



21 August 2013

Ms Elizabeth Harris
Principal Adviser – Listing Compliance (Perth)
ASX Compliance Pty Ltd
Level 8 Exchange Plaza
PERTH WA 6000

Dear Elizabeth,

In regard to your letter of 20 August 2013, we respond as follows:

ASX notes that the Company has reported the following:

1. Receipts from product sales NIL.

As the Company is still at the stage of exploration and resource development, it does not have any product sales.

2. Net negative operating cash flows for the quarter of \$176,000.

The negative operating cash flows relate to exploration and administrative funding applied to the Kihabe - Nxuu Zn/Pb/Ag project in Botswana. On 9 July 2013, the Company was informed that its appeal against the rejection of its Application for Extension of PL 69/2003 (the Kihabe – Nxuu project) had been rejected. As a consequence the Company has had to terminate five permanent employees in Botswana and two permanent employees in Australia. The Company will not be conducting any further exploration activities on the project whilst the matter of the rejection of its application for extension of PL69/2003 is subject to litigation. Quarterly negative cash flows will therefore be substantially reduced below \$176,000.

3. Cash at the end of the quarter negative \$372,000.

This represents that portion drawn down of the Company's agreed overdraft facility of \$405,000.

4. Undrawn loan facilities of \$9,000 and unused credit standby arrangements of \$28,000.

The undrawn loan facility of \$9,000 represents the undrawn portion of an agreed director's loan still available as at 30 June 2013. The credit standby arrangement of \$28,000 represents funds available on the unused portion of the Company's overdraft and credit card facilities.

Since 30 June 2013 the Company has received a further \$80,000 Director's loan funding. \$60,000 of this was noted in the quarterly report, under the funding note. In addition the Company has negotiated asset sales amounting to \$30,000.

In regard to your Question 1. "It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case or are there other factors that should be taken into account in assessing the Company's position?" – the Company responds as follows:

As outlined in 2. above, the Company has significantly reduced its staff members and is no longer applying expenditure to its Kihabe – Nxuu project on PL 69/2003, previously its main destination of expenditure, so it won't be expending cash at the rate for the quarter indicated. Regarding the Company having sufficient cash to fund its activities, the Company has the availability to raise funds through the issue of shares and the sale of assets, such as vehicles and equipment. Any costs relative to litigation in respect of PL69/2003 have been agreed to be funded by Mr Alfred Stirling a Director of the Company.

In regard to your Question 2. "Does the Company expect that in the future it will have negative operating cash flows similar to that reported in Appendix 5B for the quarter and if so what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate" – the Company responds as follows:

Whilst an exploration and resource development Company, Mount Burgess will always have negative operating cash flows. However, as explained in answer to your Question 1. above, the rate of expenditure as reported for the quarter to 30 June 2013, will be significantly reduced now that the Company is not applying expenditure to PL69/2003. For the purpose of ensuring that it has sufficient funds in order to continue its operations, the Company has available the potential to raise funds through the issue of shares, the sale of assets currently subject to negotiation and Directors' loan funding.

The Company has also been advised by Senior Counsel that because its Application for Extension of PL69/2003 in Botswana has been rejected and the rejection decision took fourteen months to be handed down whilst the Company continued to incur expenditure, it has a strong case for the recoument of expenditure invested in its Kihabe – Nxuu project.

In regard to your Question 3. "What steps has the Company taken or what steps does it propose to take to enable it to continue to meet its business objectives?" – please refer to answers given in response to your Questions 1 and 2 above.

In regard to your Question 4. "Can the Company confirm that it is in compliance with the listing rules and in particular listing rule 3.1?" – the Company responds as follows:

As far as the Company is aware, it is under the circumstances in compliance with the listing rules and in particular listing rule 3.1. The Company is currently not withholding any information that should have been announced to the market in respect of any current conclusive issues.

In regard to your Question 5. "Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule" – the Company responds as follows:

Again, as with Q4, the Company believes that it is in compliance with Listing Rule 12.2 as best as it possibly can be under the circumstances. Any situations relative to the Company's exploration or resource development programmes, particularly in regard to PL 69/2003 in Botswana that have arisen changing the situation from what was advised in the previous quarterly have been announced to the market.

As an Exploration Company Mount Burgess has available for future funding requirements the options as outlined in its response to ASX Query 1 and 2 above. These options are subject to prevailing market conditions and the impact relative to the following announcements:

1. The rejection of the Company's application for the extension of PL69/2003 announced to the market on 15 May 2013
2. The rejection of its appeal announced to the market on 11 July 2013
3. Legal opinion re PL69/2003 announced to the market on 23 July 2013
4. Update on the rejection of the Company's Appeal re rejection of Company's Application for the extension of PL69/2003 announced to the market on 26 July 2013 and
5. The commencement of Legal Proceedings in respect of 1 & 2, announced to the market on 13 August 2013.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Nigel Forrester', written over a circular scribble.

Nigel Forrester
CEO
Mount Burgess Mining NL