

MOUNT BURGESS MINING N.L.

ACN: 009 067 476

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2009

KIHABE ZINC/LEAD/SILVER PROJECT, WESTERN NGAMILAND, BOTSWANA

The Company currently has potential open cut resources at both the Kihabe and Nxuu deposits, situated seven kilometers apart, in north western Botswana, totaling 29.9 million tonnes @ 2.62 % zinc equivalent grade applying a 0.5% external cut. (Refer to detailed resource statement below)

NXUU RESOURCE UPGRADE

RC drilling conducted during the quarter on the Nxuu deposit has increased the resource base from 5.4 million tonnes @ 2.81% Zn/Pb (applying a 0.5% low grade cut), **to 7.9 million tonnes @ 3.8% Zn/Pb (applying a 0.3% low grade cut) or 10.9 million tonnes @ 3.2% Zn/Pb (applying a 0.3% low grade cut).**

SIGNIFICANT IMPROVEMENT IN KIHABE RESOURCE METAL RECOVERIES*

Metallurgical and mineralogical test work conducted by ProMet Engineers during the quarter on the Kihabe deposit has yielded significant positive progress. **Zinc and Lead recoveries, greater than 90% have been achieved**, compared to the 64% and 67% respectively, used in the Scoping Study of May 2009.

Acid leach process steps have been identified to enable the production of metal cathode by electro-winning from the oxidised portion of the deposit which will eliminate fees paid to external smelters and boost project margins.

This process will require a modification to the process flow sheet outlined in the May 2009 Scoping Study.

The modified flow sheet will produce the following products:

- Zinc sulphide concentrate
- Zinc metal from electro-winning
- Lead sulphide concentrate
- Lead compound (form to be assessed)

Further confirmatory test work will be conducted to ensure, on a full scale production basis, the sustainability of metal recoveries achieved in the recent test work. Metallurgical test work has still to be conducted on the Nxuu deposit, though the mineralogy of this deposit indicates that it will be amenable to treatment with the modified Kihabe deposit flow sheet.

IMPROVEMENT IN METAL PRICES*

Zinc and Lead prices have now more than doubled over those used in the May 2009 Scoping Study, which will have a major positive impact on the project revenue and returns.

PROJECT'S FUTURE*

As a consequence of the issues as outlined above, ProMet Engineers conclude that it is now clear that under current conditions it is likely that the project will be economically attractive.

SCOPING STUDY*

The Scoping Study will be required to be revised and updated to incorporate the above issues.

*These sections of the above report have been approved for release by ProMet Engineers.

COMBINED RESOURCES FOR THE KIHABE AND NXUU DEPOSITS

The combined resources at both the Kihabe and the Nxuu deposits applying a 0.5% external cut now stand at 29.9 million tonnes @ 2.62% Zn equivalent grade, as follows:

Resource Category	Total Tonnes	Kihabe Resource	Nxuu Resource
Indicated	16.4 million	16.4 million	
Inferred	13.5 million	5.6 million	7.9 million
	-----	-----	-----
	29.9 million	22.0 million	7.9 million
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COMBINATION OF VARYING EXTERNAL % CUT OFFS

Based on the premise of a revised Scoping Study covering a proposed 10 year mine life at a potential mining rate of 2.5 million tonnes p.a., a selection of external % cuts can be used for both the Kihabe and Nxuu resources to best suit such a regime. For example:

Resource	Cut off External %	Tonnes (Million)	Grade Zn/Pb %	Contained metal (Tonnes)
Kihabe	1.4%	14.185	2.77	392,624
Nxuu	0.3%	10.900	3.20	348,800
Total		25.085	2.98	741,424

Other variations can be applied depending on the prevailing zinc and lead prices as the project progresses.

Notes:

The resource relevant to Kihabe, in the above resource statement, was calculated by Ravensgate Pty Ltd, geological consultants on the 17th July 2008, on which date zinc and lead were trading at US\$ 1810/t and US\$1,955, respectively.

The resource relevant to Nxuu was calculated on 16th January 2010, by Mr Ben Mosigi, on the basis that both zinc and lead were trading at par value.

REGIONAL EXPLORATION

Zinc/Lead/Silver mineralisation in both the Kihabe and Nxuu deposits is hosted within a quartz wacke at the contact with the regional dolomite. **Recently drilled holes have discovered two new quartz wackes.** Geochemical sampling is currently being conducted over an identified fold closure, 3 km to the south of the Nxuu deposit. The fold closure is believed to be the contact between this quartz wacke and the regional dolomite and is being sampled in order to determine if this is a potential host for further mineralisation.

The information in the above section of this report that relates to Exploration Results, Mineral Resources or Ore Reserve is based on information compiled by Mr Ben Mosigi, M. Sc (Leicester University – UK), B.Sc (University of New Brunswick – Canada), Diploma Mining Tech (Haileybury School of Mines – Canada), a member of the Geological Society of South Africa, a Recognised Overseas Professional Organisation ('ROPO') included in a list promulgated by the ASX from time to time.

Mr Mosigi is a Technical Director of the Company and has sufficient experience relevant to the style of mineralisation under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code of Reporting of Mineral Resources and Ore Reserves". Mr Mosigi consents to the inclusion in the report and attachments of the matters based on this information in the form and context in which it appears.

WESTERN NGAMILAND DIAMOND PROJECT, BOTSWANA

During the quarter the Company drill tested five magnetic anomalies, chosen as potential kimberlite targets for 507m.

One of these targets was previously drilled with an open-hole percussion drill. That drill hole had to be abandoned right on the basement contact beneath the Kalahari sand cover. Microscopic observation of the basement sample from this hole produced one very fresh G9 pyrope (kimberlite) garnet, previously announced to the market.

A further diamond core hole was drilled into this target during the quarter. Petrographic analysis of this drill core has confirmed that an ultramafic intrusive was intersected in this drill hole. Geochemical analysis of the drill core demonstrates a similarity in its geochemical signature to that of kimberlite in respect of Ba, Ca, Mg, Ni and Sr. However microscopic observation of crushed core from this drill hole has so far failed to produce further kimberlitic indicator minerals.

TSUMKWE DIAMOND PROJECT, NAMIBIA

During the quarter the Company drilled 40 open hole percussion drill holes, totalling 1,243 m into targets highlighted as magnetic anomalies. None of these targets proved to be kimberlites.

The information contained in this report relative to the West Ngamiland and Tsumkwe diamond projects is based on information approved for release by Mr Manfred Marx of Manfred Marx and Associates Pty Ltd, Bsc., Dip Env. Sc., Aus.I.M M., GSSA. Mr Manfred Marx is a consulting geologist to the Company. He has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2004 edition of the Australasian Code for Reporting of exploration results, mineral resources and ore reserves. Mr Marx consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

TO CONTACT US:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MOUNT BURGESS MINING N.L.

ABN

31009067476

Quarter ended ("current quarter")

31 December 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(469)	(804)
(b) development	-	-
(c) production	-	-
(d) administration	(211)	(401)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	15
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(675)	(1,191)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(1)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(1)	(1)
1.13 Total operating and investing cash flows (carried forward)	(676)	(1,192)

1.13	Total operating and investing cash flows (brought forward)	(676)	(1,192)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Placement fees	-	-
	Other – Lease liability repayments	(1)	(1)
	Net financing cash flows	(1)	(1)
	Net increase (decrease) in cash held	(677)	(1,193)
1.20	Cash at beginning of quarter/year to date	900	1,416
1.21	Exchange rate adjustments to item 1.20	(1)	(1)
1.22	Cash at end of quarter	222	222

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	53
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

The Company maintains a seasonal overdraft facility of \$350,000.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	415	3

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
Total	50

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	192	188
5.2 Deposits at call	30	712
5.3 Bank overdraft	-	-
5.4 Other (prove details)	-	-
Total: cash at end of quarter (item 1.22)	222	900

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (cents) (see note 3)	Amount paid up per security (cents) (see note 3)
7.1 + Preference Securities	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 + Ordinary Securities	320,257,000	320,257,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	N/A N/A	N/A N/A		
7.5 + Convertible Debt Securities	N/A	N/A		
7.6 Changes during quarter (a) Increases through issues				
7.7 Options				
Employee Share Plans	2,500,000	NIL	25 cents	31/12/10
	2,050,000	NIL	25 cents	31/12/11
	800,000	NIL	25 cents	31/12/12
	250,000	NIL	25 cents	31/12/13
	2,200,000	NIL	10 cents	31/12/14
7.8 Issued during quarter	2,200,000	NIL	10 cents	31/12/14
7.9 Exercised during quarter	NIL			
7.10 Cancelled / Lapsed during quarter	950,000	NIL	25 cents	31/12/09
7.11 Debentures (totals only)	N/A			
7.12 Unsecured notes (totals only)	N/A			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: *Serene Chau*
(Company Secretary)

Date: 28 Jan 2010

Print name: SERENE CHAU

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities**
The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards**
ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.