

# QUARTERLY OPERATIONS REPORT

THREE MONTHS ENDING

31 DECEMBER 2006

**MONTEZUMA**  
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## HIGHLIGHTS

- Rock chip sampling confirms high grade copper mineralisation at the Callawa Prospect.
- Additional exploration licence application lodged adjacent to existing Callawa leases to secure prospective corridor for extensions to existing copper-gold-silver mineralisation.
- Key Callawa Project tenement expected to be granted this quarter to allow access for immediate follow up exploration to test high grade copper mineralisation.
- Geochemical sampling to commence over the Talga Project in January to define targets for follow-up drilling.
- Heritage survey completed over the Weebo Project in preparation for February drilling programme to follow up gold anomaly.
- Comprehensive historical exploration database for Pilgangoora acquired, data compilation and assessment ongoing. Potential for significant gold targets based on review to date.
- Letter agreement signed with Trafford Resources over the Pilgangoora Nickel/Gold Project. Montezuma to earn 70% of the nickel rights over Trafford's ground.
- Review and mapping of Curlew Project completed during the quarter.

## CALLAWA PROJECT – ELA 45/2927, ELA 45/2935, ELA 45/2974

Follow up reconnaissance sampling at the Callawa Project in the East Pilbara regions has confirmed high grade copper mineralisation over a strike length of at least 100m, with the surrounding extensions of the system masked by a thin layer of transported cover. A total of five samples taken along the exposed interval returned an average 11.1% copper.

The mineralisation occurs near the margin of an ultramafic xenolith within granites of the Warrawagine complex. The mineralisation visible at surface comprises secondary copper dominated by malachite and atacamite within highly altered quartz mineralised and sheared/brecciated host rock.

The degree of alteration observed in the samples is indicative of the potential for this to be a part of a major mineralised system. Further encouragement is provided by the moderate to strong associated gold, palladium and silver mineralisation up to 102 ppb, 150ppb and 46 g/t respectively.

Given the very high grade copper values, and the potential for the mineralised zone to be significantly expanded through low cost follow up work, the Company regards the Callawa Project as a high priority component of our tenement portfolio and intend to follow up these results with an aggressive exploration programme as soon as the Project tenements are granted. With this in mind, it is our intention to expedite the grant process.

The DoIR has informed the company that the next review date for the key central licence application ELA45/2927 is February 2. On or about this date, the Company should receive a

copy of the relevant Regional Standard Heritage Agreement. Once this is signed, there should be no further impediment to the granting of the lease, and we anticipate that it will be granted during the current quarter, allowing access for immediate follow up exploration.

Significant assay results are listed in the following table:

Sample	Au (ppb)	Pt (ppb)	Pd (ppb)	Ag (ppm)	Cu (ppm)
100029	<1	<50	<50	<1	3020
100025	5	<50	<50	<1	5270
100026	77	<50	<50	15	11.9%
100027	82	<50	150	46	14.0%
100028	102	<50	100	33	28.7%

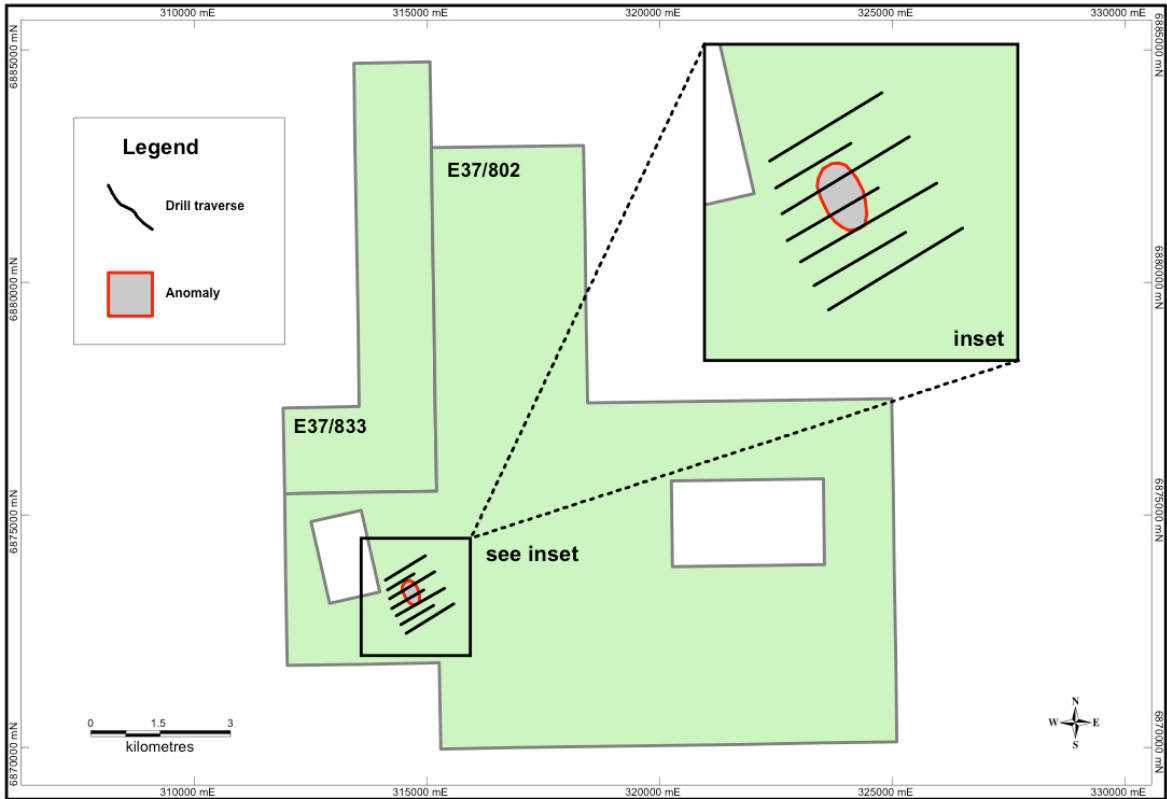
In order to secure our holding over the interpreted prospective corridor that hosts mineralisation discovered to date, an additional exploration licence application ELA45/2974 has been lodged to the east of the existing tenure.

**WEEBO PROJECT – E37/802, ELA37/833, ELA37/889**

Following the completion of Heritage Surveys over the Weebo Project in December, final clearances are being sought from government authorities to commence a RAB/Aircore drilling programme to test the gold anomaly reported in the Prospectus. The anomaly is located approximately 10km from the Thunderbox Gold Mine (2.2 M oz Au) and overlies the interpreted granite greenstone contact with a peak value of 90ppb gold and strike extent of in excess of 500m, open to the northwest and southeast.

The drilling programme will comprise an initial 2,500m of drilling on a 200X80m grid with follow up on significant intersections to follow immediately upon receipt of initial assays (subject to continued rig availability).

A drilling rig has been organised and the programme is expected to commence in early February subject to the receipt of the necessary approvals to proceed. Results will be despatched for analysis immediately and results will be reported as soon as they become available.



To further secure our holdings in the prospective corridor within the region, an additional exploration licence application ELA37/889 has been lodged which covers ground to the immediate north of the project. In addition, two other non-contiguous ELA's have been lodged – ELA36/606 and E36/607.

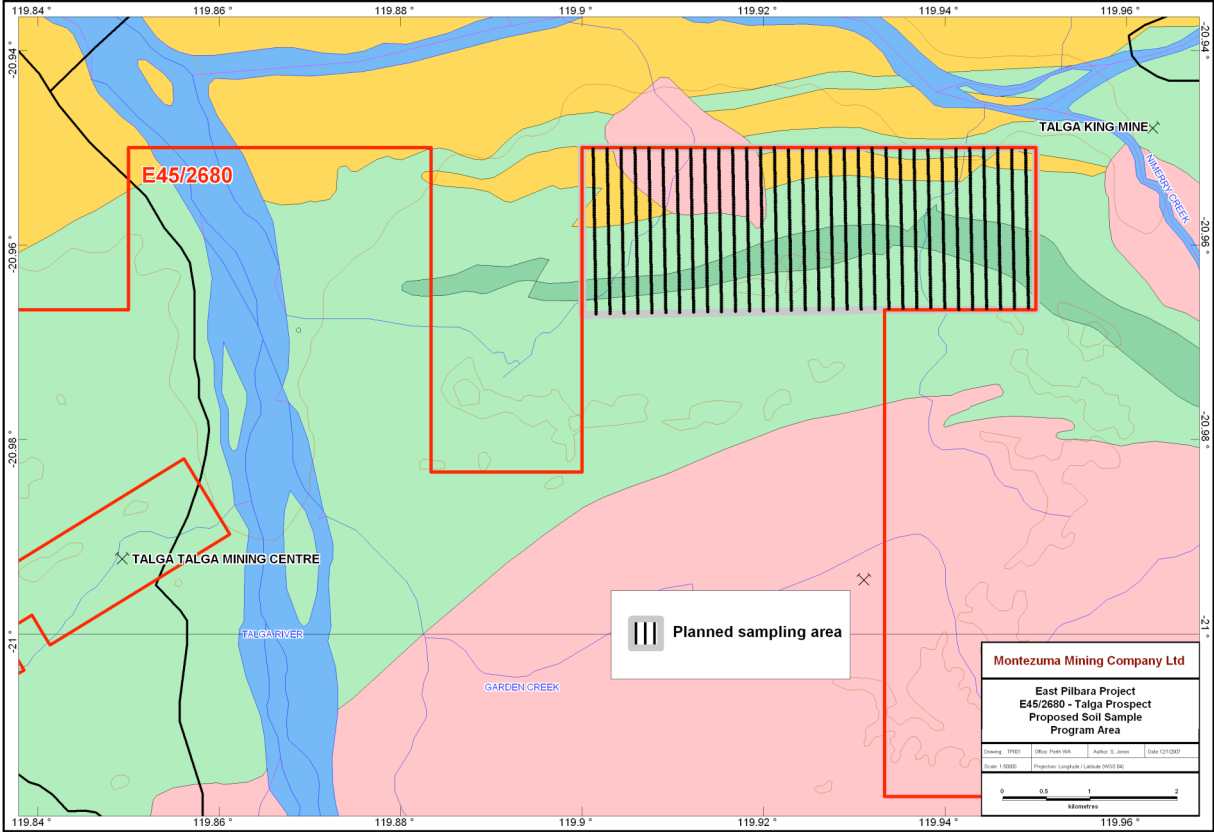
ELA36/606 covers the strike extension of the Roadside Ultramafic and includes the Roadside North nickel sulphide prospect, along strike to the north from LionOre's Horn Prospect.

**TALGA PROJECT – E45/2680**

**Surface Geochemical Sampling**

A contractor has been appointed to undertake a regional soil sampling programme on a 160 X 20m grid over the prospective greenstone stratigraphy within the eastern portion of E45/2680. The target area is prospective for gold and VMS style mineralisation.

The soil sampling programme has commenced and is intended to define targets for follow up sampling and drill testing in the third quarter of this year.



**Rock Chip Sampling**

Reconnaissance rock chip sampling has returned copper values of up to 1.30% in stacked gossanous quartz veining within a basaltic host rock. The sampling was opportunistic when en-route between project sites during a recent field trip and the significance of these results will be further investigated and reported as appropriate.

Significant assay results are listed in the following table:

<b>Sample</b>	<b>Au (ppb)</b>	<b>Pt (ppb)</b>	<b>Pd (ppb)</b>	<b>Ag (ppm)</b>	<b>Cu (ppm)</b>
100030	10	<50	<50	2	7560
100031	7	<50	<50	1	1.30%

## **PILGANOORA PROJECT – E45/2375**

A comprehensive database of exploration information has been received from South Boulder Mines Limited during the quarter, and the process of assessing, digitising and reviewing this data is underway.

This review, which includes the acquisition of available Landsat and aeromagnetic data will provide the basis for the definition of both gold and nickel targets for follow-up work in the third quarter.

Initial assessments have highlighted significant potential for the discovery of economic gold mineralisation with numerous high-grade intersections from previous work including values of 9m @ 11.4g/t gold from 3m and 6m @ 4.72g/t gold from 27m at the McPhees South Prospect. It is anticipated that continuing review and reinterpretation of the available data will generate targets for follow up drilling to further test the areas of known mineralisation and potential new target areas.

As well as the potential for the discovery of additional gold mineralisation, we are also initiating nickel exploration over the ultramafics which occur within the project area and are previously untested for nickel sulphide mineralisation.

### **Letter Agreement Signed over Gold and Nickel rights**

Trafford Resources Ltd holds 10 prospecting licences and applications for an additional two licenses that cover approximately 10km of strike of the Iron Stirrup Ultramafic, which is prospective for nickel sulphide mineralisation and which also extends into Montezuma's Pilgangoora tenement. Trafford's leases also cover several of the historic Lynas Find gold deposits previously exploited by Lynas Gold.

Montezuma and Trafford have entered into a split commodity agreement whereby Montezuma can earn a 70% interest in the nickel rights over Trafford's tenements and Trafford can earn a 70% interest in the gold rights over Montezuma's tenement, each by completing a Bankable Feasibility Study within five years.

The agreement is subject to several conditions precedent, but once completed will pave the way for Trafford to increase its gold resource base in the area and increase the potential for the discovery of sufficient resources to move into production, and will give Montezuma access to a significantly increased strike extent of stratigraphy prospective for nickel sulphide mineralisation.

The tenements held by Trafford covered by the agreement include granted licences P45/2557, P45/2562, P45/2566, P45/2558, P45/2563, P45/2567, P45/2559, P45/2564, P45/2560, P45/2565 and applications for P45/2628 and P45/2629.

## **CURLEW PROJECT – E45/2548 and E45/2769**

Activity during the quarter on the Curlew Project included reconnaissance, data integration and review, and assessment of the potential for economic mineralisation within the project. Work in this regard is ongoing and follow up work will be undertaken as warranted from the results of this initial work.

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*The Information in this report that relates to exploration results is based on information compiled by Liam Cornelius, who is a member of the Australian Institute of Geoscientists. Mr Cornelius 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. Liam Cornelius is an Executive Officer of South Boulder Mines Ltd and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*