	SiO2%	Al2O3%	P%	S%	LOI1000%
RIRC082	54	7157551	639199	7	11	4	51.9	8.0	6.8	0.02	0.69	9.7
RIRC083	84	7157554	639169	10	12	2	53.1	9.9	5.3	0.08	0.33	8.1
				23	25	2	52.8	6.1	5.4	0.02	0.40	12.1
				31	36	5	53.3	9.9	5.8	0.08	0.20	7.6
RIRC086	54	7157388	639251	18	31	13	55.6	6.1	4.0	0.34	0.07	9.2
RIRC087	36	7157387	639278	0	2	2	51.3	11.4	4.9	0.41	0.05	8.7
				9	12	3	56.4	4.8	3.5	0.61	0.02	9.4
RIRC088	54	7157254	639204	35	37	2	54.0	7.2	5.1	0.31	0.01	9.1
RIRC094	102	7157655	639120	31	33	2	51.3	17.7	1.2	0.30	0.03	6.9
RIRC096	108	7157901	639008	2	26	24	54.2	6.7	6.6	0.15	0.19	8.0
				27	29	2	51.2	9.5	7.7	0.06	0.07	8.9
				42	44	2	53.1	10.4	5.2	0.07	0.04	7.8
				45	48	3	52.7	12.5	3.3	0.07	0.04	8.4
RIRC097	132	7157881	639005	1	18	17	54.5	4.5	7.4	0.15	0.35	8.4
				24	26	2	53.1	7.0	7.2	0.11	0.08	9.0
				28	38	10	56.7	4.7	4.4	0.13	0.07	8.8
RIRC153	96	7157455	639279	8	17	9	55.3	9.4	4.4	0.28	0.04	6.4
				21	32	11	56.0	6.6	3.0	0.28	0.04	9.6
				43	46	3	53.7	9.5	6.5	0.23	0.01	6.5
RIRC160	84	7157648	639171	17	21	4	51.9	9.5	6.1	0.39	0.04	9.2
RIRC162	60	7157906	639109	4	11	7	53.3	9.2	7.5	0.02	0.32	5.8
				12	14	2	54.0	8.5	6.6	0.03	0.31	6.9
				18	20	2	52.1	11.8	7.2	0.02	0.08	6.3
RIRC163	90	7157850	638910	13	20	7	52.5	9.0	6.7	0.22	0.02	8.1
				24	41	17	54.8	12.0	3.2	0.08	0.02	5.9
				42	44	2	51.1	19.7	1.7	0.08	0.01	4.9
				46	48	2	50.6	20.7	1.6	0.07	0.00	5.0
				52	54	2	52.4	18.6	1.3	0.08	0.00	4.7
RIRC164	102	7157840	638695	6	40	34	58.4	3.6	4.7	0.16	0.05	7.3
				43	50	7	52.5	19.2	1.7	0.09	0.02	3.5
				53	58	5	51.6	18.4	2.5	0.09	0.03	4.8
RIRC165	84	7157834	638687	1	4	3	51.8	11.2	6.9	0.15	0.05	6.8
				5	15	10	57.7	9.8	3.0	0.08	0.03	4.3
				45	62	17	57.8	8.5	2.9	0.17	0.02	5.3
RIRC166	126	7157858	638710	5	12	7	54.0	1.6	7.8	0.26	0.32	11.5
				14	64	50	56.3	4.7	4.0	0.23	0.04	9.8
				65	95	30	58.0	4.8	3.2	0.29	0.02	8.0
RIRC167	96	7157931	638721	5	17	12	54.7	5.9	5.5	0.24	0.28	7.7
				22	26	4	55.2	6.1	5.9	0.18	0.05	8.2
				44	51	7	56.4	5.0	4.2	0.28	0.03	9.1
				54	70	16	60.5	2.8	2.4	0.23	0.03	7.5
				71	81	10	61.6	2.7	1.9	0.23	0.02	6.4
84	86	2	51.4	16.6	2.7	0.23	0.01	6.0				

Hole No.	Hole Depth(m)	MGA_North	MGA_East	From (m)	To (m)	Width (m)	Fe%	SiO2%	Al2O3%	P%	S%	LOI1000%
RIRC168	120	7157933	638674	43	53	10	57.8	7.8	2.9	0.19	0.02	5.6
				80	83	3	51.6	8.3	5.7	0.29	0.03	11.3
				104	113	9	53.0	9.7	2.7	0.33	0.01	10.6
				117	119	2	50.9	14.1	2.3	0.22	0.01	10.1
RIRC169	180	7157935	638647	0	9	9	54.4	12.0	3.6	0.25	0.04	5.6
				12	17	5	52.1	10.0	5.6	0.53	0.03	7.6
				19	29	10	54.7	7.0	4.7	0.14	0.05	8.2
RIRC170	180	7158033	638685	1	11	10	53.2	7.5	5.2	0.10	0.02	9.2
				12	23	11	55.1	6.2	4.4	0.29	0.02	9.4
				25	33	8	51.3	9.2	7.6	0.16	0.02	8.8
				47	49	2	51.4	10.0	8.7	0.05	0.02	7.1
				53	55	2	51.3	10.5	8.9	0.11	0.02	6.4
				60	65	5	54.0	6.8	5.8	0.15	0.02	9.4
				66	75	9	53.8	7.8	5.4	0.17	0.03	9.2
				76	78	2	53.3	7.4	5.1	0.16	0.02	10.2
				80	82	2	51.1	13.1	4.3	0.20	0.03	8.4
				83	85	2	51.8	10.9	5.4	0.21	0.02	8.7
RIRC171	180	7158034	638652	4	8	4	51.5	13.3	6.2	0.08	0.02	6.1
				11	52	41	57.1	6.8	4.5	0.12	0.02	6.2
				54	57	3	52.2	12.2	3.6	0.48	0.01	8.3
				58	64	6	54.1	10.1	4.7	0.29	0.01	6.8
				69	72	3	52.3	7.2	6.0	0.35	0.02	10.9
				76	88	12	54.8	6.2	5.2	0.34	0.02	9.3
				89	94	5	55.0	7.0	4.4	0.18	0.01	9.2
				99	120	21	54.0	6.7	5.9	0.25	0.02	9.3
				125	135	10	52.7	7.4	5.2	0.39	0.02	9.3
				136	155	19	54.2	8.0	5.1	0.21	0.01	8.4
RIRC172	120	7157772	638782	3	23	20	57.5	5.3	3.1	0.12	0.29	8.3
				26	75	49	60.2	2.1	3.4	0.18	0.08	7.5
RIRC173	126	7157758	638759	5	11	6	57.2	6.0	4.0	0.15	0.12	7.4
				13	87	74	60.8	2.2	3.7	0.23	0.13	6.3
				89	93	4	54.3	4.4	3.9	0.51	0.01	10.9
				94	96	2	52.6	7.8	7.6	0.39	0.01	7.8
				97	104	7	53.5	8.3	7.1	0.27	0.01	6.9
				109	123	14	55.4	5.0	4.4	0.46	0.01	10.0
RIRC174	114	7157791	638820	6	50	44	56.9	4.1	4.4	0.20	0.15	9.1
				53	67	14	56.5	4.3	2.9	0.34	0.02	8.4
RIRC175	120	7157877	638751	5	8	3	57.0	3.5	4.8	0.23	0.30	9.0
				10	13	3	55.2	4.5	5.7	0.16	0.66	8.7
				28	50	22	59.3	2.9	4.4	0.14	0.07	7.2
				53	55	2	53.6	16.1	2.7	0.11	0.03	4.1
				60	63	3	54.6	13.4	2.2	0.15	0.02	5.9
				75	103	28	58.2	5.9	2.1	0.24	0.01	8.0
RIRC176	132	7158038	638623	19	38	19	56.4	5.7	4.1	0.12	0.03	8.7
				103	105	2	51.5	13.8	4.0	0.24	0.02	7.6
				106	109	3	53.5	13.2	4.3	0.20	0.01	5.2

Hole No.	Hole Depth(m)	MGA_North	MGA_East	From (m)	To (m)	Width (m)	Fe%	SiO2%	Al2O3%	P%	S%	LOI1000%
RIRC177	84	7158133	638650	2	6	4	55.7	9.8	4.8	0.16	0.04	5.1
				7	16	9	57.4	7.6	4.9	0.11	0.07	4.9
				20	44	24	56.6	5.9	4.7	0.31	0.04	7.4
				49	59	10	54.1	7.0	5.3	0.35	0.07	9.0
				60	62	2	54.6	9.2	3.6	0.35	0.04	7.9
RIRC178	84	7158132	638626	9	36	27	59.0	6.5	2.3	0.10	0.05	6.4
				37	39	2	53.6	9.4	3.3	0.26	0.04	9.7
				40	42	2	55.2	6.2	5.0	0.23	0.03	9.2
RIRC179	102	7158131	638605	1	3	2	53.9	17.1	1.4	0.11	0.03	3.9
				36	44	8	56.8	10.1	2.8	0.17	0.05	5.2
				57	60	3	56.0	5.6	3.9	0.14	0.14	9.7
				61	64	3	52.7	15.4	2.4	0.05	0.06	6.4
RIRC183	60	7158215	638705	6	8	2	51.8	10.5	3.9	0.19	0.28	10.1
RIRC185	114	7157941	638591	0	43	43	60.4	2.8	2.3	0.32	0.09	7.5
				45	48	3	55.5	6.5	2.7	0.23	0.02	10.9
				89	91	2	54.8	12.3	0.8	0.35	0.01	7.7
RIRC186	162	7158036	638606	1	16	15	54.9	8.9	3.6	0.29	0.02	8.0
				25	27	2	51.3	19.7	1.4	0.11	0.01	5.0
				32	55	23	56.0	9.2	3.6	0.12	0.02	6.5
				60	65	5	53.3	11.9	3.6	0.27	0.01	7.4
RIRC187	132	7158032	638540	17	26	9	53.6	17.4	1.1	0.23	0.02	4.1
RIRC188	114	7157934	638557	0	16	16	53.9	11.7	3.4	0.15	0.04	7.2
				17	24	7	56.3	9.7	3.1	0.18	0.03	6.2
RIRC190	72	7157808	638643	0	3	3	56.1	8.0	3.7	0.30	0.04	6.9
				4	7	3	55.9	7.2	5.6	0.10	0.04	6.6
				10	30	20	54.3	7.9	6.9	0.09	0.05	6.4
RIRC192	114	7157672	638832	1	56	55	62.0	2.8	2.2	0.12	0.07	5.1
				60	114*	54	62.6	3.8	2.3	0.15	0.01	3.6
RIRC193	132	7157740	638870	6	43	37	60.2	4.1	3.7	0.12	0.05	5.6
				52	57	5	54.1	14.8	2.7	0.06	0.01	2.8
				62	65	3	52.5	20.0	1.3	0.13	0.00	3.2
				71	110	39	58.6	5.7	2.5	0.14	0.01	7.4
RIRC199	72	7157883	639110	6	9	3	51.7	10.2	7.2	0.04	0.04	8.2
				12	14	2	54.1	10.3	2.8	0.15	0.48	8.2
RIRC201	78	7157758	639013	47	55	8	52.6	11.7	2.1	0.29	0.03	9.9
				56	58	2	51.5	9.2	5.1	0.18	0.02	10.4
				59	64	5	52.9	7.9	4.6	0.21	0.02	9.8
RIRC202	84	7157787	639014	6	8	2	52.4	10.8	4.4	0.05	0.09	9.8
				15	19	4	56.9	4.4	3.4	0.18	0.25	10.3
				47	54	7	51.7	20.3	2.0	0.12	0.01	3.3
				55	60	5	54.4	13.7	1.4	0.48	0.01	5.8
				61	66	5	51.4	13.2	1.9	0.45	0.02	9.8
RIRC203	54	7157820	639015	5	18	13	57.9	3.7	4.3	0.09	0.44	7.9
				41	43	2	53.8	8.8	3.9	0.08	0.05	9.6
RIRC204	102	7157850	639016	9	32	23	58.1	4.7	4.1	0.08	0.09	7.5
RIRC205	60	7157644	638911	10	12	2	54.8	7.5	7.3	0.04	0.04	5.6
				32	60*	28	59.9	2.4	4.0	0.16	0.01	7.2

Hole No.	Hole Depth(m)	MGA_North	MGA_East	From (m)	To (m)	Width (m)	Fe%	SiO2%	Al2O3%	P%	S%	LOI1000%
RIRC206	48	7157667	638914	7	14	7	54.2	9.5	6.9	0.04	0.03	4.7
				15	24	9	55.9	4.6	3.9	0.07	0.06	10.5
				34	36	2	52.0	5.6	6.9	0.08	0.04	12.1
				37	41	4	51.5	4.1	8.3	0.15	0.03	12.5
				43	48*	5	58.5	2.2	5.6	0.17	0.02	7.6
RIRC207	78	7157701	638915	0	4	4	61.1	4.4	3.4	0.08	0.05	3.4
				5	7	2	55.7	8.0	4.2	0.04	0.09	7.5
				9	17	8	55.6	4.4	4.8	0.09	0.08	9.4
				22	25	3	54.6	5.9	6.7	0.15	0.08	8.7
				26	34	8	59.7	1.9	4.6	0.17	0.08	7.5
				35	78*	43	59.9	1.3	4.3	0.21	0.02	7.9
RIRC208	102	7157728	638912	6	8	2	52.8	1.6	9.1	0.14	0.06	12.7
				19	21	2	51.6	1.6	13.1	0.15	0.06	10.8
				30	33	3	54.1	6.5	6.8	0.09	0.04	8.6
				34	102*	68	60.4	2.4	3.0	0.19	0.01	7.5
RIRC209	108	7157762	638906	2	6	4	52.7	6.4	4.7	0.04	0.56	7.4
				7	11	4	55.7	5.4	7.0	0.04	0.06	6.9
				12	22	10	57.9	1.9	6.4	0.08	0.16	8.0
				23	26	3	55.4	2.4	7.2	0.11	0.04	9.6
				44	108*	64	61.4	3.3	2.7	0.17	0.01	5.5
RIRC210	108	7157780	638934	3	46	43	57.5	3.7	5.1	0.18	0.10	7.4
				51	108*	57	60.9	3.7	2.8	0.20	0.01	5.6
RIRC211	90	7157817	638949	4	27	23	57.6	2.2	6.1	0.25	0.19	8.0
				32	35	3	55.8	6.3	5.9	0.17	0.03	6.7
				36	90*	54	58.3	6.1	3.2	0.13	0.01	6.8
RIRC212	102	7157881	638914	0	4	4	55.2	10.4	4.0	0.04	0.02	6.3
				6	8	2	53.7	10.8	5.3	0.02	0.02	6.8
				9	13	4	57.4	8.7	3.8	0.02	0.03	5.1
				19	22	3	55.4	10.6	4.4	0.02	0.05	5.4
				23	27	4	55.0	11.9	3.8	0.02	0.03	5.4
				30	34	4	52.5	12.1	3.3	0.02	0.05	8.9
				68	73	5	53.7	13.9	1.2	0.08	0.01	7.7
				75	77	2	53.1	14.5	2.7	0.09	0.01	6.6
				86	90	4	57.0	7.6	1.6	0.13	0.01	8.8
				93	95	2	51.2	16.3	0.7	0.32	0.01	8.9
				96	102*	6	56.0	8.7	0.8	0.18	0.01	9.8

Table 16. Jabiru RC Drilling Results

* Drill hole ended in iron ore mineralisation

Drill hole sampling by 1m down hole cone split composite RC drilling samples. Analysis by XRF Spectrometry (XRF202) and Thermo-Gravimetric (LOI1000) determinations at Ultra Trace Laboratories, Perth. Maximum of 1m of internal dilution. Lower cut-off grade is 50% Fe, no top cut grade. All drill hole collar coordinates in MGA Zone 50 GDA 94 by DGPS (± 0.1 m).

QA/QC included field duplicate samples, blank samples and iron ore standard materials.

All drilling intersections are quoted as down hole widths

Resource Estimate

Subsequent to the completion of the drilling programme at the Jabiru Prospect, SMC completed a maiden Mineral Resource Estimate as follows:

Resource Statement Robinson Range – Jabiru Deposit March 2010

The March 2010, Jabiru mineral resources have been classified in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“2004 JORC Code”), and is shown in Table 1 below.

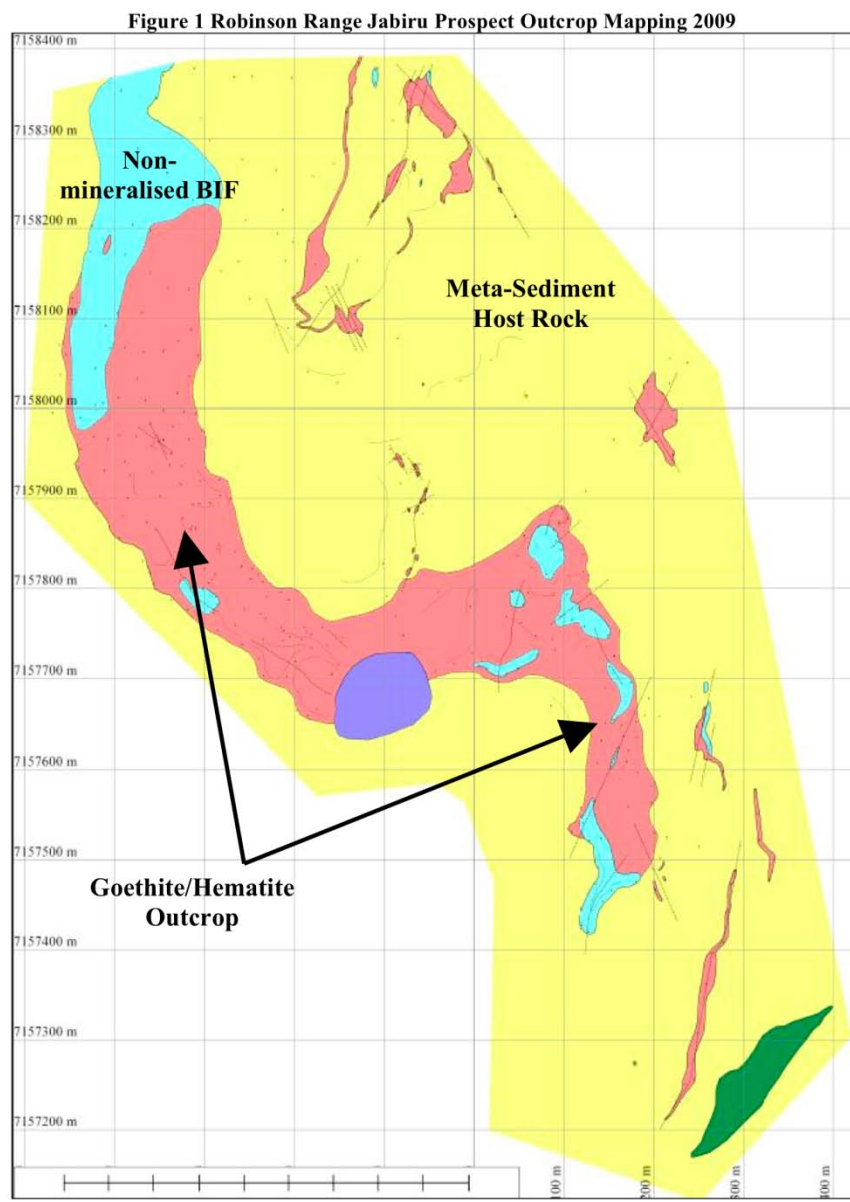
TABLE 1- March 2010 Robinson Range Jabiru Deposit Resource Statement

Bedded Iron Resource (+50% Iron)											
Deposit	Classification	Volume 1,000 m ³	Density t/m ³	Tonnes 1,000 T	Fe %	SiO ₂ %	Al ₂ O ₃ %	LOI %	P %	S %	TiO ₂ %
Jabiru	Inferred Resource	4,800	2.8	13,300	56	7	4	7	0.06	0.2	0.13

Notes:

- Iron mineralisation at Jabiru is located on tenure held by Montezuma Mining Company Ltd (MZM), which Sinosteel Midwest Corporation Ltd (SMC) has acquired the Iron Ore Rights and is conducting exploration;
- Available data for Jabiru consists of 76 RC drill holes, for a total of 6,960m of drilling. Drilling was on 80 to 100m section spacing, and approximately 25m apart across section;
- As shown in Figure 1, iron mineralisation at Jabiru is located in a re-folded synformal structure, which has been defined along approximately 750m strike length. Horizontal widths at surface range from 10 to 190m horizontally, but narrows with depth, with the fold keel approximately 70m below surface;
- 5,909 samples were submitted for chemical analysis which other than loss on ignition, was performed by XRD at contract laboratories in Perth;
- Loss on ignition analysis was performed for all samples at a 1,000°C using a thermogravimetric method;
- Samples submitted for analysis included routine standards, blanks, field and laboratory duplicate samples which did not identify any sample or laboratory discrepancies;
- Interpretation of the mineralisation was constrained by stratigraphy and prepared using a total iron cut-off of greater than 46% iron and less than 25% silica;
- Grade interpolation was by Ordinary Kriging within mineralised boundaries for iron, silica, alumina, loss on ignition, phosphorus and sulphur;
- Dry bulk density was derived from 1,440 geophysical bulk density determinations which were applied on the basis of elevation. Bulk density has been assumed to be dry, based on drilling conditions and the regional water table; and
- Consideration was given to the mineralisation style, current geological understanding, available analytical data, available bulk density data (including the absence of any available core), and geostatistical criteria when assigning the resource classification.

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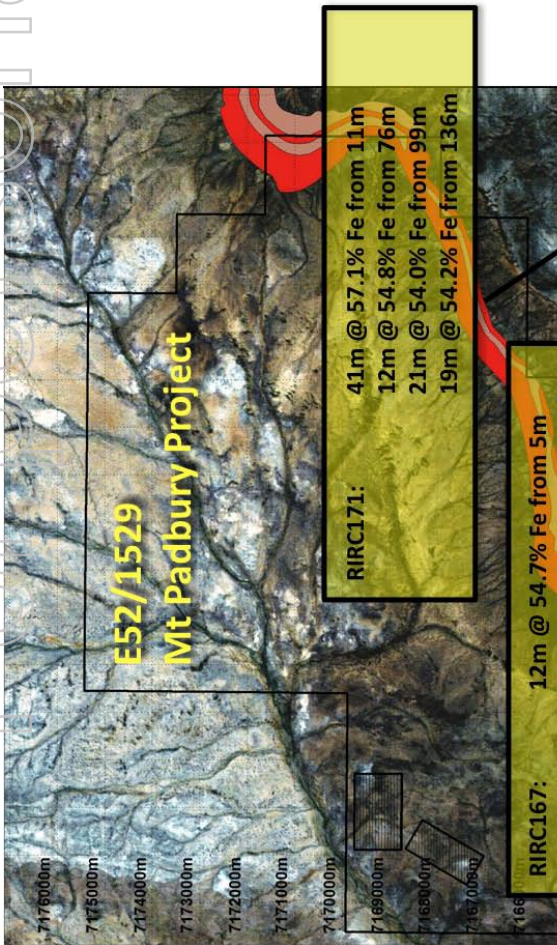


The classification was undertaken by Kahan Cervoj, a full-time employee of Sinosteel Midwest Corporation Ltd, and a member of The Australian Institute of Mining and Metallurgy (AusIMM) with sufficient experience relevant to the style of mineralisation and type of deposit described to qualify as a Competent Person, as defined by the 2004 edition of the *"Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves"*. Mr Cervoj consents to the inclusion in this report, of the matters based on his information, in the form and context in which it appears.

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MAP LEGEND

- Excised Leases E52/1529
- 100m Gridlines
- Drill hole collars
- Drill hole ended in mineralisation
- Ferruginous shale, siltstone, chert
- Granular Iron-formation, minor shale
- Banded Iron-formation, minor shale



2.3. Corporate

2.3.1. Sinosteel Midwest Limited

In April of 2010, Sinosteel Midwest Limited advised the Company that they had defined a JORC compliant iron ore Resource which exceeded both the grade and tonnage thresholds required to trigger a cash payment of \$4M to Montezuma. This payment was received in April 2010.

2.3.2. Auvex Resources Limited

In January 2010, the Company took advantage of an opportunity to divest a portion of its holding in unlisted manganese explorer Auvex Resources Limited ('Auvex'). Consequently, 2.5M shares in Auvex were sold at \$0.40 each for total consideration of \$1M. The Company retains its remaining holding in Auvex of 7.5M shares.

2.3.3. Exterra Resources Limited

During the year, Montezuma entered into an option agreement with Exterra Resources Limited ('Exterra'), whereby Exterra may acquire the Egerton Project (E52/2117) .

Under the agreement, Exterra paid to Montezuma a non-refundable option fee of \$20,000 for an option to purchase Exploration Licence 52/2117 at any time until 2 June 2010. On 4 June 2010, the option period was extended to 2 December 2010 by Exterra paying to Montezuma a further \$20,000 and allotting to Montezuma 500,000 Options to acquire Shares exercisable at \$0.20 per Share expiring on 30 September 2013.

Upon Exterra being admitted to the Official List, it will purchase a 100% interest in E52/2117 for consideration of the issue to Montezuma of 2,000,000 Shares and 1,000,000 Options to acquire Shares exercisable at \$0.20 per Share expiring on 30 September 2013.

Exterra will pay to Montezuma a 2% net smelter return royalty capped at \$500,000 on gold that may be produced from E52/2117.

2.3.4. Buxton Resources Limited

During the year, the Company increased its investment in Buxton Resources Limited ('Buxton') by purchasing 1M shares in Buxton on market at \$0.07 per share.

Montezuma Mining Company Limited

ABN 46 119 711 929

Annual Financial Report

for the year ended 30 June 2010

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Corporate Information

ABN 46 119 711 929

Directors

Denis O'Meara (Non Executive Chairman)

Justin Brown (Managing Director)

John Ribbons (Non Executive Director)

Company Secretary

John Ribbons

Registered Office

23 Altona Street

WEST PERTH WA 6005

Principal Place of Business

31 Ventnor Avenue

WEST PERTH WA 6005

Telephone: +61 8 6315 1400

Facsimile: +61 8 9486 7093

Solicitors

House Legal

86 First Avenue

MT LAWLEY WA 6050

Bankers

National Australia Bank Limited

1232 Hay Street

WEST PERTH WA 6005

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Telephone: +61 8 9315 2333

Facsimile: +61 8 9315 2233

Auditors

Rothsay Chartered Accountants

96 Parry Street

PERTH WA 6000

Internet Address

www.montezumamining.com.au

Stock Exchange Listing

Montezuma Mining Company Limited shares (Code: MZM) and 20 cent options expiring on or before 31 August 2011 (Code: MZMO) are listed on the Australian Securities Exchange.

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Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Montezuma Mining Company Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Denis O'Meara, JP, AMAusIMM (Non Executive Chairman, audit committee member)

Mr O'Meara is a Prospector and founder of De Grey Mining Ltd. Mr O'Meara has a lifelong involvement in mining, prospecting and exploration. He has been involved in several major resource and exploratory discoveries in Western Australia including Miralga Creek, Sulphur Springs, Gorge Range, Indee (Wingina and Orchard Tank Well) (Pilbara), Horans Dam (Kalgoorlie), Triangle Bore (Mt Magnet) and Weld Range (Murchison). His activities have supported several corporate fund raisings/listings since 1969. His prospecting has also led to joint ventures with 17 companies. Mr O'Meara is the discoverer of the Beyondie Bluff gold and base metal anomalies and originally sampled for gold at the Indee Turner River Gold Belt in 1987. He was awarded AMEC Prospector of the Year in 2004, jointly with Geoff Blackburn.

Mr O'Meara has served as an Executive Councillor of AMEC, a board member of AGIC (Australian Gold Industry Council) for its 10-year duration and board member of the Port Hedland Port Authority from 1972 to 1985. He also received a National Outstanding Achievement Award - Greening Australia, 1991 and served as a board member of the Kings Park and Botanical Gardens, Perth, 1994 - 1996. Within the last 3 years Mr O'Meara has been a former director of De Grey Mining Limited and Shaw River Resources Limited.

Justin Brown, B.Sc. (Hon), (Managing Director)

Mr Brown is a geologist with extensive experience in minerals exploration in Australia and New Zealand. He has a strong technical background with experience in the full spectrum of mineral exploration and mining from grass roots target generation through to resource mining and mine production.

Mr Brown's previous experience in the mining industry culminated in a position managing exploration for a large multinational company in the Leonora, Edjudina and Marvel Loch regions of Western Australia. He is the founding Managing Director of the Company.

Mr Brown has also worked in business circles away from mining and exploration, having founded and operated a successful internet services consultancy enhancing his management expertise which he brings to the Board. Mr Brown has not held any former directorships in the last 3 years.

John Ribbons, B.Bus., CPA, ACIS (appointed 14 July 2010)

Mr Ribbons is an accountant who has worked within the resources industry for over fifteen years in the capacity of company accountant, group financial controller or company secretary.

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. Mr Ribbons has not held any former directorships in the last 3 years.

Ian "Inky" Cornelius was a director from the beginning of the financial year until 14 July 2010.

COMPANY SECRETARY

John Ribbons

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Montezuma Mining Company Limited were:

	Ordinary Shares	Options over Ordinary Shares
Denis O'Meara	700,000	1,102,500
Justin Brown	1,100,000	5,512,500
John Ribbons	153,337	638,334

Directors' Report continued

PRINCIPAL ACTIVITIES

During the year the Group carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying economic mineral deposits.

There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

REVIEW OF OPERATIONS

Finance Review

The Group began the financial year with a cash reserve of \$2,243,208. Funds were used to acquire and actively advance the Group's projects located in Australia.

During the year total tenement acquisition and exploration expenditure incurred by the Group amounted to \$1,502,725. In line with the Group's accounting policies, all exploration expenditure was written off at year end. The Company received income of \$4,477,482 (2009: \$2,000,000) from the sale of tenement interests and royalty receipts, and recognised a fair value gain on financial assets of \$3,307,410 (2009: \$203,010 fair value loss). Net administration expenditure incurred amounted to \$1,233,119. This has resulted in an operating profit after income tax for the year ended 30 June 2010 of \$5,049,048 (2009: \$349,145).

At 30 June 2010 surplus funds available totalled \$6,091,406.

Operating Results for the Year

Summarised operating results are as follows:

	2010	
	Revenues	Results
	\$	\$
Consolidated entity revenues and profit from ordinary activities before income tax expense	7,926,693	5,049,048

Shareholder Returns

	2010	2009
Basic earnings per share (cents)	12.0	0.8
Diluted earnings per share (cents)	11.0	0.8

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial year were as follows:

- During April 2010 the Company received \$4 million from the sale of the Mt Padbury Project.
- During October 2009 the Company issued 233,333 ordinary shares with a deemed value of \$35,000 as consideration for consulting services.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 24, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company expects to maintain the present status and level of operations and hence there are no likely developments in the Company's operations.

Directors' Report continued

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Montezuma Mining Company Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of Montezuma Mining Company Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$200,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance based remuneration

The Company currently has no performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of directors and executives interests in options at year end, refer to note 18 of the financial statements.

Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Montezuma Mining Company Limited and the Montezuma Mining Company Group are set out in the following table.

The key management personnel of Montezuma Mining Company Limited and the Group include the directors and company secretary as per page 43.

Given the size and nature of operations of Montezuma Mining Company Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Directors' Report continued

Key management personnel and other executives of Montezuma Mining Company Limited and the Group

	Short-Term		Post Employment		Share-based	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Payments	
	\$	\$	\$	\$	Options	\$
Directors						
Denis O'Meara						
2010	42,637	2,265	3,837	-	-	48,739
2009	45,377	1,609	4,084	-	-	51,070
Justin Brown						
2010	157,250	2,265	14,153	-	55,850	229,518
2009	160,442	1,609	14,440	-	9,900	186,391
Ian Cornelius						
2010	29,750	2,265	-	-	-	32,015
2009	31,500	1,609	-	-	-	33,109
Terrance Grammer (resigned 30 April 2009)						
2009	28,410	1,341	2,557	-	-	32,308
Other key management personnel						
John Ribbons						
2010	-	-	-	-	-	-
2009	-	-	-	-	3,300	3,300
Total key management personnel compensation						
2010	229,637	6,795	17,990	-	55,850	310,272
2009	265,729	6,168	21,081	-	13,200	306,178

Service agreements

The details of service agreements of the key management personnel of Montezuma Mining Company Limited and the Group are as follows:

Justin Brown, Managing Director:

- Term of agreement – 30 June 2012.
- Annual salary of \$200,000 (plus 9% statutory superannuation) plus the provision of income protection insurance, to be reviewed annually.
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equal to six months total salary.

Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Montezuma Mining Company Limited to increase goal congruence between executives, directors and shareholders. The following options were granted to or vesting with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Justin Brown	30/11/2009	500,000	30/11/2009	30/11/2012	20.0	11.2	N/A	24.3

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Montezuma Mining Company Limited during the year.

Directors' Report continued

DIRECTORS' MEETINGS

During the year the Company held five meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		Audit Committee Meetings	
	A	B	A	B
Denis O'Meara	5	5	*	*
Justin Brown	4	5	*	*
Ian Cornelius	5	5	2	2

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

* Not a member of the Audit Committee.

SHARES UNDER OPTION

At the date of this report there are 27,195,267 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	25,500,267
Movements of share options during the year:	
Issued, exercisable at 30 cents, on or before 16 April 2011	250,000
Issued, exercisable at 20 cents, on or before 30 November 2012	1,500,000
Issued, exercisable at 35 cents, on or before 30 November 2012	50,000
Exercised/cancelled (20 cents, 2 March 2012)	(475,000)
Total number of options outstanding as at 30 June 2010	26,825,267
Movements of share options after the reporting date:	
Issued, exercisable at 20 cents, on or before 31 August 2011	600,000
Exercised (20 cents, 31 August 2011)	(155,000)
Exercised (20 cents, 2 March 2012)	(75,000)
Total number of options outstanding as at the date of this report	27,195,267

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
16 April 2011	30	250,000
23 July 2011	35	1,500,000
31 August 2011	20 (listed)	15,995,267
31 August 2011	20	600,000
31 August 2011	35	4,500,000
2 March 2012	20	800,000
30 November 2012	20	3,500,000
30 November 2012	35	50,000
Total number of options outstanding at the date of this report		27,195,267

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Montezuma Mining Company Limited were issued during the year ended 30 June 2010, and up to the date of this report, on the exercise of options. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
9 November 2006	20 cents	150,000
2 March 2007	20 cents	250,000
		400,000

Directors' Report continued

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid premiums insuring all the directors of Montezuma Mining Company Limited against costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is \$7,920.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Rothsay Chartered Accountants or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Rothsay Chartered Accountants received or are due to receive the following amounts for the provision of non-audit services:

	2010	2009
	\$	\$
Tax compliance services	<u>2,000</u>	<u>2,000</u>

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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 49.

Signed in accordance with a resolution of the directors.



Justin Brown
Managing Director

Perth, 23 September 2010

*R*OTHSAY

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

The Directors
Montezuma Mining Company Ltd
PO Box 8535
Perth Business Centre WA 6849

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 30 June 2010 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 23 September 2010



Chartered Accountants

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

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Corporate Governance Statement

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The board has adopted the revised Recommendations and the following table sets out the Company's present position in relation to each of the revised Principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A	Matters reserved for the board are included on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	N/A	The remuneration of executive and non-executive directors is reviewed by the board with the exclusion of the Director concerned. The remuneration of management and employees is reviewed by the Managing Director and approved by the Board. Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	A (in part)	
Principle 2:	Structure the board to add value		
2.1	A majority of the board should be independent directors	A	
2.2	The chair should be an independent director	A	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	A	The positions of Chairman and Managing Director are held by separate persons.
2.4	The board should establish a nomination committee	A	The full board is the nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate nomination committee would add any substance this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	N/A	Given the size and nature of the Company a formal process for evaluating performance has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A (in part)	The skills and experience of Directors are set out in the Company's Annual Report and on its website.
Principle 3:	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the Company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	A	The Company has formulated a Code of Conduct which can be viewed on the Company's website.
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	A	The Company has formulated a securities trading policy, which can be viewed on the Company's website.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	A	
	Principle 4: Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee	A	The full Board carries out the duties that would normally fall to the Audit Committee. The charter for this committee is disclosed on the Company's website.
4.2	The audit committee should be structured so that it:	A	
	• consists only of non-executive directors	N/A	
	• consists of a majority of independent directors	A	
	• is chaired by an independent chair, who is not chair of the board	A	
	• has at least three members	A	
4.3	The audit committee should have a formal charter	A	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	
	Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	A	The Company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receives monthly reports on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each board meeting.
	Principle 6: Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	A	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Reports, Half Yearly Reports, Quarterly Reports, the Company Website and the distribution of specific releases covering major transactions and events or other price sensitive information.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy which can be viewed on the Company's website.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

ASX Principle	Status	Reference/comment
Principle 7: Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	A	While the Company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: <ul style="list-style-type: none"> • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations • share market conditions • economic risk
7.2 The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	N/A	While the Company does not have formalised policies on risk management it recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	A	
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7	N/A	
Principle 8: Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee	A	The full Board carries out the duties that would normally fall to the Remuneration Committee.
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	A	
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8	A	For details on the Remuneration Committee refer to the Annual Report and the Corporate Governance section of the Company's website.
<p>A = Adopted N/A = Not adopted</p>		

Montezuma Mining Company Limited

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2010

	Notes	Consolidated	
		2010 \$	2009 \$
REVENUE	4	574,283	143,830
Other income	5	7,352,410	2,000,000
EXPENDITURE			
Depreciation expense		(11,170)	(14,308)
Salaries and employee benefits expense		(119,156)	(99,600)
Exploration expenditure		(1,502,725)	(1,234,456)
Secretarial and share registry expenses		(58,870)	(53,831)
Administration expenses		(217,389)	(165,840)
Share based payment expense	27	(187,505)	(23,640)
Other expenses		-	(203,010)
PROFIT BEFORE INCOME TAX		5,829,878	349,145
INCOME TAX EXPENSE	7	(780,830)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED		5,049,048	349,145
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share (cents per share)	26	12.0	0.8
Diluted earnings per share (cents per share)	26	11.0	0.8

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2010

	Notes	Consolidated	
		2010	2009
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	6,091,406	2,243,208
Trade and other receivables	9	63,635	41,784
Financial assets at fair value through profit or loss	10	2,498,000	118,590
TOTAL CURRENT ASSETS		8,653,041	2,403,582
NON-CURRENT ASSETS			
Receivables	11	594,300	594,300
Plant and equipment	12	32,548	30,280
TOTAL NON-CURRENT ASSETS		626,848	624,580
TOTAL ASSETS		9,279,889	3,028,162
CURRENT LIABILITIES			
Trade and other payables	13	556,232	391,888
Current tax liabilities		166,130	-
TOTAL CURRENT LIABILITIES		722,362	391,888
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	614,700	-
TOTAL NON-CURRENT LIABILITIES		614,700	-
TOTAL LIABILITIES		1,337,062	391,888
NET ASSETS		7,942,827	2,636,274
EQUITY			
Issued capital	15	5,720,610	5,650,610
Reserves	16(a)	666,627	479,122
Retained earnings/(accumulated losses)	16(b)	1,555,590	(3,493,458)
TOTAL EQUITY		7,942,827	2,636,274

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2010

	Notes	Contributed Equity \$	Options Reserve \$	Accumulated Losses \$	Total \$
Consolidated					
BALANCE AT 1 JULY 2008		5,608,610	451,982	(3,842,603)	2,217,989
Profit for the year	16(b)	-	-	349,145	349,145
TOTAL COMPREHENSIVE INCOME		-	-	349,145	349,145
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	15	42,000	-	-	42,000
Options issued to suppliers	16(a)	-	3,500	-	3,500
Employee and consultant options	16(a)	-	23,640	-	23,640
BALANCE AT 30 JUNE 2009		5,650,610	479,122	(3,493,458)	2,636,274
Profit for the year	16(b)	-	-	5,049,048	5,049,048
TOTAL COMPREHENSIVE INCOME		-	-	5,049,048	5,049,048
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the year	15	70,000	-	-	70,000
Employee and consultant options	16(a)	-	187,505	-	187,505
BALANCE AT 30 JUNE 2010		5,720,610	666,627	1,555,590	7,942,827

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2010

	Notes	Consolidated	
		2010	2009
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(342,089)	(305,981)
Interest received		98,228	148,057
Receipts from royalties on mining interests		432,482	-
Proceeds on sale of mining interests		4,445,000	2,000,000
Expenditure on mining interests		(1,738,755)	(943,391)
Proceeds from disposal of financial assets at fair value through profit or loss		1,000,000	-
Payments for financial assets at fair value through profit or loss		(72,000)	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	3,822,866	898,685
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(9,668)	(7,789)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(9,668)	(7,789)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		35,000	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		35,000	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		3,848,198	890,896
Cash and cash equivalents at the beginning of the financial year		2,243,208	1,352,312
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	6,091,406	2,243,208

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Montezuma Mining Company Limited and its subsidiaries. The financial statements are presented in the Australian currency. Montezuma Mining Company Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 23 September 2010. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the Montezuma Mining Company Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Montezuma Mining Company Limited ("Company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Montezuma Mining Company Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Montezuma Mining Company Limited.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Montezuma Mining Company Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

Change in accounting policy

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There has been no change to the reportable segments required to meet the new standard.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

(i) Royalties income

Royalty income from the Company's Tribute Mining Agreement is recognised upon receipt of payment from the Perth Mint to the miner for each delivery of gold to the Perth Mint by the miner, in accordance with the terms of the Tribute Mining Agreement.

(ii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(i) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(j) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset or Company of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(k) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(l) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(n) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 27.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(o) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise or expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for addresses for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. The amendments are not expected to have a significant impact on the financial statements of the Group.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the entity issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

(s) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 27.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full board of directors as the Group believes that it is crucial for all board members to be involved in this process. The managing director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia, the Group is not exposed to any material foreign exchange risk.

(ii) Price risk

Given the current level of operations, the Group is not exposed to any material price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group \$6,091,406 (2009: \$2,243,208) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 5.0% (2009: 7.6%).

Sensitivity analysis

At 30 June 2010, if interest rates had changed by +/- 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been \$22,500 lower/higher (2009: \$15,000 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Group does not have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

2. FINANCIAL RISK MANAGEMENT (cont'd)

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. 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.

	Consolidated	
	2010 \$	2009 \$
Exploration segment		
Segment revenue	432,482	-
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	141,801	143,830
Total revenue	<u>574,283</u>	<u>143,830</u>
Segment results	2,974,757	765,544
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	2,855,121	(416,399)
Net profit before tax	<u>5,829,878</u>	<u>349,145</u>
Segment operating assets	-	-
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	9,279,889	3,028,162
Total assets	<u>9,279,889</u>	<u>3,028,162</u>
4. REVENUE		
From continuing operations		
<i>Other revenue</i>		
Interest	141,801	143,830
Royalties on mining interests	432,482	-
	<u>574,283</u>	<u>143,830</u>
5. OTHER INCOME		
Net gain on sale of mining interests	4,045,000	2,000,000
Fair value gains on financial assets at fair value through profit or loss	3,307,410	-
	<u>7,352,410</u>	<u>2,000,000</u>

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

Consolidated

	Notes	2010 \$	2009 \$
6. EXPENSES			
Loss before income tax includes the following specific expenses:			
Minimum lease payments relating to operating leases		52,189	38,748
Fair value losses on financial assets at fair value through profit or loss		-	203,010
Defined contribution superannuation expense		45,853	54,008
7. INCOME TAX			
(a) Income tax expense			
Current tax		166,130	-
Deferred tax		614,700	-
		780,830	-
Deferred income tax (revenue)/expense included in income tax expense comprises:			
Increase in deferred tax liabilities	14	614,700	-
		614,700	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax expense		5,829,878	349,145
Prima facie tax expense at the Australian tax rate of 30% (2009: 30%)		1,748,963	104,744
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Share-based payments		56,252	7,092
		1,805,215	111,836
Movements in unrecognised temporary differences		(115,023)	210,903
Previously unrecognised tax losses recouped		(909,362)	(322,739)
Income tax expense		780,830	-
(c) Unrecognised temporary differences			
Deferred Tax Assets (at 30%)			
<i>On Income Tax Account</i>			
Financial assets at fair value through profit or loss		-	115,023
Carry forward tax losses		-	909,362
		-	1,024,385
Deferred Tax Liabilities (at 30%)			
		-	-
Net deferred tax assets were not brought to account as it was not considered probable within the immediate future that tax profits would be available against which deductible temporary differences and tax losses could be utilised.			

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

Consolidated

2010
\$

2009
\$

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	458,987	985,564
Short-term deposits	5,632,419	1,257,644
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	6,091,406	2,243,208

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Sundry receivables	58,605	37,429
Prepayments	5,030	4,355
	63,635	41,784

10. CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Australian listed equity securities	2,498,000	118,590
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Changes in fair values of financial assets at fair value through profit or loss are recorded in other income or other expenses in the statement of comprehensive income (notes 5 and 6 respectively).

11. NON-CURRENT ASSETS - RECEIVABLES

Environmental bond	594,300	594,300
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12. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment

Cost	77,420	63,982
Accumulated depreciation	(44,872)	(33,702)
Net book amount	32,548	30,280

Plant and equipment

Opening net book amount	30,280	41,926
Additions	13,438	2,662
Depreciation charge	(11,170)	(14,308)
Closing net book amount	32,548	30,280

13. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	478,457	334,323
Other payables and accruals	77,775	57,565
	556,232	391,888

14. NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Financial assets at fair value through profit or loss	614,700	-
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Movements:

Opening balance	-	-
Charged to profit or loss	614,700	-
Closing balance	614,700	-

The entire balance of deferred tax liabilities is expected to be settled within 12 months.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

		2010		2009	
	Notes	Number of shares	\$	Number of shares	\$
15. ISSUED CAPITAL					
(a) Share capital					
Ordinary shares fully paid	15(b), 15(d)	42,101,903	5,720,610	41,693,570	5,650,610
Total issued capital		42,101,903	5,720,610	41,693,570	5,650,610
(b) Movements in ordinary share capital					
Beginning of the financial year		41,693,570	5,650,610	41,293,570	5,608,610
Issued during the year:					
– Issued on exercise of 20 cent options		175,000	35,000	-	-
– Issued as consideration for consulting services		233,333	35,000	-	-
– Issued as consideration for the acquisition of tenements		-	-	400,000	42,000
End of the financial year		42,101,903	5,720,610	41,693,570	5,650,610
(c) Movements in options on issue					
				Number of options	
				2010	2009
Beginning of the financial year				25,500,267	23,000,267
Issued during the year:					
– Exercisable at 30 cents, on or before 16 April 2011				250,000	-
– Exercisable at 20 cents, on or before 31 August 2011				-	100,000
– Exercisable at 20 cents, on or before 2 March 2012				-	400,000
– Exercisable at 20 cents, on or before 30 November 2012				1,500,000	2,000,000
– Exercisable at 35 cents, on or before 30 November 2012				50,000	-
Options exercised (20 cents, 2 March 2012)				(175,000)	-
Options cancelled (20 cents, 2 March 2012)				(300,000)	-
End of the financial year				26,825,267	25,500,267

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes to the Consolidated Financial Statements continued

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Consolidated

2010	2009
\$	\$

15. ISSUED CAPITAL (cont'd)**(e) Capital risk management**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2010 and 30 June 2009 are as follows:

Cash and cash equivalents	6,091,406	2,243,208
Trade and other receivables	63,635	41,784
Financial assets at fair value through profit or loss	2,498,000	118,590
Trade and other payables	(556,232)	(391,888)
Current tax liabilities	(166,130)	-
Working capital position	7,930,679	2,011,694

16. RESERVES AND RETAINED EARNINGS**(a) Reserves***Share-based payments reserve*

Balance at beginning of year	479,122	451,982
Employee and contractor share options	187,505	23,640
Options issued to suppliers	-	3,500
Balance at end of year	666,627	479,122

(b) Retained earnings/(accumulated losses)

Balance at beginning of year	(3,493,458)	(3,842,603)
Net profit for the year	5,049,048	349,145
Balance at end of year	1,555,590	(3,493,458)

(c) Nature and purpose of reserves*Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options issued.

17. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

18. KEY MANAGEMENT PERSONNEL DISCLOSURES**(a) Key management personnel compensation**

Short-term benefits	236,432	271,897
Post employment benefits	17,990	21,081
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	58,850	13,200
	310,272	306,178

Detailed remuneration disclosures are provided in the remuneration report on pages 45 and 46.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

18. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on page 46.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Montezuma Mining Company Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2010	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<i>Directors of Montezuma Mining Company Limited</i>							
Denis O'Meara	1,102,500	-	-	-	1,102,500	1,102,500	-
Justin Brown	5,012,500	500,000	-	-	5,512,500	5,512,500	-
Ian Cornelius	305,000	-	-	-	305,000	305,000	-
<i>Other key management personnel of the Company</i>							
John Ribbons	638,334	-	-	-	638,334	638,334	-

All vested options are exercisable at the end of the year.

2009	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<i>Directors of Montezuma Mining Company Limited</i>							
Denis O'Meara	1,102,500	-	-	-	1,102,500	1,102,500	-
Justin Brown	3,512,500	1,500,000	-	-	5,012,500	5,012,500	-
Ian Cornelius	305,000	-	-	-	305,000	305,000	-
Terrance Grammer	2,006,500	-	-	(2,006,500)	-	-	-
<i>Other key management personnel of the Company</i>							
John Ribbons	138,334	500,000	-	-	638,334	638,334	-

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Montezuma Mining Company Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<i>Directors of Montezuma Mining Company Limited</i>				
Ordinary shares				
Denis O'Meara	700,000	-	-	700,000
Justin Brown	1,100,000	-	-	1,100,000
Ian Cornelius	320,000	-	-	320,000
<i>Other key management personnel of the Company</i>				
Ordinary shares				
John Ribbons	153,337	-	-	153,337

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

Consolidated

2010
\$

2009
\$

21. COMMITMENTS (cont'd)

(b) Lease commitments: Group as lessee

Operating leases (non-cancellable):

Minimum lease payments

within one year

35,712

35,713

later than one year but not later than five years

-

35,712

Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities

35,712

71,425

The property lease is a non-cancellable lease with a three year term, with rent payable monthly in advance. The rental agreement provides for an annual rent increase of the greater of market or CPI. An option exists to renew the lease at the end of the three year term for an additional term of three years. The lease allows for subletting of all lease areas.

(c) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report on page 46 that are not recognised as liabilities and are not included in the key management personnel compensation.

Within one year

200,000

148,000

later than one year but not later than five years

200,000

49,333

400,000

197,333

22. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Montezuma Mining Company Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 18.

23. SUBSIDIARY

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding ⁽¹⁾	
			2010 %	2009 %
Peak Hill Metals Pty Ltd	Australia	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

24. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matter or circumstance has arisen since 30 June 2010, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

Consolidated

2010
2009
\$ \$

25. STATEMENT OF CASH FLOWS

Reconciliation of profit after income tax to net cash inflow from operating activities

Profit for the year	5,049,048	349,145
Non-Cash Items		
Depreciation of non-current assets	11,170	14,308
Employee and consultants option expense	187,505	23,640
Fair value (gains)/losses on financial assets at fair value through profit and loss	(3,307,410)	203,010
Expenses settled by the issue of ordinary shares or options	35,000	45,500
Change in operating assets and liabilities		
(Increase) in trade and other receivables	(21,851)	(6,392)
Decrease in financial assets at fair value through profit or loss	928,000	-
Increase in trade and other payables	160,574	269,474
Increase in provision for income taxes payable	166,130	-
Increase in deferred tax liabilities	614,700	-
Net cash inflow/(outflow) from operating activities	3,822,866	898,685

26. EARNINGS PER SHARE

(a) Reconciliation of earnings used in calculating earnings per share

Profit attributable to the owners of the Company used in calculating basic and diluted earnings per share

5,049,048 349,145

Number of shares
2010
Number of shares
2009

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share
Adjustment for calculation of diluted earnings per share for options
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share

41,963,410 41,660,693
3,946,065 -
45,909,475 41,660,693

(c) Information on the classification of options

For the 2010 financial year the following potential ordinary shares were antidilutive as the exercise price of the options was greater than the average market price of the Company's shares during the year and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

Number of options
2010

Options exercisable at 30 cents on or before 16 April 2011	250,000
Options exercisable at 35 cents on or before 23 July 2011	1,500,000
Options exercisable at 35 cents on or before 31 August 2011	4,500,000
Options exercisable at 35 cents on or before 30 November 2012	50,000
	6,300,000

For the year ended 30 June 2009, all options on issue were antidilutive as the various exercise prices were all greater than the average market price of the Company's shares during the year. This has resulted in the diluted earnings per share being the same as the basic earnings per share.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

27. SHARE-BASED PAYMENTS

(a) Employees and Contractors Option Plan

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted range from 20 cents to 35 cents per option. All options granted have expiry dates ranging from 23 July 2011 to 30 November 2012.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

The weighted average fair value of the options granted during the year was 10.4 cents (2009: 1.0 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2010	2009
Weighted average exercise price (cents)	21.8	20.0
Weighted average life of the option (years)	2.71	3.93
Weighted average underlying share price (cents)	25.69	6.42
Expected share price volatility	50%	50%
Risk free interest rate	3.49%	5.58%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

(b) Options issued to suppliers

As part consideration for services associated with the initial public offering of the Company and as part consideration for the acquisition of tenement interests, suppliers were issued with listed options in the Company. A total of 1,850,000 options were issued with an exercise price of 20 cents expiring on 31 August 2011.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

The listed options granted are valued at the market closing price on the date that the options are allotted. There were no options issued to suppliers during the current or prior year.

Set out below are summaries of the share-based payment options granted per (a) and (b):

	2010		2009	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	7,700,000	24.9	5,200,000	27.2
Granted	1,800,000	21.8	2,500,000	20.0
Forfeited	(300,000)	20.0	-	-
Exercised	(175,000)	20.0	-	-
Expired	-	-	-	-
Outstanding at year-end	9,025,000	24.5	7,700,000	24.9
Exercisable at year-end	9,025,000	24.5	7,700,000	24.9

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.68 years (2009: 2.56 years), and the exercise prices range from 20 cents to 35 cents.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

Consolidated

2010
\$

2009
\$

27. SHARE-BASED PAYMENTS (cont'd)

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

Options issued to employees and consultants (shown as share based payment expense in the statement of comprehensive income)	187,505	23,640
Options issued to suppliers (included as part of exploration expenditure in the statement of comprehensive income)	-	3,500
	187,505	27,140

28. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Montezuma Mining Company Limited, at 30 June 2010. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

Parent Entity

2010
\$

2009
\$

Current assets	8,653,039	2,403,580
Non-current assets	626,850	624,582
Total assets	9,279,889	3,028,162
Current liabilities	722,362	391,888
Non-current liabilities	614,700	-
Total liabilities	1,337,062	391,888
Contributed equity	5,720,610	5,650,610
Share-based payments reserve	666,627	479,122
Accumulated losses	1,555,590	(3,493,458)
Total equity	7,942,827	2,636,274
Profit for the year	5,049,048	349,145
Total comprehensive income for the year	5,049,048	349,145

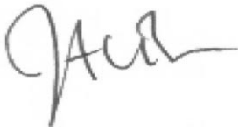
Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 54 to 75 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Justin Brown
Managing Director
Perth, 23 September 2010



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**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MONTEZUMA MINING COMPANY LTD**

Report on the financial report

We have audited the accompanying financial report of Montezuma Mining Company Ltd (the Company) which comprises the balance sheet as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) 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. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.



Chartered Accountants

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

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Audit opinion

In our opinion the financial report of Montezuma Mining Company Ltd is in accordance with the *Corporations Act 2001*, including:

- a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Audit opinion

In our opinion the remuneration report of Montezuma Mining Company Ltd for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Frank Vrachas
Partner

Dated 23 September 2010

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ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 September 2010.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares		Options	
	Number of holders	Number of shares	Number of holders	Number of options
1 - 1,000	21	5,175	2	2,000
1,001 - 5,000	115	415,455	103	287,894
5,001 - 10,000	135	1,227,982	20	159,200
10,001 - 100,000	234	9,046,928	76	3,494,805
100,001 and over	53	31,636,363	29	12,051,368
	558	42,331,903	230	15,995,267
The number of equity security holders holding less than a marketable parcel of securities are:	27	14,010	94	234,894

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 South Boulder Mines Limited	3,975,000	9.39
2 Watts Paul Hartley	2,665,000	6.30
3 Duketon Consolidated Ltd	2,250,000	5.32
4 Alpha Boxer Ltd	1,940,000	4.58
5 Avania Nominees Pty Ltd	1,806,415	4.27
6 Mandies Meats Pty Ltd	1,441,128	3.40
7 ANZ Nominees Ltd <Cash Income A/c>	1,150,575	2.72
8 Mandies Meats Pty Ltd <Number 2 Account>	1,052,392	2.49
9 Aradia Ventures Pty Ltd	1,030,000	2.43
10 Grammer Dianne Claire	1,000,000	2.36
11 Pabu Pty Ltd <Pabu Pty Ltd S/F A/C>	978,633	2.31
12 Kongming Investments Ltd	874,518	2.07
13 Alpha Boxer Limited	750,000	1.77
14 HSBC Custody Nominees Australia Ltd	656,571	1.55
15 Rizzo Francesco <Rizzo S/F A/C>	573,884	1.36
16 Kongming Investments Ltd	540,000	1.28
17 O'Meara Denis William	520,000	1.23
18 Ranguta Ltd	500,000	1.18
19 Searchtech Pty Ltd <Searchtech Pty Ltd S/F>	400,000	0.94
20 G W N Investments Pty Ltd <G W N Investments A/C>	400,000	0.94
	24,504,116	57.89

(c) Twenty largest option holders

The names of the twenty largest holders of quoted options are:

		Listed options	
		Number of options	Percentage of total options
1	Vetter Anthony John	1,420,000	8.88
2	Alpha Boxer Ltd	1,062,500	6.64
3	South Boulder Mines Limited	1,037,500	6.49
4	Aradia Ventures Pty Ltd	1,007,500	6.30
5	Actdine Pty Ltd	1,000,000	6.25
6	Duketon Consolidated Ltd	800,000	5.00
7	Cunningham Peter Thomas	550,000	3.44
8	O'Meara Denis William	500,000	3.13
9	Innovation Marketing & Finance <S/F A/C>	480,000	3.00
10	Kongming Investments Ltd	422,500	2.64
11	International Business Network SV	400,000	2.50
12	Alpha Boxer Limited	350,334	2.19
13	Lewis Kathryn	302,500	1.89
14	Sykes Suzanne Maree	250,141	1.56
15	UBS Nominees Pty Ltd	250,000	1.56
16	Tao Yuan Ltd <No 3 A/C>	241,666	1.51
17	Equity Trustees Ltd <Augusta Investors Inc>	200,000	1.25
18	Perera Anil L M <Pereras S/F A/C>	200,000	1.25
19	Mi Qing	190,500	1.19
20	Custodial Services Ltd <Beneficiaries Holding>	180,000	1.13
		10,845,141	67.80

(d) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
South Boulder Mines Limited	3,975,000
Watts Paul Hartley	2,665,000
Duketon Consolidated Ltd	2,250,000

(e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(f) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Pilgangoora	E45/2375	10
Barite Range	E45/3204 (A)	100
Butcher Bird	E52/2350 (A)	100
Butcher Bird South	E52/2463 (A)	100
Butcher Bird East	E52/2467 (A)	100
Weebo	E37/802	80
Weebo	E37/833	80
Weebo	P37/7053	100
Weebo	E36/606	100
Robinson Range	P52/1227	100
Robinson Range	P52/1233	70
Durack	M52/801	80
Millidie Creek	E52/2280 (A)	100
Egerton	E52/2117	100
Mt Padbury	E52/1529	100
Eelya Hill	E20/659	10
Eelya Hill	P20/2018	10
Peak Hill Gold	E52/2237	100
Peak Hill Gold	E52/2413	100
Peak Hill Gold	E52/2471	100
Peak Hill Gold	E52/2472 (A)	100
Peak Hill Gold	M52/35	100
Peak Hill Gold	M52/474	100
Peak Hill Gold	M52/56	100

ASX Additional Information continued

Location	Tenement	Percentage held / earning
Peak Hill Gold	M52/297	100
Peak Hill Gold	E52/2149	100
Peak Hill Gold	P52/1343	100
Peak Hill Gold	P52/1344	100
Peak Hill Gold	P52/1345	100
Peak Hill Gold	P52/1348	100
Peak Hill Gold	P52/1234	100
Peak Hill Gold	L52/2	100
Peak Hill Gold	L52/19	100
Peak Hill Gold	L52/20	100
Peak Hill Gold	L52/39	100
Peak Hill Gold	L52/62	100
Peak Hill Gold	L52/63	100

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