

STOCK FOCUS:

1st May 2007

Mount Burgess Mining (MTB) – SPEC. BUY

Price: \$0.09
12m Target: \$0.30
Mkt Cap: \$21.8m

Investment Data:

Share Price	\$0.09
Ord Shares	235.7m
Market Capitalisation	\$20.3m
Total Tradeable Shares	235.7m
Options	9.2m

Market Capitalisation (diluted) \$21.8m

Net Cash (April 2007)	\$700,000
52 week Low/High	13.5c / 5.5c

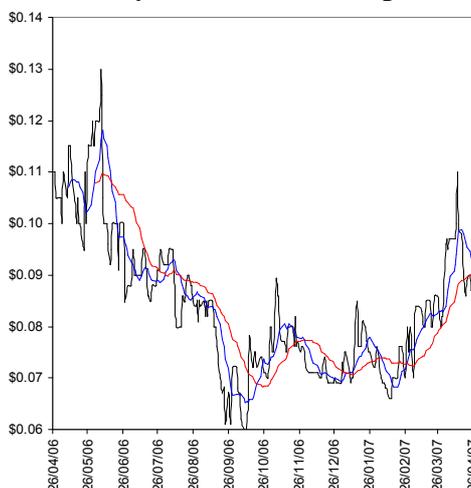
Directors:

Chairman & M.D.	Mr Nigel Forrester
Secretary	Jan Forrester
	Mr Dean Scarparolo
Directors	Mr Godfrey Taylor
	Mr Ronald O'Regan
	Alfred Stirling
	Giles Rodney Dale
	Allan Mulligan

Major Shareholders:

Citicorp Nominees NL	20.5%
ANZ Nominees Ltd	6.3%
National Nominees Ltd	8.0%
Directors and associates	12.2%
J P Morgan Noms	2.5%
HSBC Custody Noms	1.0%
Top 20 Shareholders	56.3%

**MOUNT BURGESS MINING NL
Yearly Share Price Graph**



In Brief

- A maiden JORC Categorised Resource has just been calculated from evaluation of the first of 13 high-importance and high-quality soil anomalies within MTB's 1,000 square km. Botswanan tenure.
- The maiden JORC Resource for the Kihabe Base Metals Project was estimated at 11.0Mt @ 2.55% Zn equivalent.
- The Kihabe Project has an NPV of A\$160 to \$210 million on our assumptions, given a 2 Mtpa mining rate.
- Further scope exists to define higher grade portions & other higher-grade shoots within the 2.4 km of mineralised strike drilled thus far at Kihabe.
- The Resource is open down dip and along strike to the west, limited only by the border with Namibia.
- Near-field exploration targets exist, ready for drilling, to add to the existing resource at Kihabe.
- Drilling of diamond core metallurgical holes into the Kihabe Resource are underway, with further results awaited under the 6 week turnaround from high-quality Australian geochem labs.
- The drilling of the next key target, the Gossan Anomaly, is due to start this quarter. Previous trenching at Gossan intersected lead-zinc carbonates in a possible transported blanket, with peak values of 3.98 % Zn and 12.4% Pb, 102 g/t silver and 1.6% Vanadium. The source of this transported material is reckoned to be nearby.
- The 11 other high-quality soil anomalies remain to be tested, and confirmatory soil sample infill grids have been successful, validating previous work.
- Further regional exploration drilling will be ongoing.
- Soil sampling of the Namibian portion of Mount Burgess' tenure is underway, providing further geochemical targets for further exploration on the 2/3rds of the Proterozoic Damaran Belt within the Namibian licenses
- Mount Burgess has strong diamond exploration models to test in the Tsumkwe Diamond Project, eastern Namibia, with over 55,000m of drilling to date defining robust and well constrained walk-up drill targets for this year's exploration season
- We remain positive on Mount Burgess, with internal estimations concluding that the Kihabe Resource is within the economic range of grade and tonnage, assuming reasonable costs and capital expenditures on a large-scale open cut mining operation.
Verification of just one more deposit similar to Kihabe would put Mount Burgess into the dirt-cheap category.

Background:

- Mount Burgess Mining NL is a Perth-based explorer of diamonds and base metals in the Proterozoic terrane of Namibia and Botswana, in southern Africa.
- Mount Burgess has been exploring for diamonds for some 6 years in eastern Namibia under the sand cover, with some encouraging heavy mineral tracers pointing to concealed kimberlitic diatremes which are known worldwide as excellent potential hosts for diamonds.

In the last few years, while working up its diamond play, Mount Burgess has put more emphasis into the discovery of what we believe to be a significant base metal deposit in an emerging region for base metal projects in Botswana.

The base metals price surge over the past year has seen zinc trading at US\$1.80 per pound. Demand is growing strongly on the back of increased structural steel consumption in China. Supply side, lower Chinese production in conjunction with China becoming a net importer of zinc for the first time in the first quarter of 2007, in addition to faltering Indian production, has seen stockpiles shrink and remain depressed.

While far from a panic situation like nickel, the medium term outlook for zinc remains positive, and implies a stronger than historical price of US\$2400 to \$3400 per tonne is quite sustainable.



Kihabe Project:

Mount Burgess Mining has released the initial resource estimate for its Kihabe base metals project in northwestern Botswana, which has come to 11 million tons at 2.55% zinc equivalent, predominantly in Measured Resource category. This is a low grade resource by any definition, however like all initial resources we would expect that further resource definition and infill drilling will seek to improve grades and tonnages. **Furthermore, the economics of the deposit remain strong due to the great horizontal thickness of the mineralisation, large strike extent, and the shallow depth which exposes the mineralised material to cheap open cast extraction methods.**

To put the resource into a more comfortable perspective, the in-situ value of the ore is equivalent to around 4g/t of gold (\$90/t metal value at \$3500/t Zn). This perspective allows us to see that a low grade large-scale open cast mine working on such material can be profitable.

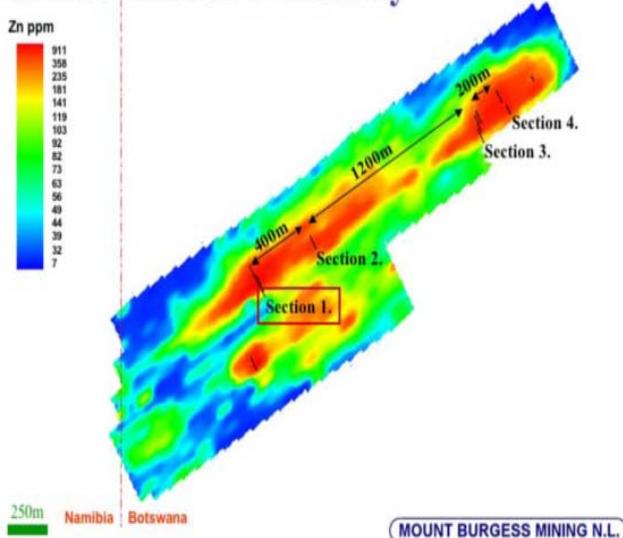
15

We can also consider that CBH Resources' Panorama deposit in the Pilbara, Western Australia, at 3.5% Zinc gives an indication that these low grade open cut operations can be profitable. With reasonable stripping ratios and lower operating costs in the low labour-cost Botswana environment, low-cost mining can on our estimates, return cash costs of US\$0.40 to \$0.70 per-pound of zinc production.

Resource Definition Potential:

As it stands, the current Kihabe resource estimate in terms of tonnage and grade does not fully quantify the true potential of the deposit to increase in both size and grade. For instance, the southern one third of the deposit contains a shoot of mineralisation grading ~3.5% Zn and 2% Pb with 15m thickness, which if the lower grade proportion of the deposit fails to prove itself economic, can be worked up as a higher grade smaller tonnage target. This higher grade shoot has yet to be closed off.

Kihabe Zinc Soil Anomaly



Kihabe, being a Sedimentary Exhalative (SEDEX) deposit, occurs along a particular stratigraphic contact. As such, it is quite likely that there are repetitions within the folded stratigraphy of the Damaran Supergroup. Mount Burgess Mining has developed a stratigraphic model for the exposed part of the Damaran belt within the tenements in Namibia and Botswana, and can utilise such a model to investigate other exposures and concealed fold repetitions of this stratigraphy. We note that another 13 soil anomalies regionally are roughly coincident with the break between the sandstones and carbonates. Exploration potential is very high for stratigraphic repetitions close to Kihabe.

Regional Exploration Potential

During the site visit, the Tswee Tswee copper anomaly was visited, where access tracks have been cut for drilling with an RC rig this quarter. Tswee Tswee has peak anomalism of ~400ppm Cu, which requires testing.

However, the most important anomaly is the Gossan Anomaly, where trenching by Billiton (now BHP Billiton) in the early 1980's, revealed a massive sulphide gossan with values of up to 3.98% Zinc, 12.4% Lead, 1.6% Vanadium and 102 g/t Silver hosted in the Kalahari Sand cover sequence. The depth to this supergene blanket of mineralisation is around 10 to 20 metres. It is our understanding that this is associated with a multiple kilometre sized drainage soil anomaly in a valley within the Aha Hills, where we observed an association with a red gossanous soil profile suggesting that this is a transported blanket of lead and zinc, of a similar nature to Anglo American's Skorpion.

The value of a 5% lead-zinc at 20m depth is, on today's prices, immense. The soil anomaly remains mostly un-drilled and is a mere 11 kilometres south-east of Kihabe, suggesting that any future resources drilled from that area will allow synergies with any potential milling operation which starts up at Kihabe. At 10m depth through mostly unconsolidated sand cover, this could be extremely low-cost production.

Within the Namibian extension of the belt, where an initial soil sampling program is underway to define any anomalous zones for follow up, Mount Burgess has spent the last 6 years working up a diamond play.

Project Valuation:

Mount Burgess Mining NL Kihabe Project, Botswana

Resource Fundamentals

Resources	11	Million Tonnes
Grades	2.55%	Zn Equivalent

Production Fundamentals

Production	2	Mtpa
Mine Life	5.5	Years
Metal Production	35,000	Zn tonnes
	9,500	Pb Tonnes
	4,000	Cu Tonnes
	700,000	Ag Ounces

Financial Estimates

Revenue	\$166	US\$M Net sales
Cost of production	\$40	US\$M Total costs
	\$0.41	US c/lb Zn Cash Cost
Smelting Charges	\$8	US\$M Smelter Charge
Earnings	\$126	US\$M Payable Production
Profit (Net)	\$84	A\$M NPAT @ A\$ = 0.82c US

Share Price Estimates

Profit	A\$84	NPAT
Shares on issue	395M	Diluted for working capital
EPS Estimate	\$0.20	On \$80M NPAT
PER Targets	\$1.21	PER target of 6x on 29c EPS
	\$1.62	PER target of 8x on 29c EPS
Share Price	\$0.08	Share price 01/05/2007

Our economic models of the Kihabe Deposit suggest that the resource is economic under some conservative assumptions as to base metal prices, mining costs, capital cost estimates and so on.

We have assumed cost of production at US\$20 per tonne of ore for digging and milling for a 2 Mtpa mill at a 5:1 strip ratio. This rate of production would give a mine life of 5 years, which is low, but we still anticipate that the resource tonnage will expand.

Recovery is assumed at 95% for all metals, based on the very preliminary work done by Mount Burgess to date. Please note however that further substantive metallurgical work is required. We have assumed 95% silver recovery due to the association with lead in the deposit.

Payability is high, at 90% due to expected low smelter charges, here assessed at US\$180 per tonne treated. Treatment of concentrates would likely occur at the Ongopolo smelter in Namibia, where sizeable available capacity exists, and where expertise in this type of ore has been developed. This derives a US\$ 41c per pound of Zn equivalent metal produced, cash cost.

Capital costs were reasonable for the plant, similar to other milling operations. We
STATE ONE STOCKBROKING LTD AFSL 247100

assumed US\$3,600/t Zn, \$6,500/t Cu and \$1,600/t Pb with a silver price of US\$12 per ounce. No vanadium credits were assessed.

Under these assumptions, the Kihabe operation could return an \$80M after tax profit, or 20c per share EPS, after an assumed dilution of the share registry by 150 million shares to raise \$22.5m, to 395 million, with 50 million issued at 10c to raise the \$5M necessary to complete a bankable feasibility study, 30m raised at 15c and a final 50m at 20c to raise equity to offset debt in mine construction.

Diamond Potential at Tsumkwe

Mount Burgess' diamond play near Tsumkwe, Namibia, is centred in the Proterozoic mobile belts. Unlike most other South African diamond explorers who have considered only the on-craton territories prospective, Mount Burgess has developed an alternative view point and has been proofing the concept. However, here we must point out that we agree with Mount Burgess' methodology and genetic models for one very good reason; the giant Argyle diamond pipe in the Pilbara of Western Australia is hosted within a Proterozoic mobile belt and is evidence that alternative models for diamonds cannot be overlooked. Similarly, diamonds in much younger rocks including in Nimbin, Australia, prove that you do not need to be in the Archaean craton to generate kimberlites or other diamondiferous rocks.

Mount Burgess has expended 55,000m of reverse circulation drilling to define a palaeotopography and palaeodrainage system, and sampled the basement contact for kimberlitic indicator minerals (tracers in drainages for nearby kimberlite pipes). Results to date have returned discrete anomalies of kimberlitic indicators including microdiamonds, fresh garnets and G10 garnets which are indicative of a local source within a fault-bounded graben (or rift valley) within the Proterozoic belt.

Exploration is now focused on testing discrete gravity and magnetic anomalies in proximity to the drainage anomaly and the faults which constrain the graben and up which the kimberlite pipes would most likely have erupted. This is, in our estimation, one of the most robust conceptual models for diamond exploration out at the moment and lacks only the funding and drill rig to bear fruit.

Conclusions

The rules in the zinc market have changed irrevocably, with Chinese and worldwide demand soaring. For these reasons, and using our own estimates of cost-of-production, we have generated a similar result to the scoping study which Mount Burgess commissioned.

Setting aside all predictions of \$1.39 of value due to the uncertainties ahead, the fundamental outlook of a strong and sustainable zinc, lead and copper price for the mid-term implies to us that in simplest terms, Kihabe represents a potentially economic deposit. We are unused to seeing mines in production on 2% Zn, because of a prolonged period of low base metal prices. One factor in Mount Burgess' favour in the short term is the potential to lock in a supply and off-take agreement with a Chinese customer at a favourable hedge price, which could sustain profitability over the capital recovery period. Once that is achieved, the underlying 41c per pound production cost, and the fact that the resource is not entirely leveraged to any one commodity price, will insulate the operation from the natural fluctuations of the market.

We are bullish on the likelihood of Mount Burgess finding additional significant mineralisation close to Kihabe, which could provide additional tonnage to support longer-term production, and could even be higher grade. Certainly, our field visit confirmed the compelling prospectivity of the Gossan Anomaly drilled by Billiton in 1983. We observed the gossanous material, and the mineralisation in what drill chips were left. With kilometres of potential mineralisation within the soil anomaly, it stands to reason to expect (at worst) some small tonnage oxide deposit to eventuate, and from what is known of the grade we can only hope that it is of such a tenor.

Then we get to the diamond prospectivity of the Proterozoic Damaran rocks, and here we must strongly recommend consideration of the past, present and future scientific work done by Mount Burgess. With clear kimberlitic indicators and even microdiamonds, it is only a matter of time before a gravity anomaly is drilled and a diamondiferous kimberlite is found, at least in our opinion. What this could mean for the fundamentals of the company is up to interpretation, but the known highly profitable mineralised kimberlite pipes of Botswana are on the wish-list here.

Valuation

We have assessed the valuation of Mount Burgess Mining NL in two ways; on a percentage of project NPV by comparison with its peers, and on a price-earning ratio on its projected earnings and a projected dilution of shares given the need for the company to raise working capital and equity to bring the Kihabe deposit into production.

PER Valuation

The PER valuation method is most sensitive to share registry changes, which may vary with the traction which Mount Burgess gains in the market. This also assumes the company enters production and pays off the mill, as dividends and earnings cannot be paid until debt is amortised. This is likely to be achieved in a couple of years – a typical scenario for most companies bringing mines into production during these high commodity prices. The price to earning ratio paid by the market for most mining companies is less than 10, and commonly 6 to 8 times earnings per share.

Using the potential earnings per share of 20c, at a zinc price of US\$3,600 per tonne under the assumptions above, and paying a reasonable PER 6x price-to-earnings ratio, Kihabe represents a potential \$1.20 per share valuation to MTB.

NPV Valuation

The NPV of the Kihabe deposit is most sensitive to metal price variations. We have investigated, using the assumptions outlined in the deposit production model, above, the effect of varying zinc price from US\$2,800 per tonne to US\$4,000 per tonne. This derives a range of net present values and hence earnings scenarios.

Kihabe Base Metals Project Project NPV vs Zinc Prices

Zinc Price	Annual Income	Project NPV
US\$2800/t	\$52M	\$70M
US\$3200/t	\$63M	\$108M
US\$3600/t	\$75M	\$147M
US\$4000/t	\$89M	\$190M

Annual Income	Earnings Per Share Diluted	PER 6x Target
\$48M	13c	\$0.80
\$63M	17c	\$1.01
\$75M	20c	\$1.21
\$89M	24c	\$1.42

On an NPV basis, discounted at 10% over the 3 years before production which we consider a reasonable lead time for Kihabe, all of our assumptions taken into consideration and on current reserves, the company has identified an A\$70 to A\$190 million dollar asset. This mostly depends on the zinc prices used, as shown at left. We believe the longer term zinc price is likely to stay in excess of US\$3,200 per tonne.

Mount Burgess is entering the pre-feasibility stage. Other companies with pre-feasibility stage zinc projects are trading at between 10% (TriOrigin) to 50% (Tennant Creek Gold) of the NPV of their projects. We can use this as a fair at-market valuation range for Mount Burgess Mining of a market capitalisation of \$14 to \$70m at the current time.

Once in production, the EPS for the operation at the various zinc prices we have investigated varies from 13c at US\$2800 per tonne of zinc, to 24c EPS at a zinc price of US\$4,000 per tonne. This, in turn, derives a price target at a 6 times earnings multiple of between 80 cents per share to \$1.42 per share, once diluted according to our capital raising estimates outlined earlier.

Given the likely profitability of Kihabe under reasonable assumptions and current zinc projections, this suggests a justifiable upside in the Mount Burgess price to as much as four to five times its current share price, on a basis of 50% of NPV market capitalisation, without taking into account the high prospectivity for diamonds and further base metals. Our 12 month target is therefore set at four times current prices, or 30c.

Therefore, all of the above taken into consideration, we maintain our speculative buy on Mount Burgess Mining.

The following pages contain Longitudinal Sections and a cross section of the Kihabe Deposit.

Roland Gotthard
BSc (Hons) Geoscience,

Resources Analyst
Phone: +61 8 9288 3302
rgotthard@stateone.com.au

Advisory Team

Sophia Bingard
Dealers Assistant
Phone: +61 8 9288 3341
sbingard@stateone.com.au

Ryan Davis
Equities & Derivatives
Advisor
Phone: +61 2 9024 9106
rdavis@stateone.com.au

Brendan Fogarty
Equities & Derivatives
Advisor
Phone: +61 8 9288 3304
bfogarty@stateone.com.au

Jason Fung
Equities Advisor
Phone: +61 8 9288 3328
jfung@stateone.com.au

Roland Gotthard
Resource Analyst
Phone: +61 8 9288 3302
rgotthard@stateone.com.au

Peter Wong
Equities Advisor
Phone: +61 8 9288 3330
pwong@stateone.com.au

Graeme Johnson
Equities Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Eugene Loy
Equities & Derivatives Advisor
Phone: +61 2 9024 9109
eloy@stateone.com.au

Tim Shrimptonne
Equities Advisor
Phone: +61 2 9024 9108
tshrimptonne@stateone.com.au

George de san Miguel
Equities Advisor
Phone: +61 8 9288 3334
gmiguel@stateone.com.au

Xuan Pham
Equities & Derivatives
Advisor
Phone: +61 2 9024 9110
xpham@stateone.com.au

Matthew Racovalis
Equities Advisor
Phone: +61 8 9288 3307
mracovalis@stateone.com.au

Charles Thomas
Equities Advisor
Phone: +61 8 9288 3308
cthomas@stateone.com.au

Kenny Siew
Executive Director
Phone: +61 8 9288 3318
ksiew@stateone.com.au

Paulina Slivkoff
Dealers Assistant
Phone: +61 8 9288 3313
pslivkoff@stateone.com.au

Francis Tan
Senior Equities Analyst
Phone: + 2 9024 9112
ftan@stateone.com.au

Brett Walker
Equities Advisor
Phone: +61 8 9288 3337
bwalker@stateone.com.au

Cronje Wolvaardt
Investment Analyst
Phone: +61 8 9288 3340
cronje@stateone.com.au

Alan Hill
Managing Director
Phone: +61 8 9288 3388
ahill@stateone.com.au

General Advice Warning

The contents of this document have been prepared without taking account of your objectives, financial situation or needs. You should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

Whilst State One Stockbroking Ltd believes information contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One Stockbroking Ltd or any officer, agent or employee of State One Stockbroking Ltd.

If applicable, you should obtain the Product Disclosure Statement relating to the relevant financial product mentioned in this document (which contains full details of the terms and conditions of the financial product) and consider it before making any decision about whether to acquire the financial product.

Disclosure

The directors and associated persons of State One Stockbroking Ltd. may have an interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products.