

Montezuma Mining Company Limited

ABN 46 119 711 929

Annual Financial Report

for the year ended 30 June 2007

Corporate Information

ABN 46 119 711 929

Directors

Denis O'Meara (Non Executive Chairman)
Justin Brown (Managing Director)
Terrance Grammer (Non Executive Director)
Ian Cornelius (Non Executive Director)

Company Secretary

John Ribbons

Registered Office

133-135 Edwards Street
PERTH WA 6000

Solicitors

Wright Legal
Level 1, 103 Colin Street
WEST PERTH WA 6005

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: (08) 9315 2333
Facsimile: (08) 9315 2233

Auditors

Rothsay Chartered Accountants
Level 1, 2 Barrack Street
SYDNEY NSW 2000

Internet Address

www.montezumamining.com.au

Stock Exchange Listing

Montezuma Mining Company Limited shares and 20 cent options expiring on or before 31 August 2011 are listed on the Australian Stock Exchange.

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Directors' Report

Your directors submit their report for the year ended 30 June 2007.

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)

Denis O'Meara is a Prospector and founder of De Grey Mining Ltd. Denis 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. Denis 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.

Denis 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. Denis is currently a director of De Grey Mining Limited and Shaw River Resources Limited. Denis has not held any former directorships in the last 3 years.

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

Justin 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.

Justin's successful career 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.

Since leaving mineral exploration to pursue other business interests, Justin has founded and operated a successful internet services consultancy, developing and enhancing his management expertise which he now brings to the Company. Justin has not held any former directorships in the last 3 years.

Terrance Grammer, (Non Executive Director, audit committee member)

Mr Grammer is a geologist with over 30 years experience in mining and mineral exploration with extensive experience in Australia, Southern Africa, East Asia & New Zealand and has operated in Western Australia since 1988. He has extensive experience in exploring for gold and base metals.

Mr Grammer was awarded The Association of Mining and Exploration Companies (AMEC) Prospector of the Year Award (jointly with Mr Anthony Rovira) in 2000 for the Discovery of Jubilee Mines NL's Cosmos Nickel Deposit. The initial Cosmos discovery defined a resource of approximately 400,000t @ 8.2% Ni. The project has grown significantly since then.

He was also a founder and promoter in 1999 of the successful nickel explorer Western Areas NL where he was the Exploration Manager from 2000 until retiring in 2004.

Mr Grammer became a Non Executive Director of Hannans Reward Ltd and, after assisting a \$3.4m refunding of Hannans, became an Executive Director in January 2006. Mr Grammer has not held any former directorships in the last 3 years.

Ian Cornelius, (Non Executive Director, audit committee member)

Mr Cornelius has had over 40 years experience in the minerals and petroleum industry. He spent the first nine years of his career with the Western Australian Department of Mines before leaving to manage his own tenement consulting business. Since 1976 he has held senior executive positions in a number of public exploration and mining companies. In this capacity he has had extensive experience and success in the selection, management and development of deposits of many commodities. Inky is a non-executive director of Pancontinental Oil & Gas NL, New World Alloys Ltd, and Alkane Exploration Ltd.

Inky was appointed a director on 1 August 2006. Inky has not held any former directorships in the last 3 years.

Directors' Report continued

COMPANY SECRETARY

John Ribbons, B.Bus., CPA, ACIS

Mr Ribbons is an accountant who has worked within the resources industry for over fourteen 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 compliance and regulatory requirements.

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	3,512,500
Terrance Grammer	1,026,000	2,006,500
Ian Cornelius	320,000	305,000

PRINCIPAL ACTIVITIES

During the year the Company 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 Company'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 Company began the financial year with a cash reserve of \$189,893. Montezuma Mining Company Limited was admitted to the official list of Australian Stock Exchange Limited on 7 November 2006 following an Initial Public Offering of 18,023,500 ordinary shares to raise \$3,604,700. Funds were used to acquire and actively advance the Company's projects located in Australia.

During the year total tenement acquisition and exploration expenditure incurred by the Company amounted to \$1,363,187. In line with the company's accounting policies, all exploration expenditure was written off at year end. Net administration expenditure incurred amounted to \$171,982. This has resulted in an operating loss after income tax for the year ended 30 June 2007 of \$1,535,169 (2006: \$9).

At 30 June 2007 surplus funds available totalled \$2,742,423.

Operating Results for the Year

Summarised operating results are as follows:

	2007	
	Revenues	Results
	\$	\$
<i>Geographic segments</i>		
Australia	131,161	(1,535,169)
Revenues and loss from ordinary activities before income tax expense	131,161	(1,535,169)

Shareholder Returns

	2007	2006
Basic loss per share (cents)	(6.5)	(0.0)

Directors' Report continued

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 Company 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:

- Montezuma Mining Company Limited was admitted to the official list of Australian Stock Exchange Limited on 7 November 2006 following an Initial Public Offering of 18,023,500 ordinary shares to raise \$3,604,700.
- Prior to the IPO 3.5 million ordinary shares were placed with seed investors to raise \$287,500.
- In conjunction with the IPO 6 million ordinary shares were issued to vendors as consideration for the acquisition of tenements, and 1,080,000 ordinary shares were issued to contractors in satisfaction of fees.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 19, 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.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

The Company 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 Company are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 1024 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

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:

Directors' Report continued

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 15 of the financial statements.

B Details of remuneration (audited)

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

The key management personnel of Montezuma Mining Company Limited include the directors and company secretary as per pages 3 and 4.

Given the size and nature of operations of Montezuma Mining Company Limited, 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 Company

	Short-Term		Post Employment		Share-based	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Payments	
	\$	\$	\$	\$	Options	
	\$	\$	\$	\$	\$	\$
Directors						
Denis O'Meara						
2007	33,331	1,662	3,000	-	-	37,993
2006	-	-	-	-	-	-
Justin Brown						
2007	105,673	1,662	7,711	-	-	115,046
2006	-	-	-	-	-	-
Terrance Grammer						
2007	16,575	1,662	1,492	-	-	19,729
2006	-	-	-	-	-	-
Ian Cornelius (appointed 1 August 2006)						
2007	23,334	1,662	-	-	-	24,996
Other key management personnel						
John Ribbons						
2007	-	-	-	-	-	-
2006	-	-	-	-	-	-
Total key management personnel compensation						
2007	178,913	6,648	12,203	-	-	197,764
2006	-	-	-	-	-	-

C Service agreements (audited)

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

Justin Brown, Managing Director:

- Term of agreement – two-year term commencing 7 November 2006.
- Annual salary of \$135,000 (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.

D Share-based compensation (audited)

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. There were no options granted to or vesting with key management personnel during the year.

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.

E Additional information – unaudited

Performance income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year. It is the intent of the board to include performance bonuses as part of remuneration packages when mine production commences.

Directors' Report continued

DIRECTORS' MEETINGS

During the year the Company held 8 meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings	
	A	B
Denis O'Meara	8	8
Justin Brown	8	8
Terrance Grammer	8	8
Ian Cornelius	5	7

Notes

A - Number of meetings attended.

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

SHARES UNDER OPTION

At the date of this report there are 19,213,375 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	7,000,000
Movements of share options during the year	
Issued, exercisable at 20 cents, on or before 31 August 2011	10,255,875
Issued, exercisable at 20 cents, on or before 2 March 2012	460,000
Exercised at 20 cents (31 August 2011)	(2,500)
Total number of options outstanding as at 30 June 2007	17,713,375
Issued subsequent to year end (35 cents, 23 July 2011)	1,500,000
Total number of options outstanding at the date of this report	19,213,375

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
23 Jul 2011	35.0	1,500,000
31 Aug 2011	20.0	13,753,375
31 Aug 2011	35.0	3,500,000
2 Mar 2012	20.0	460,000
Total number of options outstanding at the date of this report		19,213,375

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.

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 \$9,035.

Directors' Report continued

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 nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Rothsay Consulting Services Pty Ltd received or are due to receive the following amount for the provision of non-audit services:

	2007	2006
	\$	\$
Investigating accountants report	10,000	-
Tax compliance services	500	-
	10,500	-

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 10.

ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Justin Brown
Managing Director

Perth, 6 September 2007

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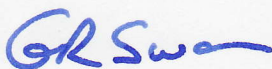
Level 1, 2 Barrack Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 9299 0091 Facsimile 9299 2595 E-mail swan2000@bigpond.com

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


Dear Sirs,

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2007 annual financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)



Rothsay Chartered Accountants

7 September 2007



Chartered Accountants

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

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 ASX Principles of Good Corporate Governance and Best Practice Guidelines 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 following table sets out the Company's present position with regard to adoption of these Principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	Lay solid foundations for management and oversight		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	A	
Principle 2:	Structure the board to add value		
2.1	A majority of board members should be independent directors	N/A	Given the Company's background, the nature and size of its business and the current stage of its development, the board comprises four directors, three of whom are non-executive. Two of the non-executive directors are also independent (including the Chairman). The board believes that this is both appropriate and acceptable at this stage of the Company's development.
2.2	The chairperson should be an independent director	A	
2.3	The roles of chairperson 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	
2.5	Provide the information indicated in 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	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity 3.1.2 the responsibility and accountability of individuals for reporting or 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	Disclose the policy concerning trading in company securities by directors, officers and employees	A	The Company has formulated a securities trading policy which can be viewed on its website.
3.3	Provide the information indicated in Guide to Reporting on Principle 3	A	
Principle 4:	Safeguard integrity in financial reporting		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards	A	
4.2	The board should establish an audit committee	A	

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 4:	Safeguard integrity in financial reporting		
<i>(continued)</i>			
4.3	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> • Only non-executive directors • A majority of independent directors • An independent chairperson who is not the chairperson of the board • At least three members 	A A A A	
4.4	The audit committee should have a formal charter	A	
4.5	Provide the information indicated in Guide to reporting on Principle 4	A	
Principle 5:	Make timely and balanced disclosure		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	A	
5.2	Provide the information indicated in Guide to Reporting on Principle 5	A	
Principle 6:	Respect the rights of shareholders		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	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 Report, Quarterly Reports, the Company website and the distribution of specific releases covering major transactions or events.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report	A	Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy. The Company's auditors attend all shareholders' meetings.
Principle 7:	Recognise and manage risk		
7.1	The board or appropriate board committee should establish policies on risk oversight and management	N/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
			A = Adopted N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 7: <i>(continued)</i>	Recognise and manage risk		
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	A	
7.3	Provide information indicated in Guide to Reporting on Principle 7	N/A	
Principle 8:	Encourage enhanced Performance		
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	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 board and approved by the chairman. Acting in its ordinary capacity, the board from time to time will carry out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the Company's securities. Whenever relevant, any such matters are reported to ASX.
Principle 9:	Remunerate fairly and responsibly		
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance	A	The Company discloses remuneration related information in its Annual Report to shareholders in accordance with the Corporations Act 2001. Remuneration levels are determined by the board on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
9.2	The board should establish a remuneration committee	A	
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	A	
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	A	
9.5	Provide information indicated in ASX Guide to Reporting on Principle 9	A	
	<i>A = Adopted</i> <i>N/A = Not adopted</i>		

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 10:	Recognise legitimate interests of Stakeholders		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	A	<p>The Company's Code of Conduct is set out in the Company's website.</p> <p>The board continues to review existing procedures over time to ensure adequate processes are in place.</p> <p>All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the Company.</p>

A = *Adopted*
 N/A = *Not adopted*

Income Statement

YEAR ENDED 30 JUNE 2007

	Notes	The Company	
		2007 \$	2006 \$
REVENUE FROM CONTINUING OPERATIONS	4	131,161	137
EXPENDITURE			
Depreciation expense	5	(3,379)	-
Salaries and employee benefits expense		(117,520)	-
Exploration expenditure written off	5	(1,363,187)	-
Secretarial and share registry expenses		(37,498)	-
Administration expenses		(61,754)	(146)
Share based payment expense	22	(38,272)	-
Other expenses		(44,720)	-
LOSS BEFORE INCOME TAX		(1,535,169)	(9)
INCOME TAX	6	-	-
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF MONTEZUMA MINING COMPANY LIMITED		(1,535,169)	(9)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	21	(6.5)	(0.0)

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

Balance Sheet

AT 30 JUNE 2007

	Notes	The Company	
		2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	7	2,742,423	189,893
Trade and other receivables	8	26,774	8,817
TOTAL CURRENT ASSETS		2,769,197	198,710
NON-CURRENT ASSETS			
Plant and equipment	9	20,817	-
TOTAL NON-CURRENT ASSETS		20,817	-
TOTAL ASSETS		2,790,014	198,710
CURRENT LIABILITIES			
Trade and other payables	10	120,685	198,366
Provisions	11	11,105	-
TOTAL CURRENT LIABILITIES		131,790	198,366
TOTAL LIABILITIES		131,790	198,366
NET ASSETS		2,658,224	344
EQUITY			
Contributed equity	12	4,027,630	353
Reserves	13(a)	165,772	-
Accumulated losses	13(b)	(1,535,178)	(9)
TOTAL EQUITY		2,658,224	344

The above Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

YEAR ENDED 30 JUNE 2007

	Notes	The Company	
		2007 \$	2006 \$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		344	-
LOSS FOR THE YEAR		(1,535,169)	(9)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF MONTEZUMA MINING COMPANY LIMITED		(1,535,169)	(9)
Transactions with equity holders in their capacity as equity holders:			
Shares issued during the year	12	4,558,700	353
Transaction costs	12	(531,423)	-
Options issued to suppliers	13	127,500	-
Employee share options	13	38,272	-
		4,193,049	353
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		2,658,224	344

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

Statement of Cash Flows

YEAR ENDED 30 JUNE 2007

	Notes	The Company	
		2007	2006
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(214,382)	(94)
Interest received		131,161	137
Expenditure on mining interests		(755,330)	-
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	20(a)	(838,551)	43
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(24,196)	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(24,196)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		3,703,200	350
Payment of share issue costs		(287,923)	-
Cash received in advance of issue of ordinary shares		-	189,500
NET CASH INFLOW FROM FINANCING ACTIVITIES		3,415,277	189,850
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,552,530	189,893
Cash and cash equivalents at the beginning of the financial year		189,893	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	2,742,423	189,893

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

Notes to the Financial Statements

30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the financial statements for Montezuma Mining Company Limited as an individual entity.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Montezuma Mining Company Limited comply with International Financial Reporting Standards (IFRS).

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.

(b) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue recognition

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

(d) 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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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 substantially enacted by the balance sheet 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Notes to the Financial Statements continued

30 JUNE 2007

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

(e) 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 the income statement 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 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(f) 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.

(g) Cash and cash equivalents

For cash flow statement 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.

(h) 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.

(i) 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 balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(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 Financial Statements continued

30 JUNE 2007

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 balance sheet date.

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 income statement. 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 income statement 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 income statement 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 income statement 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.

Fair value

The fair values of quoted investments are based on last trade prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(j) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the last trade 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.

Notes to the Financial Statements continued

30 JUNE 2007

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

(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.

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 the replaced part is derecognised. All other repairs and maintenance are charged to the income statement 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, net of their residual values, over their estimated useful lives. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. 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 and are paid on normal commercial terms.

(n) Employee benefits

(i) Wages and salaries, annual leave and other employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(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 22.

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.

Notes to the Financial Statements continued

30 JUNE 2007

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

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) Contributed equity

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.

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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 balance sheet.

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 flow.

(r) Rounding of amounts

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest \$1.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

(ii) *AASB-I 10 Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Company has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Company's financial statements.

Notes to the Financial Statements continued

30 JUNE 2007

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

(t) Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 22.

2. FINANCIAL RISK MANAGEMENT

(a) Interest rate risk

The Company is exposed to movements in market interest rates on short-term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

2007	Floating interest rate	Fixed interest rate maturing in:			Non interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	1 to 5 years	More than 5 years			
Financial instrument	\$	\$	\$	\$	\$	\$	%
<i>Financial assets</i>							
Cash and cash equivalents	42,223	2,700,000	-	-	200	2,742,423	6.4
Trade and other receivables	-	-	-	-	26,774	26,774	-
Total financial assets	42,223	2,700,000	-	-	26,974	2,769,197	
<i>Financial liabilities</i>							
Trade creditors	-	-	-	-	(72,262)	(72,262)	-
Other creditors and accruals	-	-	-	-	(48,423)	(48,423)	-
Total financial liabilities	-	-	-	-	(120,685)	(120,685)	

2006	Floating interest rate	Fixed interest rate maturing in:			Non interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	1 to 5 years	More than 5 years			
Financial instrument	\$	\$	\$	\$	\$	\$	%
<i>Financial assets</i>							
Cash and cash equivalents	189,893	-	-	-	-	189,893	1.1
Trade and other receivables	-	-	-	-	8,817	8,817	-
Total financial assets	189,893	-	-	-	8,817	198,710	
<i>Financial liabilities</i>							
Trade creditors	-	-	-	-	(8,866)	(8,866)	-
Funds received in advance of issue of ordinary shares	-	-	-	-	(189,500)	(189,500)	-
Total financial liabilities	-	-	-	-	(198,366)	(198,366)	

Notes to the Financial Statements continued

30 JUNE 2007

2. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Net fair values

All financial assets and liabilities have been recognised at the balance date at amounts approximating their carrying value.

(c) Credit risk exposures

The Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the balance sheet and notes to the financial statements.

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

3. SEGMENT INFORMATION

Description of segments

The Company's operations are in the mining industry in Australia.

	The Company	
	2007	2006
	\$	\$
4. REVENUE		
From continuing operations		
<i>Other revenue</i>		
Interest	131,161	137
5. EXPENSES		
Loss before income tax includes the following specific expenses:		
Depreciation of plant and equipment	3,379	-
Exploration expenditure written off	1,363,187	-
6. INCOME TAX		
(a) Income tax expense/(benefit)		
Current tax	-	-
Deferred tax	-	-
Adjustments for current tax of prior years	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(1,535,169)	(9)
Prima facie tax benefit at the Australian tax rate of 30% (2006: 30%)	(460,551)	(3)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	11,482	-
Other	630	-
	(448,439)	(3)
Movements in unrecognised temporary differences	(25,704)	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	474,143	3
Income tax expense/(benefit)	-	-

Notes to the Financial Statements continued

30 JUNE 2007

	The Company	
	2007	2006
	\$	\$
6. INCOME TAX (cont'd)		
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
<i>On Income Tax Account</i>		
Capital raising costs	425,138	-
Other	6,182	-
Carry forward tax losses	474,146	3
	<u>905,466</u>	<u>3</u>
Deferred Tax Liabilities (at 30%)	<u>-</u>	<u>-</u>

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand	42,423	189,893
Short-term deposits	2,700,000	-
Cash and cash equivalents as shown in the balance sheet and the statement of cash flows	<u>2,742,423</u>	<u>189,893</u>

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 Company, and earn interest at the respective short-term deposit rates.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Sundry receivables	21,071	802
Prepayments	5,703	8,015
	<u>26,774</u>	<u>8,817</u>

9. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Plant and equipment

Cost	24,196	-
Accumulated depreciation	(3,379)	-
Net book amount	<u>20,817</u>	<u>-</u>

Plant and equipment

Opening net book amount	-	-
Additions	24,196	-
Depreciation charge	(3,379)	-
Closing net book amount	<u>20,817</u>	<u>-</u>

10. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	72,262	8,866
Other payables and accruals	48,423	-
Cash received in advance of issue of ordinary shares	-	189,500
	<u>120,685</u>	<u>198,366</u>

Notes to the Financial Statements continued

30 JUNE 2007

The Company
2007 2006
\$ \$

11. CURRENT LIABILITIES - PROVISIONS

Employee benefits	11,105	-
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12. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2007		2006	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	12(b), 12(d)	32,106,003	4,027,630	3,500,003	353
Total contributed equity		32,106,003	4,027,630	3,500,003	353

(b) Movements in ordinary share capital

Beginning of the financial year	3,500,003	353	-	-	
Issued during the year:					
– Issued for cash at 7.5 cents per share	2,500,000	187,500	-	-	
– Issued for cash at 10 cents per share	1,000,000	100,000	-	-	
– Issued as consideration for the acquisition of tenements	6,000,000	450,000	-	-	
– Issued as consideration for the acquisition of tenements at 20 cents per share	500,000	100,000	-	-	
– Issued at IPO for 20 cents per share	18,023,500	3,604,700	-	-	
– Issued as consideration for services at 20 cents per share	580,000	116,000	-	-	
– Issued on conversion of options (20 cents, 31 August 2011)	2,500	500	-	-	
– Issued on incorporation at \$1 per share	-	-	3	3	
– Issued for cash at 0.01 cents per share	-	-	3,500,000	350	
Less: Transaction costs	-	(531,423)	-	-	
End of the financial year		32,106,003	4,027,630	3,500,003	353

(c) Movements in options on issue

	Number of options	
	2007	2006
Beginning of the financial year	7,000,000	-
Issued during the year:		
– Exercisable at 20 cents, on or before 31 August 2011	10,255,875	3,500,000
– Exercisable at 20 cents, on or before 2 March 2012	460,000	-
– Exercisable at 35 cents, on or before 31 August 2011	-	3,500,000
Options exercised (20 cents, 31 August 2011)	(2,500)	-
End of the financial year	17,713,375	7,000,000

(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.

Notes to the Financial Statements continued

30 JUNE 2007

	The Company	
	2007	2006
	\$	\$
13. RESERVES AND ACCUMULATED LOSSES		
(a) Reserves		
<i>Share-based payments reserve</i>		
Balance at beginning of year	-	-
Employee and contractor share options	38,272	-
Options issued to suppliers	127,500	-
Balance at end of year	<u>165,772</u>	-
(b) Accumulated losses		
Balance at beginning of year	(9)	-
Net loss for the year	(1,535,169)	(9)
Balance at end of year	<u>(1,535,178)</u>	(9)

(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.

14. DIVIDENDS

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

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

The following persons were directors of Montezuma Mining Company Limited during the financial year:

Denis O'Meara	Non Executive Chairman	
Justin Brown	Managing Director	
Terrance Grammer	Non Executive Director	
Ian Cornelius	Non Executive Director	<i>Appointed 1 August 2006</i>

(ii) Other Key Management Personnel

The following person also had authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

John Ribbons	Company Secretary
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(b) Key management personnel compensation

	The Company	
	2007	2006
	\$	\$
Short-term benefits	185,561	-
Post employment benefits	12,203	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>197,764</u>	-

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 5 to 7.

Notes to the Financial Statements continued

30 JUNE 2007

15. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(c) 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 section D of the remuneration report on page 7.

(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:

2007	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	1,000,000	-	-	102,500	1,102,500	1,102,500	-
Justin Brown	2,000,000	-	-	12,500	2,012,500	2,012,500	-
Terrance Grammer	2,000,000	-	-	6,500	2,006,500	2,006,500	-
Ian Cornelius	-	-	-	305,000	305,000	305,000	-
<i>Other key management personnel of the Company</i>							
John Ribbons	-	-	-	135,834	135,834	135,834	-

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

2006	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	-	-	-	1,000,000	1,000,000	1,000,000	-
Justin Brown	-	-	-	2,000,000	2,000,000	2,000,000	-
Terrance Grammer	-	-	-	2,000,000	2,000,000	2,000,000	-
<i>Other key management personnel of the Company</i>							
John Ribbons	-	-	-	-	-	-	-

(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.

2007	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	500,000	-	200,000	700,000
Justin Brown	1,000,000	-	100,000	1,100,000
Terrance Grammer	1,000,000	-	26,000	1,026,000
Ian Cornelius	-	-	320,000	320,000
<i>Other key management personnel of the Company</i>				
Ordinary shares				
John Ribbons	3	-	153,334	153,337

Notes to the Financial Statements continued

30 JUNE 2007

15. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(iii) Share holdings (cont'd)

2006

	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	-	-	500,000	500,000
Justin Brown	-	-	1,000,000	1,000,000
Terrance Grammer	-	-	1,000,000	1,000,000
<i>Other key management personnel of the Company</i>				
Ordinary shares				
John Ribbons	-	-	3	3

(d) Loans to key management personnel

There were no loans to key management personnel during the year.

(e) Other transactions with key management personnel

A director, Justin Brown, is a director and shareholder of Creative Intelligence Pty Ltd. Creative Intelligence Pty Ltd provided the Company with IT and printing services during the year totalling \$10,151 (2005: nil). The payments were based on normal commercial terms and conditions.

A director, Ian Cornelius, is a director and shareholder of Ordville Nominees Pty Ltd. The Company entered into a lease agreement with Ordville Nominees Pty Ltd for office premises during the year. The rental agreement is based on normal commercial terms and conditions with payments totalling \$8,853 (2005: nil) during the year. Subsequent to balance date Ordville Nominees Pty Ltd has sold the premises.

The Company	
2007	2006
\$	\$

16. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

(a) Audit services

Rothsay Chartered Accountants - audit and review of financial reports	18,000	-
Total remuneration for audit services	18,000	-

(b) Non-audit services

Rothsay Chartered Accountants – taxation advisory services	2,000	-
Rothsay Chartered Accountants – independent accountants report	10,000	-
Total remuneration for other services	12,000	-

17. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Company at balance date.

Notes to the Financial Statements continued

30 JUNE 2007

	The Company	
	2007	2006
	\$	\$

18. COMMITMENTS

(a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	815,500	-
later than one year but not later than five years	3,262,000	-
	<u>4,077,500</u>	<u>-</u>

(b) Lease commitments: Company as lessee

Operating leases (non-cancellable):

Minimum lease payments		
within one year	19,500	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	<u>19,500</u>	<u>-</u>

The property lease is for an eighteen month term that is cancellable by the lessee with a minimum of three months notice. Rent is payable monthly in advance. The lease does not contain any rent review clauses, nor is there any option to extend. 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 section C of the remuneration report on page 7 that are not recognised as liabilities and are not included in the key management personnel compensation.

within one year	135,000	-
later than one year but not later than five years	45,000	-
	<u>180,000</u>	<u>-</u>

19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 24 August 2007 the Company completed the acquisition of the Peak Hill gold mine from Barrick Group and Rio Tinto Group for cash consideration of \$1,000,000 and subject to the permitted encumbrances.

No other matter or circumstance has arisen since 30 June 2007, 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.

20. CASH FLOW STATEMENT

Reconciliation of net loss after income tax to net cash outflow from operating activities

Net loss for the year	(1,535,169)	(9)
Non-Cash Items		
Depreciation of non-current assets	3,379	-
Employee and consultants option expense	38,272	-
Tenement acquisitions settled by the issue of ordinary shares	550,000	-
Change in operating assets and liabilities		
(Increase) in trade and other receivables	(25,972)	(8,814)
Increase in trade and other payables	119,834	8,866
Increase in employee entitlement provisions	11,105	-
Net cash outflow from operating activities	<u>(838,551)</u>	<u>43</u>

Notes to the Financial Statements continued

30 JUNE 2007

21. LOSS PER SHARE

	The Company	
	2007	2006
	\$	\$
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	<u>(1,535,169)</u>	<u>(9)</u>
	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>23,792,950</u>	<u>684,786</u>

(c) Information on the classification of options

As the Company has made a loss for the year ended 30 June 2007, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

22. 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. All options issued under the scheme have an exercise price of 20 cents and an exercise date of 2 March 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 8.3 cents (2006: N/A). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2007	2006
Weighted average exercise price (cents)	20.0	-
Weighted average life of the option (years)	5.00	-
Weighted average underlying share price (cents)	17.5	-
Expected share price volatility	50%	-
Risk free interest rate	6.25%	-

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, suppliers were issued with listed options in the Company. A total of 1,750,000 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. The weighted average fair value of the options granted during the year was 7.3 cents (2006: N/A).

Notes to the Financial Statements continued

30 JUNE 2007

22. SHARE-BASED PAYMENTS (cont'd)

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

	The Company			
	2007		2006	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	-	-	-	-
Granted	2,210,000	20.0	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	2,210,000	20.0	-	-
Exercisable at year-end	2,210,000	20.0	-	-

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 4.28 years, with an exercise price of 20 cents.

(c) Expenses arising from share-based payment transactions

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

	The Company	
	2007	2006
	\$	\$
Options issued to employees and consultants (shown as share based payment expense in the income statement)	38,272	-
Options issued to suppliers (included as a transaction cost against Contributed Equity in the balance sheet)	127,500	-
	165,772	-

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 16 to 34 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 2007 and of its performance for the financial year ended on that date; and
- (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) the audited remuneration disclosures set out on pages 5 to 7 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

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, 6 September 2007

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MONTEZUMA MINING COMPANY LTD

Scope

The financial report comprises the income statement, statement of changes in equity, balance sheet, statement of cashflows, accompanying notes, the disclosures made as required by AASB 124 *Related party disclosures* of the remuneration report in the Directors' report and the Directors' declaration for Montezuma Mining Company Limited, the Company, for the year ended 30 June 2007.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with 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.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the Directors' report comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures in the Directors' report comply with AASB 124.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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).

Audit opinion

- 1 In our opinion, the financial report of Montezuma Mining Company Limited is in accordance with:
 - a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
 - b) other mandatory professional reporting requirements.
- 2 the remuneration disclosures in the Directors' report comply with AASB 124

Rothsay

Rothsay

G R Swan

Graham R Swan
Partner

Dated 7 September 2007