



REPORT FOR THE QUARTER TO 30 SEPTEMBER 2013

LEGAL PROCEEDINGS IN RESPECT OF PL69/2003 THE KIHABE – NXUU Zn/Pb/Ag PROJECT, BOTSWANA

During the quarter, the Company continued with legal proceedings in respect of the non renewal of PL69/2003, in Western Ngamiland, Botswana, as follows:

A Notice of Motion and Founding Affidavit in respect of the non-renewal of PL69/2003 was lodged by Attorneys for the Company's wholly owned subsidiary Mount Burgess (Botswana) (Proprietary) Limited (The Applicant) in the High Court of Botswana on 27 September 2013.

Following registration of these documents in the High Court of Botswana on 8 October they were then served on the office of the Attorney General, Botswana (The Respondent) on 11 October 2013.

The Company was informed by its Attorneys on 21 October 2013 that they had received from the Respondent a Notice of Intention to Oppose the Notice of Motion served on behalf of the Applicant. The Company is awaiting the lodgement by the Respondent of an answering affidavit to determine upon what grounds the Respondent proposes to oppose the Applicant's Notice of Motion. This should be lodged by 31 October 2013.

The Notice of Motion lodged by the Applicant outlines an application to the High Court for an order in the following terms:

- a) The Respondent's decision to reject the application for renewal of Prospecting Licence PL69/2003 be and is hereby set aside
- b) The Respondent is ordered to grant such application forthwith
- c) In the event of the Respondent opposing this application it pay the costs thereof.

In support of the Notice of Motion an affidavit was filed by Nigel Raymond Forrester, Chairman of the Applicant, outlining the following:

1. The impossibility of the Applicant to comply with "*the approved prospecting programme*" compiled by the Respondent in August 2010 for the two years to 30 June 2012. At that time the Applicant was not advised by the Respondent of "*the approved prospecting programme.*" The Applicant only had first knowledge of such a programme when provided with a copy from the Respondent on 17 April 2013. *This is in response to the rejection by the Minister of Minerals, Energy and Water Resources (MMEWR) on 13 May 2013, to the renewal of PL 69/2003. The Minister stated:*

"In accordance with Section 17 (4) of the Mines and Minerals act, I reject the application for renewal of prospecting licence PL69/2003 of Mount Burgess (Botswana) Pty Ltd because Mount Burgess (Botswana) Pty Ltd failed to carry out the approved prospecting programmes and failed to demonstrate that proper effort had been made to complete the evaluation work for the application to be considered Section 17(6) of Mines and Minerals Act".

2. Because of the lack of a commercial power supply the ultimate impossibility of the Applicant to produce a feasibility study, in compliance with:
 - (a) the internationally accepted JORC Code and
 - (b) the Respondent's Checklist for Appropriate Company Programme of Prospecting required to be completed when applying for an extension of a prospecting

licence. As outlined in the Applicant's application for extension of PL69/2003 for the two years to 30 June 2012, Sections D (Pre-feasibility) and E (Mining Feasibility Study) of the Respondent's Checklist required compliance with "*one of the international codes*".

Without the provision of a commercial grid power supply to the project area, as previously assured would be available, the Applicant could not upgrade its resources to Ore reserve status as required by the JORC Code in order to proceed with a feasibility study. *This is in response to the statement by the Minister MMEWR in his letter of 13 May 2013, which stated:*

"I note that you highlight one of the reasons for not meeting the approved programme of prospecting is that you varied the programme since you knew 40 MW of power supply would not be available for your project in the foreseeable future. I have considered your representation and find it to be unsatisfactory".

On 10 July 2013, when rejecting the Applicant's appeal to the Vice President, the Minister MMEWR further stated:

"The issue of unavailability of grid power was raised as the main reason why you did not proceed with the feasibility study as it is a requirement under the Australian JORC Code for a competent person to sign off the feasibility."

"In addition any holder of a Mineral Concession issued under the Mines and Minerals Act of the Republic of Botswana is required to comply with the relevant sections of MMA irrespective of the company's international reporting requirement. JORC code or any other international requirements and standards does not substitute one's obligations under MMA".

3. The acceptance by the Respondent of the Applicant's proposed amendments to the prospecting programme of PL69/2003 for the two years to 30 June 2012. The Applicant advised the Respondent on 23 March 2012 of proposed amendments to the prospecting programme, as a result of the forecast lack of a commercial grid power supply to the project area. As the Respondent did not reject the Applicant's proposed amendments within two months, as required by section 22(1) of the Act, such amendments took effect after that period. *(This is in response to the statement by the Minister MMEWR on 13 May 2013 in which he stated:*

"I further draw your attention to Section 22 of Mines and Minerals Act which requires that any amendments to prospecting programmes should be done only after approval of the Minister and Mount Burgess did not apply to amend the prospecting programme".

On 10 July 2013 when rejecting the Applicant's appeal, the Minister MMEWR, further stated:

"As indicated in my letter of 13th May 2013, Ref GSC 6/43/7 III (12), Mount Burgess cannot unilaterally amend the approved prospecting programme without the Minister's approval, this is as per Section 22 of MMA".

4. The Applicant's reliance on a further renewal of PL69/2003 to 30 June 2014, as it was not queried, nor did it receive a rejection from the Respondent within the required three months of lodging its application for extension on 29 March 2012.
5. The **unreasonable** 14 month delay in receiving a decision from the Respondent on 13 May 2013, rejecting the Applicant's application for extension of PL69/2003, lodged with the Respondent on 29 March 2012. During the 14 month time frame the Applicant continued in good faith with resource and development operations on PL69/2003, incurring expenditure amounting to \$1.2 million.

Further updates will be made accordingly.

TSUMKWE DIAMOND PROJECT, NAMIBIA

During the quarter the Company reviewed further funding in respect of the Tsumkwe diamond project in Namibia. Because of cash constraints and the difficulty of raising funds under current market conditions it was resolved not to apply for the renewal of the Tsumkwe diamond licences that expired during the quarter. The Company still maintains one prospecting licence in the project area which it believes requires further investigation for the potential to host kimberlite.

Since first being involved in the project in late 1999, the Company has discovered three kimberlites in the Tsumkwe Project, none of which were diamond bearing.

UNEXPECTED DEATH OF A BOARD MEMBER

With deep sadness the Company announced on 2 September that Mr Ronald William O'Regan, a non executive Director of the Company unexpectedly passed away in London that morning.

The Board of Directors and employees of the Company would like to extend their condolences to Ron's family and express how grateful they have been for the support and advice he has so willingly given to the Company, its Board Members and Employees during his thirteen year term as a Director.

Ron's presence will be sorely missed.

FUNDING

During the quarter the Company raised \$19,000 through the placement of 23,700,000 shares. A further \$85,000 was received by way of loan funding from Directors.

As at 30 September 2013 the Company had available \$24,000 in loan facilities and credit standby arrangements.

Since 30 September 2013 the Company has raised a further \$43,000. \$26,600 was by way of share placements for the issue of 33,250,000 shares and \$16,400 by way of further loan funds from a Director.

Outstanding receipts from asset sales amount to around \$10,000 (subject to rates of exchange) and the Company is currently processing an R & D claim in the region of \$100,000.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

MOUNT BURGESS MINING N.L.

ABN

31009067476

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(24)	(24)
(b) development	-	-
(c) production	-	-
(d) administration	(92)	(92)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(17)	(17)
1.6 Income taxes refund	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(133)	(133)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	7	7
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	7	7
1.13 Total operating and investing cash flows (carried forward)	(126)	(126)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(126)	(126)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	19	19
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	85	85
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Lease liability repayments	(1)	(1)
	Other – Placement fees	-	-
	Net financing cash flows	103	103
	Net increase / decrease in cash held	(23)	(23)
1.20	Cash at beginning of quarter/year to date	(372)	(372)
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	(395)	(395)

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	14
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

+ See chapter 19 for defined terms.

Financing facilities available

** The Company currently has an overdraft facility of \$405,000.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,116	1,107
3.2 Credit standby arrangements	415	400

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	85
Total	85

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	5	15
5.2 Deposits at call	-	-
5.3 Bank overdraft	(400)	(387)
5.4 Other (provide details)		-
Total: cash at end of quarter (item 1.22)	(395)	(372)

Changes in interest 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	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted share securities at the end of current quarter

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	886,588,602	886,588,602		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	23,750,000 N/A	23,750,000 N/A		
7.5 *Convertible debt securities <i>(description)</i>	N/A	N/A		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>Employee Share Plans</i>	13,350,000 500,000	NIL NIL	5 cents 5 cents	31/12/15 31/12/16
7.8 Issued during quarter	NIL			
7.9 Exercised during quarter	NIL			
7.10 Expired / Cancelled	NIL			
7.11 Debentures <i>(totals only)</i>	NIL			
7.12 Unsecured notes <i>(totals only)</i>	NIL			

+ See chapter 19 for defined terms.

