



KIHABE ZINC LEAD SILVER PROJECT BOTSWANA

Following its request for a trading halt on 27 January 2016, the Company is pleased to announce that on Monday evening of 25 January 2016 **the Ministry for Minerals Energy and Water Resources (MMEWR) Botswana advised the Company's representative in Botswana that it had granted Mount Burgess (Botswana) (Proprietary) Ltd (MBB) a new Prospecting Licence, PL 043/2016 over the Kihabe Zn/Pb/Ag project in Western Ngamiland, Botswana.**

The Company and MBB, a wholly owned subsidiary, had previously developed a 25 million tonnes indicated and inferred resources of 3% Zn/Pb, with 3 million ozs Ag, in accordance with the 2004 edition of the Australasian Joint Ore Reserves Committee (JORC) Code. These resources were developed from the Kihabe and Nxuu deposits on previously held Prospecting Licence PL 69/2003.

An Application for Extension of PL 69/2003, was rejected by MMEWR in May 2013, as MBB had not completed a Feasibility Study on the project in the two years to 30 June 2012, as it said it would, based on assurances that grid power would be available in the project area by the end of 2012. Through no fault of MBB, MMEWR or the Botswana Power Corporation (BPC), the provision of grid power in the project area did not eventuate.

With the grant of the new Prospecting Licence PL 043/2016, the Company and MBB will withdraw from litigation with respect to the rejection of the Application for Extension of PL 69/2003 which has been ongoing since September 2013.

Mineralisation at both the Kihabe and Nxuu deposits has been described as Sedimentary Exhalative (SEDEX) within a Neoproterozoic belt. The mineralisation occurs in a quartz wacke at its contact with dolomite. Through soil geochemical sampling MBB has found six other Zn/Pb anomalies and one Cu/Co anomaly. Through regional exploration drilling, four of these Zn/Pb anomalies are known to exist within zones of contact between dolomite and quartz wacke, demonstrating the potential to find further deposits such as Kihabe and Nxuu in this SEDEX system.

All these anomalies warrant drill testing. One such anomaly is 4.2km long, indicating that any further discoveries could significantly add to the projects resource base.

With regard to the future provision of power for the project, the following options are currently seen as being available:

- Recent projections released by both MMEWR and the BPC show that Botswana's power issues should be resolved such that Botswana will become a net exporter of power in 2018.

- Provision has been made for the completion in 2018 of a power line from the Morupule power supply in eastern Botswana through to Shakawe in north western Botswana, allowing for off-take for mining operations in Western Ngamiland.
- The Company has been approached and agreed to participate in a proposal currently being assessed by Advisian South Africa, a subsidiary of Worley Parsons, for the beneficiation within Botswana of all local base metal production.
- The Company has been in discussions with ECG Engineering of Western Australia, an electrical engineering company involved in many electrical projects in various parts of Africa, with the view to investigating the proven process of converting mined coal into gas for power generation.
- Any primary source of generated power can be supplemented by solar power generation in this area known for its high solar potential.

A summary of the Kihabe and Nxuu deposits is attached, together with the relevant resource summaries last reported on 15 May 2013. **It has not been updated since that date to comply with the JORC Code 2012 on the basis that the information has not materially changed since that time.**

CURRENT ZINC PRICES

On 12 January 2016, the LME zinc price fell to US \$ 1,453.50/t, a level not seen since May 2009. As of 26 January 2016 the zinc price had recovered 6.81% to US\$1,552/t. Market speculation suggests that currently there is a significant amount of short selling in the metals market.

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KIHABE – NXUU Zn/Pb/Ag PROJECT BOTSWANA

Mount Burgess Mining (MTB) previously held PL69/2003 in Western Ngamiland, Botswana, covering portion of a Neoproterozoic belt, highly prospective for the discovery of base metals.

To date MTB has developed JORC 2004 compliant indicated and inferred Zn/Pb/Ag SEDEX style resources of some 33 million tonnes. From this, **25 million tonnes @ 3% Zn/Pb plus 3.3 million ozs Ag were selected for an initial scoping study**; though a variety of resource categories are available for selection based on low grade cuts, tonnages and grades. The 25 million tonne resource is made up of **14 million tonnes from the Kihabe deposit and 11 million tonnes from the Nxuu deposit**, 7kms to the east of Kihabe. The Nxuu deposit is completely oxidized while the upper one third of the Kihabe deposit is oxidized, the remainder containing sulphide minerals.

RESOURCE CHARACTERISTICS

THE KIHABE RESOURCE

- **Location** – Western Ngamiland, Botswana, within 500m of the Namibian border fence, 15km south of the Dobe border gate and 21km north of Xai Xai.
- **Strike Length** - The Kihabe resource covers **a strike length of 2.4km**. Within this 2.4km, there are two proposed pits, a SW pit and a NE pit, which **combined cover a strike length of 1.8km**.
- **Width** - Within this combined 1.8 km strike length, the average width of the resource is **27m down to 175m**. Some sections are up to 60m wide.
- **Depth** – The depth of the resource commences from between 5 and 15m below surface (Kalahari sand cover) down to drilled depth of **175m**.
- **Waste to Ore Ratio** - It is estimated that the open cut waste to ore ratio will be **in the order of 4.5 to 1**. Geotechnical drilling could result in improvements to the estimated 40° pit wall slopes.
- **Additional Resources** – Resource only estimated to 175m depth to date. **Drilling shows potential to increase resource at depth** in this synclinal fold structure.
- **Mineralisation** – **Zn/Pb/Ag mineralisation occurs in a quartz wacke** at the near vertical contact with the regional dolomite formation. No mineralisation has been recognized in the dolomite.
- **Host Minerals** – In the oxide zone **Zn is hosted in smithsonite and baileychlore and Pb is hosted in galena**. In the sulphide zone **Zn is hosted in sphalerite and Pb is hosted in galena**.
- **Metal Recoveries - Oxide Zone** – At 30 micron grind size, **97% Zn is recovered in 24 hours** through tank acid leaching @ 40°C using 30kg/t acid (bench scale test work – Ammtec). **Zn metal can be recovered on site** through SXEW. **92% of the Pb mineralisation is recovered** through flotation/concentration and a **55% Pb concentrate** can be transported from site.
- **Metal Recoveries - Sulphide Zone** – At 75 micron grind size **94% Zn, 88% Pb and 96% Ag can be recovered in 15 minutes** through flotation/concentration (bench scale test work – Ammtec). A **57.9% Zn and 76.6% Pb concentrate** can be transported from site.

THE NXUU RESOURCE

- **Location** – 7km east of the Kihabe resource.
- **Area** – The Nxuu resource covers an area roughly 550m X 250m.
- **Depth** – The depth of the resource commences from around 10m below surface (Kalahari sand cover) **down to 60m depth**.
- **Waste to Ore Ratio** – It is estimated that the open cut waste to ore ratio will be **in the order of 3 to 1** as this deposit is basin shaped with a **maximum depth of 60m**.
- **Mineralisation** – **Zn/Pb mineralisation occurs in a quartz wacke** at the contact with a basinal dolomitic formation.
- **Host Minerals** – **Zn is hosted in smithsonite and Pb is hosted in cerrusite, i.e. all oxidized**.
- **Metal Recoveries** – At 75 micron grind size **93% Zn and 93% Pb is recovered in 12 hours** through tank acid leaching at 25°C using 30kg/t acid (bench scale test work – Ammtec). **Zn metal can be recovered on site** through SXEW. **Pb compound** can be transported from site.

POWER CONSUMPTION

- **For SX/EW** – In order to produce zinc metal on site from the Nxuu deposit (all oxidized) and the top oxide zone of the Kihabe deposit through SX/EW, will require around 40 to 45 MW of power (ProMet Engineers). The finer grind size of 30 micron required for the oxide zone of the Kihabe deposit, together with the additional power required for electro winning, account for this additional power requirement.
- **For Flotation and Concentration** – The sulphide portion of the Kihabe deposit can be treated through conventional flotation and concentration requiring around 17MW of power to export a 57.9% Zinc and 76.6% lead concentrate from site.

POTENTIAL TO INCREASE RESOURCE GRADES

Both the Kihabe and Nxuu resources have been calculated based on RC drilling with a limited amount of diamond core drilling. Twinning of RC drill holes with DD holes has shown an **incremental increase of 42% in grade from the DD results**. A further exercise was conducted at the Kihabe resource by running a comparison within the 0.5% resource envelope between (a) the RC and DD results combined and (b) ONLY the DD results. Whilst the DD results alone were not sufficient to calculate a resource based entirely on DD results they likewise, on their own, showed an incremental increase in grade within the 0.5% envelope of around 42%. To re-drill the Kihabe resource entirely to delineate a DD resource will cost in the order of \$2.5 million but can be justified on the basis that it could lift the overall grade to around 4.2% Zn/Pb

ADDITIONAL CREDITS

Both the Kihabe and Nxuu resources show **potential for additional credits such as copper, vanadium, gallium and germanium**. The contribution of these is yet to be verified by additional assaying and metallurgical test work.

POTENTIAL TO INCREASE RESOURCE BASE

MTB has collected some 17,000 soil geochemical samples on the project. These samples have generated **six new Zn/Pb anomalies and one Cu/Co anomaly**. These anomalies are all within close proximity of the Kihabe and Nxuu resources and, whilst confirmatory drilling is required, they show the **potential to significantly increase the current resource base**. MTB believes the discovery of further quartz wackes below the Kalahari sand cover, at the contact with the regional dolomite, is the secret to the success of further resource discoveries in this region. Of the above six recently discovered geochemical anomalies; four are believed to represent this characteristic.

WORK IN PROGRESS

Further metallurgical test work is planned to conduct alternative recovery processes in order to reduce potential power consumption if on-site power generation will have to be relied on. Further metallurgical test work also needs to be conducted on the potential to recover Ag on site.

WATER

Significant amounts of water have been found to date within a natural aquifer, both within the Kihabe deposit and in regional drilling. Pump testing has not been conducted to date for potential production estimation.

INFRASTRUCTURE

MTB operates the project from the main Kihabe camp site which has a small on-site power generator, satellite communications, messing and living accommodation. Access to the project can be gained by road from Maun in Botswana, travelling on sealed road to Sehitwa, then north to Nokaneng. From Nokaneng a gravel road runs due west to Qangwa and then to Kihabe camp. Flights can be chartered from Maun to Xai Xai strip, 21km due south of MTB Kihabe camp. Access can also be gained from Tsumkwe in Namibia, through the Dobe border gate, then to MTB Kihabe camp 15 km south of the Dobe border gate.

FUTURE DEVELOPMENT/ESTIMATED COSTS TO BFS

An estimate only (not based on firm quotes) of costs to take the project through to the completion of a BFS is as follows:

1. Updating/revising the current Scoping Study to take it through to a BFS - \$1.5 million.

2. Metallurgical test work on oxide zones of deposits to determine amenability to recovery as an alternative to SXEW, if shown to be a more cost-effective way forward - \$250,000.
3. Upgrading resources to reserves with DD coring and assaying. DD coring has shown potential to significantly increase the grades of the deposits - \$2.5M+.
4. HQ/PQ DD coring for comminution test work - \$300,000.
5. Geotechnical DD coring for pit slope estimation - \$250,000.
6. Independent revision of resources/reserves - \$200,000.
7. Regional drilling to confirm potential for increasing resource base – Anything from \$500,000 upward depending on the need to incorporate the effect of required annual throughput in the BFS.
8. Upon completion of a positive BFS an Environmental Impact Study will be required which should cost in the region of \$500,000 and then of course beyond that, mine development costs as detailed in the BFS.

COMPETENT PERSON'S STATEMENT

The information in this section of the release headed “Kihabe-Nxuu Zn/Pb/Ag Project Botswana” that relates to Exploration Results and Mineral Resources, together with any related assessments and interpretations, is based on and fairly represents information and supporting documentation approved for release by Mr Giles Rodney Dale of GR Dale and Associates. Mr Dale is a Fellow of the Australian Institute of Mining and Metallurgy. Mr Dale has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activities which have been undertaken to qualify as a Competent Person as defined in the 2012 Edition Joint Ore Reserves Committee (JORC) Australasian Code for Reporting on Exploration Results, Mineral Resources and Ore Reserves. Mr Dale consents to the inclusion in this release of matters based on this information in the form and context to which they appear.

FUTURE OPTIONS TO BE CONSIDERED

Due to the size and cost of the plant size as proposed in the project Scoping Study, for a 2.5Mtpa operation, a lower cost staged project development pathway may be more appropriate in the current financial climate.

A number of options exist for a reduced initial project start up:

- **Option 1** – initially treat only oxidized Zn and Pb minerals by acid heap leach with SX/EW for zinc and a lead precipitate, avoiding the higher cost milling requirements.

This option avoids the capital and operating costs of the milling and classification steps only requiring crushing to around 10mm, but at reduced suggested recovery of only 70 – 75%. This requires confirmatory test work.

- **Option 2** – initially treat Zn and Pb minerals by (reduced size) acid tank leach with SX/EW for zinc and a lead precipitate.

This option will require the extra capital and operating costs for milling and classification steps. However the high inherent SX/EW power cost, required by both options, significantly reduces the impact of mill power costs as a percentage of total power requirements.

For both of these options the footprint for plant design will allow for plant expansion, including additional milling and tankage, and provision for the subsequent sulphide flotation requirements.

To mitigate a reduction in the initial processing rate and size of the operation, a schedule for rapid project expansion to a 2.5Mtpa rate can be accommodated within a 3 year time frame from commencement of production.

- **Option 3** – Control Potential Sulphidisation (CPS)

This option potentially allows for immediate production of an acceptable flotation concentrate product (Zn/Pb/Ag) for direct shipping to an appropriate smelting facility. Additional test work is required to test this option and a major consideration would be the significant sodium sulphide reagent cost for this option.

It is recognised that as mining proceeds to depth, development and processing of the sulphide minerals will also see significant volumes of transitional zone material being presented to the processing facility. This material may in any case require the addition of sodium sulphide (CPS) until fresh (unoxidized) sulphide minerals become the consistent feed to the processing facility.

Initial downsizing of the operation will incorporate maximum allowance for easy, fast and a less costly later expansion. This in particular will include oversized pads with provision for additional mills, tankage, flotation circuit and expanded reagents area requirements.

Both 0.5Mtpa and 1Mtpa processing circuit options will be evaluated as initial alternatives, with resulting initial capital cost savings allowing additional funds to be allocated for further exploration and drilling of other very prospective and geologically identical adjacent targets previously identified.

COMPETENT PERSON'S STATEMENT

The information provided in this release headed "Future Options to be Considered", that relate to Metallurgy and Process Engineering, with any related assessments and interpretations, is based on and fairly represents information and supporting documentation compiled by and approved for

release by Mr Chris Campbell-Hicks (BSc), a Non-Executive Director of the Company. Mr Campbell-Hicks is a Fellow of the Australasian Institute of Mining and Metallurgy and a Chartered Professional Metallurgist (FAusIMM CP Metallurgy) and a Member of the Mineral Industry Consultants Association (MMICA). Mr Campbell-Hicks has sufficient experience to qualify as a Competent Person as defined in the 2012 edition of the Joint Ore Reserves Committee (JORC) Australasian Code and Valmin Codes and the Canadian National Instrument NI-43-101 relating to metallurgical and processing engineering issues under consideration and to the activities which have been undertaken. Mr Campbell-Hicks consents to the inclusion in this release of the matters based on this information in the form and context in which they appear.

KIHABE- NXUU RESOURCE STATEMENT – AS LAST REPORTED – 15 MAY 2013

Deposit	External Cut %	Indicated M Tonnes %	Inferred M Tonnes %	Total M Tonnes %
Kihabe	1.5%	11.4 @ 2.90%*	3.0 @ 2.60%*	14.4 @ 2.84%*
Nxuu	0.3%	-	10.9 @ 3.20%*	10.9 @ 3.20%*
		11.4 @ 2.90%*	13.9 @ 3.07%*	25.3 @ 3.00%*

*Zinc Equivalent Grade

Kihabe resource calculated on metal Zn US\$1,810/t Pb US\$1,955/t Ag US\$18.75/oz prices as at 17 July 2008:

Grades applied: Zn 1.75% Pb 0.76% Ag 6.93 g/t

Nxuu resource calculated on zinc and lead at US\$ par

Grades applied: Zn 1.8% Pb 1.4%

The information in the resource statement that relates to the Kihabe Resource is compiled by Byron Dumpleton, B.Sc., a member of the Australasian Institute of Geoscientists. The information that relates to the Nxuu Resource is 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.

Mr Dumpleton is an independent qualified person and Mr Mosigi is a Technical Director of the Company. Both Mr Dumpleton and Mr Mosigi have sufficient experience relevant to the style of mineralisation under consideration and to the activity to which they have 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". Both Mr Dumpleton and Mr Mosigi consent to the inclusion in this report of the matters based on the information in the form and context in which it appears.

KIHABE-NXUU METAL RECOVERIES

Independent metallurgical testwork has confirmed the metal recoveries shown in the table below. Accordingly the Company believes these recoveries are achievable. Zinc recovered from acid leaching oxide zones will enable Zn metal to be recovered on site from electro-winning.

DEPOSIT	Zone	Time	Zinc	Lead	Silver
Kihabe					
Oxide Zone					
Acid leaching @40°C 30 kg/t acid	Oxide *	24 hrs	96.9%	91.9%	n/a
Sulphide Zone					
Rougher flot	Sulphide	90 seconds	91.9%	84.8%	94%
	Sulphide	15.5 mins	93.8%	88.1%	96.4%
Nxuu					
All Oxide					
Acid leaching @25°C 30 kg/t acid	Oxide *	12 hrs	93%	93%	n/a

* Note: Zn mineralisation in the oxidised zones is hosted within Smithsonite and Baileychlorite and independent test work has confirmed both of these are amenable to acid leaching.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.