



REPORT FOR THE QUARTER TO 30 SEPTEMBER 2015

THE KIHABE Zn/Pb/Ag PROJECT, BOTSWANA

Based on the decision handed down by the Appeal Court of Botswana on 30 July 2015, which only dealt with interlocutories, Mount Burgess (Botswana) (Proprietary) Ltd (MBB) a wholly owned subsidiary of the Company will be taking its case back to the High Court of Botswana in order for the merits of its case to be dealt with.

MBB is seeking a reversal of the decision of Minister Mokaila of the Ministry of Minerals, Energy and Water Resources (MMEWR) not to renew Prospecting Licence PL 69/2003, which contains the Kihabe Project.

Accordingly, MBB is awaiting approval of the withdrawal from the High Court of Botswana of its original Notice of Motion and Founding Affidavit filed with the High Court on 27 September 2013. The Application for Withdrawal is scheduled to be heard on 6 November 2015, at which time it is expected that approval for withdrawal will be granted. Once this has been withdrawn MBB will then file a further Notice of Motion and Founding Affidavit to deal with the merits of the case in regard to seeking a reversal of the decision of Minister Mokaila MMEWR, not to renew Prospecting Licence PL 69/2003.

On 29 March 2012, MBB submitted its Application for Extension of PL 69/2003 to MMEWR for a further two years to 30 June 2014. Any rejection of this application should have been advised to MBB within the three months to 30 June 2012.

On 13 May 2013, fourteen months after submitting its application, during which time MBB had spent a further \$1.2 million on the project, culminating in a total of \$15 million, Minister Mokaila MMEWR rejected the application to extend PL 69/2003. He maintained that:

1. MBB did not get permission to amend its prospecting programme as a consequence of not being able to rely upon an economic grid power supply. MBB had previously been assured by MMEWR and the Botswana Power Corporation that grid power would be available in the project area by the end of 2012.
2. MBB did not complete a Feasibility Study on the project as it said it would during the two years to 30 June 2012.

In regard to 1 above:

MBB **did** get approval to amend its prospecting programme. **On 23 March 2012**, MBB gave a power point presentation to the then Minister Kedikilwe MMEWR, informing

him of proposed changes to the prospecting programme as a result of not being able to rely upon the provision of grid power previously assured would be available in the project area by the end of 2012. In accordance with Section 22 (1) of the Mines and Minerals Act (MMA) of Botswana, because the Minister did not reject those proposed amendments within two months, they became effective as of **24 May 2012**.

In regard to 2 above:

MBB advised Minister Mokaila that in accordance with the JORC Code, it could not get a Competent Person to compile and sign off on a Feasibility Study as a consequence of not being able to rely upon the provision of grid power previously assured would be available within the project area by the end of 2012.

Minister Mokaila rejected MBB's reason for not being able to complete a Feasibility Study – the lack of grid power – as **“Unacceptable”** maintaining that **“JORC Code or any other international requirements or standards does not substitute one's obligations under the MMA”**.

MBB was further advised by MMEWR that power had nothing to do with a Feasibility Study.

Minister Mokaila rejected MBB's requirement to comply with the JORC Code, despite the fact that:

- Two previous Ministers of MMEWR, Minister Tibone and Minister Kedikilwe had ordered MBB, under their signatures, to **comply with the JORC Code**.
- Section D - Pre-feasibility Study and Section E - Mine Feasibility Study, of the Checklist for Appropriate Company Programme of Prospecting Operations, issued under the MMA of Botswana, require **“Delineated Reserves compliant to one of the international codes for estimating reserves”**, when compiling Feasibility Studies.

The JORC Code was adopted in 1999 by the UN Economic Commission as an International Code. It was the one code chosen by the Combined Reserve International Reporting Standards Committee upon which all other International Codes were modelled for reporting by Competent Persons on Mineral Resources, Ore Reserves and Feasibility Studies.

The 2004 edition of the JORC Code was applicable at the time. This edition and subsequent revisions thereto, in compliance with all other International Codes, require that:

- Feasibility Studies can only be compiled and signed off by Competent Persons when dealing with “Ore Reserves” (*sections 9, 28 and 31, 2004 edition JORC Code*). The terms “Ore” and “Reserves” imply technical feasibility and economic viability (*section 27, 2004 edition JORC Code*).

- Mineral Resources cannot be classified as Ore Reserves unless all Modifying Factors have been considered and established as being achievable/available (section 11 and Figure 1, "Study status", 2004 edition JORC Code).
- Two of such Modifying Factors required to be achievable/available are "economic" (section 11, 2004 edition JORC Code) and "infrastructure" (Figure 1, "Mining factors or assumptions" and "Other", 2004 edition JORC Code).

MBB was continually asked by MMEWR to plan to beneficiate as much as possible within Botswana.

Accordingly, as assessed at the time, the only "economic" source of power for the Kihabe project was grid power. 40 MW of grid power was previously advised to Minister Kedikilwe on 5 March 2010, as being required for the project. This was part of the necessary "infrastructure" required to conduct an "economic" mining operation, maximising beneficiation within Botswana by producing zinc metal on site through Solvent Extraction and Electrowinning the oxide portions of the resources.

Without an "economic" grid power supply MBB could not get any Competent Persons such as SENET Engineers of South Africa and ProMet Engineers of Australia to classify the Kihabe Mineral Resources as Ore Reserves. Consequently, neither SENET Engineers nor ProMet Engineers, approached by MBB to conduct a Feasibility Study, were prepared to compile and sign off on a Feasibility Study.

Such Competent Persons needed, included a geologist, a mining engineer and a geotechnical engineer to determine what Mineral Resources could be classified as Ore Reserves. A metallurgist was needed to define the required project process flow sheet and a plant design engineer was needed to design the processing plant according to the required process flow sheet. None of such Competent Persons are able to and in MBB's case were not prepared to compile and sign off on a Feasibility Study with the knowledge of not having an economic power supply for the project. Further Competent Persons needed, included a hydrologist and an environmental impact assessor.

On 5 July 2013, MBB, in its appeal to then Vice President Kedikilwe, sent to the Vice President and Minister Mokaila a letter from the previous Chairman of ProMet Engineers, one of the companies approached by MBB to conduct a Feasibility Study on the Kihabe Project. This letter stated "Accordingly, in terms of the JORC Code, ProMet was not able, as a competent person, to complete and sign off on a feasibility study, without knowing at the time of so doing that the project could rely on the provision of a commercial power supply. Without the foreseeable availability of a commercial power supply, your resources could not be upgraded to ore reserve status, as required for a feasibility study**".**

On 9 July 2013, despite the above letter from ProMet, Minister Mokaila rejected MBB's appeal to the Vice President.

FUNDING

During the quarter Jan and Nigel Forrester lent the Company \$75,000 and Chris Campbell-Hicks, a Director of the Company, lent the Company \$9,000, totalling \$84,000 in loans from Directors and Associates. At the end of the quarter, the Company had cash funds of \$19,000

Since the end of the quarter Jan and Nigel Forrester have lent the Company a further \$5,500.

On 29 October 2015 the Company announced a placement of ordinary shares to sophisticated investors. In accordance with Listing Rule 7.1 and 7.1A the Company can issue up to a maximum of 36,521,275 shares. The issue price is at 0.2 of a cent per share and the purpose of the issue is to provide funds for ongoing administration and corporate costs. To date the Company has received \$32,000 of a potential \$73,000 by way of this placement.

MBB, the Company's Botswana subsidiary is pursuing an interim damages claim relating to the late payment of Appeal Court costs agreed to be settled by MBB's previous Botswana Attorney, amounting to \$27,500. Further damages will be claimed as necessary. This matter, together with a related matter, is now before The Law Society of Botswana. The related matter is in respect of a Commissioner of Oaths commissioning a forged affidavit in Botswana on 31 October 2014 which affidavit contained the forged signature of Nigel Forrester (when Nigel Forrester was in Australia). These matters caused a minimum six month delay in legal proceedings.

ALTERNATIVE PROJECTS

Whilst the Company is awaiting the outcome of its case relative to the Kihabe Project, it is actively seeking and reviewing alternative resource projects.

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 2015

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	(86)	(86)
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)	(1)
1.6 Income taxes refund	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(87)	(87)
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)	(87)	(87)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(87)	(87)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	7	7
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	84	84
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Lease liability repayments	-	-
	Other – Placement fees	-	-
	Net financing cash flows	91	91
	Net increase / decrease in cash held	4	4
1.20	Cash at beginning of quarter/year to date	15	15
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	19	19

**** 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	19	15
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)		-
Total: cash at end of quarter (item 1.22)	19	15

**** 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 (Note 1)	156,727,958	156,727,958		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,500,000 N/A	3,500,000 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 (note 1)</i>	1,907,149 71,430	NIL NIL	35 cents 35 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			

Note 1 Post consolidation

+ 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: 29 October 2015

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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