



REPORT FOR THE QUARTER TO 30 SEPTEMBER 2014

LEGAL PROCEEDINGS IN RESPECT OF PROSPECTING LICENCE PL69/2003, THE KIHABE ZN/PB/AG PROJECT, BOTSWANA

The Company's wholly owned subsidiary Mount Burgess (Botswana) (Proprietary) Ltd (MBB) has appealed against the decision handed down on 28 April 2014 by the High Court of Botswana, to strike out with costs MBB's application for the renewal of PL69/2003. Case files have now been transferred to the Appeal Court of Botswana and MBB's Legal Counsel has advised that the case will be heard and a decision relative thereto handed down in January 2015.

On 14 May 2013, Hon Kitso Mokaila the Minister, Ministry for Minerals Energy and Water Resources (MMEWR) Botswana, rejected MBB's Application for Extension (AE) of PL69/2003, submitted some fourteen months earlier on 29 March 2012, when Hon Dr Ponatshego Kedikilwe was Minister MMEWR. On 6 June 2013, MBB appealed to Dr Ponatshego Kedikilwe, now Vice President of Botswana. On 11 July 2013 Minister Mokaila MMEWR rejected this appeal to the Vice President. The Minister rejected the AE stating MBB had failed to complete a feasibility study during the two years to 30 June 2012. MBB had proposed to conduct a feasibility study based on assurances that grid power would be available in the project area by the end of 2012. The provision of such power did not eventuate with the result that in compliance with the JORC code, MBB could not complete and get a competent person to sign off on a feasibility study.

For a more detailed explanation of this issue please refer to the Section headed: **THE ISSUE OF GRID POWER RELIED UPON IN PLANNING A FEASIBILITY STUDY TO PRODUCE ZINC METAL ON SITE FROM THE PROPOSED DEVELOPMENT OF THE KIHABE PROJECT, PL69/2003, BOTSWANA**

CORPORATE

FUNDING

During the quarter to 30 September 2014, Jan and Nigel Forrester provided further loan funding to the Company amounting to \$53,000. Since 30 September 2014, Jan and Nigel Forrester have provided a further \$2,000 by way of loan funding. The Company has also raised \$12,000 by way of share placements, \$3,000 of which was received on 30 September 2014 and \$9,000 was received in October 2014.

BOARD APPOINTMENT AND RESIGNATION

On 15 September 2014, the Company announced the appointment of Mr Chris Campbell-Hicks, metallurgist, BSc (Mineral Processing), F Aus IMM, CP Met, MMICA, as a Non Executive Director to the Board of the Company.

Chris has significant experience in developing gold and base metals projects in Australia, progressing them from greenfield operations through to successful production. He also has significant experience in working in more than twelve overseas countries, including Ghana, RSA, PNG, Chile, Guinea, Fiji, Indonesia, Turkey and Kazakhstan. This included five years with Barrick Gold as Manager Metallurgy, based in Moscow, Siberia and Canada. In 2005, Chris spent some six months in Botswana, overseeing the construction, commissioning and training for the operation of the Tati nickel, copper, cobalt plant.

Chris was founding Director of Mineral Process Control which successfully developed and commercialised the original cyanide leach accelerator LeachWELL. As senior design engineer with Western Minerals Technology he was a key member of the team that successfully designed and constructed the copper, nickel, cobalt low temperature Activox acid leach SX-EW demonstration plant that won the Australian national award for engineering excellence in 2004.

On 23 September 2014 the Company announced the resignation of Mr Ben Mosigi, geologist, BSc, MSc. The Company would like to thank Ben for the significant contribution that he has made to the Company as a Director over the past five years and previously as the senior project geologist resident in Botswana. The Company would like to wish Ben all the best in pursuing his future ventures.

“THE ISSUE OF GRID POWER RELIED UPON IN PLANNING A FEASIBILITY STUDY TO PRODUCE ZINC METAL ON SITE FROM THE PROPOSED DEVELOPMENT OF THE KIHABE PROJECT, PL69/2003, BOTSWANA”

9 September 2006 - Whilst attending the Africa Downunder conference in Perth, the Minister MMEWR, Botswana, the Hon Charles Tibone, attended a supper hosted by Mount Burgess Mining (MTB). At this supper the future provision of grid power to the Kihabe project area was discussed. Minister Tibone advised MTB that through the proposed upgrade of Botswana's power supply, sufficient grid power would be available in the Kihabe project area in five years' time (2011).

24 July 2008 - Mr Rugoyi, Director of the Botswana Power Corporation (BPC) presented to the Botswana Resources Conference the plan for supply of grid power in Botswana, up to the end of 2011. The presentation included a map showing the proposed upgrade of grid power to Maun and the availability of grid power for Discovery Metals' copper project SW of Maun, some 200km SE of the Kihabe project. After the presentation MBB asked Mr Rugoyi at what stage it could expect power to be available in the Kihabe project area if Discovery Metals was going to have power by 2011. Mr Rugoyi advised that it would take around another twelve months to get power to the Kihabe project area, so MBB should rely on power being available by the end of 2012.

11 June 2009 - At the Botswana Resources Conference, three representatives from the BPC visited MBB's booth and advised that MBB could rely on grid power being available for the Kihabe project.

25/26 January 2010 - The Hon Minister Dr Ponatshego Kedikilwe MMEWR, visited the Kihabe project site. MBB gave a presentation to the Minister outlining issues necessary for the project to progress to a bankable feasibility study. Major issues included the provision of power to site and the upgrade of site access. The Minister requested MBB make a formal submission outlining what the project would require regarding infrastructure for production purposes, (refer to MTB's ASX release dated 8 February 2010, posted on the Company's website).

5 March 2010 - MBB advised Minister Kedikilwe that the Kihabe project would require in the region of 40 to 45MW of power in order to produce zinc metal on site through solvent extraction and electro-winning (SX/EW). Extraction of zinc metal on site from oxide ores through SX/EW would maximise project beneficiation within Botswana. MBB also requested if it could be advised of:

1. The expected time frame for the increased power supply to Maun
2. The line cost per km to introduce power to the Kihabe site and
3. The cost of power supply per kw/hr

MBB further advised that it looked forward to discussing these issues with the Hon Minister and the appropriate departments concerned.

8 March 2010 - MMEWR responded to MBB's letter of 5 March 2010, stating ***"This is certainly useful to enable us to engage with other stakeholders"***.

18 March 2010 - MBB submitted its AE of PL69/2003, for a further two years to 30 June 2012. Based upon previous assurances regarding the provision of power to the Kihabe project area, the AE provided for a project feasibility study. Accordingly, MBB completed the **Checklist for Appropriate Company Programme of Prospecting Operations (Checklist)**, issued under the Mines and Minerals Act of Botswana (MMA). Section D (Pre-feasibility Study) and Section E (Mine Feasibility Study) of the **Checklist** specifically state that when dealing with feasibility studies ***"Delineated reserves"*** must be ***"compliant to one of the international codes for estimating reserves"***. The Australian JORC Code with which MBB must comply, being a wholly owned subsidiary of MTB, listed on the Australian Securities Exchange, is an internationally accepted code. It was the one code selected in 1999 by the Combined Reserves International Reporting Standards Committee upon which all other international codes (such as South Africa, USA, Canada UK/Ireland/W Europe, Chile and Peru) were modelled relative to resources, reserves and feasibility studies.

18 August 2010 - MBB received advice from MMEWR that its AE of PL69/2003 to 30 June 2012 had been granted.

2011/2012 - Through significant indeterminable delays, beyond the control of the BPC, in the completion and commissioning of Botswana's Morupule B power project, it became apparent that the provision of grid power, previously advised would be available for the Kihabe project area by the end of 2012, would not be met. Consequently, in compliance with Sections D and E of the MMA **Checklist** and the internationally accepted JORC code, MBB was not able to delineate its RESOURCES as PROVEN OR PROBABLE ORE RESERVES, as required for the completion and sign off

by a competent person, of a feasibility study. **Accordingly, MBB was legally prohibited from producing a feasibility study.**

23 March 2012 - In accordance with Section 22(1) MMA, MBB gave a Power Point presentation to Minister Kedikilwe outlining proposed amendments to its prospecting programme because of the foreseeable unavailability of grid power to the Kihabe project area. Page 7 of the presentation headed "**Power Consumption**" specifically highlighted the power problem under "Grinding and SX/EW for oxide zinc ore will require around 40MW power". In order to keep the feasibility on track it outlined alternative metallurgical processes to be trialled under "**Testwork required to reduce power consumption**". It further outlined "Other Helpful Solutions" which included "Explore process for recovering silver", "Explore potential for recovery of credits, Vanadium, Copper, Gallium and Germanium" and "Increase the resource base". At the conclusion of the presentation Minister Kedikilwe suggested that MBB should join the power forum, such that it could be kept abreast of the power situation as well as advise on the Kihabe project's future power requirements.

29 March 2012 - In accordance with Section 17(2) MMA, MBB submitted its AE of PL69/2003 for a further two years to 30 June 2014.

23 May 2012 - In accordance with Section 22(1) MMA, within the two months to 23 May 2012, Minister Kedikilwe did not reject the proposed amendments to the Kihabe project's prospecting programme, as advised to him on 23 March 2012. Accordingly the amendments became effective after such period. Section 22(1) MMA states "*The holder of a prospecting licence may, from time to time, notify the Minister of amendments he wishes to make to his programme of prospecting operations and such amendments shall, unless the Minister rejects the same within two months after being notified, have effect after such period*".

30 June 2012 - Within the three month period from 29 March 2012, Minister Kedikilwe did not reject the AE of PL69/2003 for a further two years to 30 June 2014. Section 17 (2) MMA requires that any renewal of a prospecting licence must be applied for no later than three months before the expiry of the licence. As standard procedure applied by MMEWR, this three month period allows the Minister, through reviewing work done and work proposed to be done on the prospecting licence, to determine whether an application for renewal should be rejected and advised to the applicant prior to the expiry of the current term of the licence. As MBB did not receive any such rejection or any queries whatsoever in the three month period to 30 June 2012, it continued in good faith, working on and incurring expenditure on the project on a daily basis.

1 August 2012 – Whilst still acting as Minister MMEWR Dr Ponatshego Kedikilwe was appointed Vice President of Botswana.

1 October 2012 - Onkokame Kitso Mokaila was appointed Minister MMEWR.

From August 2012 onward MBB made **ten** enquiries with MMEWR as to the progress of its AE of PL69/2003.

15 February 2013 - In outlining its concerns and in an effort to determine the state of its AE of PL69/2003, MBB wrote to Vice President Kedikilwe, who was Minister MMEWR at the time MBB submitted its AE on 29 March 2012.

15 March 2013 - Vice President Kedikilwe phoned MBB advising that he would commence an enquiry as to the reason why the AE of PL69/2003 was still in abeyance some twelve months on and why it had not been resolved in a more timely manner. During the fourteen month period from lodging its AE to the time its AE was rejected, MTB and MBB had spent \$1.2 million on the project. At all times during this fourteen month period MMEWR was well aware of work being conducted on the project by MBB, through the filing by MTB and MBB in the MMEWR of quarterly reports and ASX announcements.

19 March 2013 - MBB received a letter from the Vice President's office advising *"His Honour the Vice President takes your concern seriously and as a result has referred the matter to the Minister responsible for Minerals Energy and Water Resources, Honourable Kitso Mokaila"*.

13 May 2013 - Some fourteen months after lodging its AE of PL69/2003 for a further two years to 30 June 2014, Minister Mokaila MMEWR rejected MBB'S AE. Minister Mokaila 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 40MW 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"*. He further 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 the approval of the Minister and Mount Burgess did not apply to amend the prospecting programme"*, (refer to ASX announcement 13 May 2013, posted to MTB website).

Reference to **23 March 2012** above clarifies that MBB advised the previous Minister Kedikilwe MMEWR of its proposed amendments to its prospecting programme because of the unavailability of grid power, previously assured would be available. In accordance with section 22(1) MMA, because Minister Kedikilwe did not reject those amendments within two months after being so notified, they had effect after such period.

6 June 2013 - In accordance with its right under Botswana law, MBB appealed to Hon Dr Ponatshego Kedikilwe, Vice President of Botswana, for a reversal of the decision handed down by Minister Mokaila MMEWR rejecting MBB's AE of PL69/2003, submitted on 29 March 2012 when Dr Ponatshego Kedikilwe was Minister MMEWR, (refer to ASX announcement 7 June 2013, posted to MTB website).

13 June 2013 - MTB further emailed Vice President Kedikilwe, advising him of the requirement of MBB to comply with the JORC Code and stated that *"Without a foreseeable commercial power supply, necessary for mining, treatment and beneficiation, resources are not able to be elevated to the category of Proven and Probable Ore Reserves. Under such circumstances a feasibility study cannot be compiled and signed off by a competent person"*. *"In this situation we call for respect of International Law and Mining Codes, which as a public listed Company we have to abide by and in accordance with Botswana law ask for reliance on*

Impossibilium nulla obligatio est". Botswana's Common Law, which overrides its statute law, is based on Roman Dutch Law, one of the maxims of which is "***Impossibilium nulla obligatio est***", which effectively means that "***there is no obligation to perform the impossible***" or "***one cannot be penalised for not achieving something that becomes impossible to achieve***".

11 July 2013 - MBB received a letter from Minister Mokaila in which he stated that as Minister MMEWR he had the right to respond to MBB's appeal to Vice President Kedikilwe and in exercising such right he rejected MBB's appeal to the Vice President. Minister Mokaila again stated "*The issue of unavailability of grid power was raised as the main reason why you did not proceed with a feasibility study as it is a requirement under the Australian JORC Code for a competent person to sign off the feasibility. As indicated in my letter of 13 May 2013, Mount Burgess cannot unilaterally amend the approved prospecting programme without approval, this is as per section 22 MMA*". (Refer to **23 May 2012**, above for actual requirements relative to section 22 (1) MMA).

Minister Mokaila also stated "*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 ones obligation under MMA*".

Whilst MBB did, as required, comply with the internationally accepted JORC Code, such compliance was no substitute to its obligation to comply with the MMA. MBB complied with the MMA **Checklist**. This **Checklist** specifically stated under section D (when dealing with Pre-feasibility Studies) and section E (when dealing with Mine Feasibility Studies) that "***Delineated Reserves***" must be "***compliant to one of the international codes for estimating reserves***". The MMEWR **Checklist** issued under the MMA required MBB to comply with the JORC Code. In compliance with sections D and E of the MMA **Checklist** and the JORC Code MBB could not produce a feasibility study because:

- (a) Without power MBB could not delineate its RESOURCES as PROVEN OR PROBABLE ORE RESERVES (**Note 1.**) and
- (b) Without being able to quote PROVEN OR PROBABLE ORE RESERVES, MBB could not produce or get a competent person to sign off on a feasibility study.

Minister Mokaila further stated "*Mount Burgess' efforts to complete evaluation work under PL69/2003 during the last renewal period was unsatisfactory as the approved programme of prospecting was not carried out. Please note that it is only after a feasibility study is completed that the applicant can progress the project forward from prospecting stage to mining or retention licence depending on the viability of the project*". (refer to ASX announcement 11 July 2013, posted to MTB website).

In accordance with Sections D and E of the MMA **Checklist** and the JORC Code, had there been grid power available in the Kihabe project area, as previously assured would be the case and had all other required modifying factors been in place, allowing for the delineation of PROVEN AND PROBABLE ORE RESERVES from MBB's RESOURCES, (**Note 1.**) then a feasibility study could have been completed

and signed off by a competent person. Such feasibility study would then have determined whether MBB should have applied for a mining licence or a retention licence. The fact is, the grid power, previously assured would be available, was not available.

Note 1. *In accordance with the 2004 JORC Code, applicable in this instance and in accordance with sections D and E of the MMA **Checklist** which requires compliance with the JORC Code, Mineral Resources cannot be upgraded to Proven and Probable Ore Reserves unless all Modifying Factors required for the commercial extraction of those Reserves can be relied upon. Modifying factors needing to be relied upon for commercial extraction include, amongst others, the availability of all required infrastructure, as outlined in that section of Table 1 of the JORC Code, headed “**Estimation and Reporting of Ore Reserves**”. The availability of a commercial power supply is a necessary part of the required infrastructure to enable one to delineate Proven and Probable Ore Reserves from existing Resources and thereby produce a feasibility study.*

26 July 2013 - MTB announced to ASX that Minister Mokaila's decision to reject MBB's appeal to the Vice President, Botswana was opined to be “ultra vires”, (refer ASX announcement 26 July 2013, posted to MTB website).

13 August 2013 - MTB announced to ASX that it had commenced legal proceedings in regard to Minister Mokaila's rejection of MBB's AE of PL 69/2003, (refer ASX announcement 13 August 2013, posted to MTB website).

8 October 2013 - MBB's Notice of Motion and Founding Affidavit in respect of its legal proceedings was registered in the High Court of Botswana. In accordance with subsection 3 of section 51 and subsection 3 of section 127 of the Constitution of Botswana and subsections 3(1), 3(2) and 4 of Botswana's State Proceedings Act, copies were also served on the Attorney General as Respondent.

21 October 2013 - The Attorney General, as Respondent, served on MBB a Notice of Intention to Oppose MBB's Notice of Motion and Founding Affidavit. Despite such Notice of Intention to Oppose, the Attorney General, contrary to precedent established in the Court of Appeal, has never filed Heads of Argument opposing MBB's Notice of Motion and Founding Affidavit. This is so, even though the Attorney General was twice afforded the opportunity to do so at High Court hearings on **6 December 2013** and **13 February 2014**. Instead, the Attorney General only raised points of *law in limine*.

28 April 2014 - Based on a point of *law in limine*, the High Court judge ruled that MBB's application for renewal of PL69/2003 be struck out with costs, because Minister Mokaila MMEWR was not joined in the proceedings, only the Attorney General was cited as the Respondent. Such ruling was handed down despite the Judge even stating “No cause shall be defeated by reason of the misjoinder or non-joinder of parties and the Judge may in every cause deal with the matter in controversy so far as regards the rights and interests before him”. The Judge handed down such decision despite the following:

- (a) Section 3(1) of Botswana's State Proceedings Act states **"Except as may otherwise expressly be provided by any law, actions by or against the Government shall be instituted by or against the Attorney General"**.
- (b) Section 3(2) of Botswana's State Proceedings Act states **"The Attorney General or any person authorized by him to act for the Government in respect of any judicial proceedings shall be deemed to be the recognised agent by whom appearances, acts and applications may be made or done on behalf of the Government"**
- (c) Subsection 4 of Section 50 of Botswana's Constitution states **"A Minister shall be responsible under the direction of the President for such business of Government of Botswana (including the administration of any department of Government) as the President may assign to him or her"**
- (d) Subsection 3 of Section 51 of Botswana's Constitution states **"The Attorney General shall be the principal legal advisor to the Government"**
- (e) Subsection 3 of Section 127 of Botswana's Constitution clarifies that **a Minister is part of the "Government"**. As such a Minister must be represented by the Attorney General in any litigation.
- (f) Precedent established in the High Court of Botswana in *Tim's Lock and Key V the Attorney General*, where the Chief Justice held that **the "Minister" was included in the word "Government" and therefore represented by the Attorney General in any litigation.**
- (g) In a case similar to that of MBB's, in the High Court of Botswana on 10 May 2013, *Strata (Pty) Ltd V the Attorney General*, **the Attorney General was cited and acted solely as the Respondent on behalf of the Minister MMEWR, in respect of a decision handed down by the Minister MMEWR, cancelling a prospecting licence.**

The High Court Judge also ruled that MBB did not have the right to appeal to the Vice President of Botswana, as it did on 6 June 2013. Reference to the **"Specific functions of His Honour the Vice President's Private Office"** as shown on his website, highlights under the fourth item **"Appeals and Complaints Handling"**. In conversations that Nigel Forrester of MBB had with Vice President Dr Ponatshego Kedikilwe, the Vice President confirmed that any appeal should be directed through his office.

26 May 2014 - MTB advised the ASX that MBB had lodged a Notice of Appeal in the Appeal Court of Botswana, seeking reversal of the ruling handed down by the High Court on 28 April 2014.

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 Sep 2014 |
|-------------|

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 | - | - |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (50) | (50) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes refund | - | - |
| 1.7 Other (provide details if material) | - | - |
| Net Operating Cash Flows | (50) | (50) |
| 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 | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | - | - |
| 1.13 Total operating and investing cash flows (carried forward) | (50) | (50) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|--|------|------|
| 1.13 | Total operating and investing cash flows (brought forward) | (50) | (50) |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 3 | 3 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | 53 | 53 |
| 1.17 | Repayment of borrowings | (5) | (5) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other – Lease liability repayments | - | - |
| | Other – Placement fees | - | - |
| | Net financing cash flows | 51 | 51 |
| | Net increase / decrease in cash held | 1 | 1 |
| 1.20 | Cash at beginning of quarter/year to date | 16 | 16 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 17 | 17 |

**** The Company currently has an overdraft facility of \$NIL**

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 | - |
| 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 \$NIL**

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | 2 | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|---------|
| 4.1 Exploration and evaluation | - |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 50 |
| 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 | 17 | 16 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | | - |
| Total: cash at end of quarter (item 1.22) | 17 | 16 |

**** The Company currently has an overdraft facility of \$NIL**

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 | 1,048,838,602 | 1,048,838,602 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 3,750,000 N/A | 3,750,000 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.

Compliance statement⁷

- 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*
 (Director/Company secretary)

Date: 16 Oct 2014

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.

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+ See chapter 19 for defined terms.