# MOUNT BURGESS MINING N.L. ANNUAL REPORT 2010

ACN : 009 067 476

**Directors:** NIGEL RAYMOND FORRESTER, FCA

MOLATLHEGI BENJAMIN MOSIGI, B.Sc., M.Sc

RONALD WILLIAM O'REGAN

ALFRED PATRICK STIRLING, FCA

GODFREY EDWARD TAYLOR, LL B

**Joint Secretaries:** JAN FORRESTER

SERENE CHAU, CPA

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**Bankers:** Australia and New Zealand Banking Group Ltd
77 St Georges Terrace
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Mount Burgess Mining N.L. is a listed public company, incorporated in Australia.

It is my pleasure to present to you our annual report for the year to 30th June 2010.

During the first half of the year, the Company remained focussed on its exploration effort in its search for kimberlites in both Namibia and Botswana. Whilst not making any kimberlite discoveries, the in-field exploration results obtained through conducting ground magnetics and drilling, have highlighted particular regions within the Company's licence areas that now show enhanced potential.

With the increase in zinc and lead prices during the course of the year, the Company continued to work on improving project metal recoveries and increasing the resource base of its Kihabe-Nxuu base metals project in Botswana.

With further drilling, the Company was able to expand the resource base at the Nxuu deposit, to the extent that it now has combined indicated and inferred resources at both its Kihabe and Nxuu deposits of some 33 million tonnes. From this, the Company has selected some 25 million tonnes @ 3% Zn/Pb, indicated and inferred resources, the subject of a revised scoping study for a proposed 10 year mine life at a throughput of 2.5 million tonnes per annum.

Through concerted mineralogical and metallurgical test work, the Company has significantly improved its Zn/Pb metal recoveries from 63% Zn and 68% Pb to an average of around 93% for both Zn and Pb.

Previous problems encountered with Zn recoveries from the oxidised zones of the deposits, have been overcome through determining with mineralogical test work, the form of the Zn oxide minerals. These zinc oxide minerals, Smithsonite and Baileychlore have, through metallurgical test work, proven to be amenable to tank acid leaching with low acid consumption, at local ambient temperatures, yielding high metal recoveries around 93% in 12 to 24 hours.

More importantly however, the application of acid leaching on site provides for the recovery of Zn metal on site through electro-winning, a process that can save up to 30% in costs.

About 50% of the Company's resources are mineralised within oxidised zones, allowing the potential for Zn metal to be produced on site for the first 5 years of the proposed mining operations.

There are currently many diverse predictions on the future of zinc and lead prices, all dependent upon the interpretation of the continued rate of consumption in China and India and the timing of the expected resurgence of demand through economic recovery in the Americas and Europe. Regardless, the Company is of the opinion that it is entering an era of mine depletion, which because of current prices and high world Zn stock levels, will not be matched in time with coincident resource and mine development. With this potential "window of opportunity" the Company is of the opinion that despite restrictions on the ability to raise cash, it must endeavor to progress the Kihabe – Nxuu project to a position able to take advantage of potential future supply shortages, which will inevitably lead to increased metal prices. Accordingly, the Company is actively seeking a joint venture partner to ensure continuity of project development, ready to meet any such situation.

In conclusion I should like to thank all Members of the Company for the significant support and commitment that they have given through what has been a difficult year from a funding point of view. Directors and Associates have helped with funding. Directors' fees and employee salary increases have been sacrificed and all levels of employees have applied economic responsibility for the sake of fulfilling project advancement, corporate commitments and job preservation, for which I am extremely grateful. The continued support from those shareholders that have helped with funding is much appreciated. The significant breakthrough achieved in enhancing metal recoveries at the Company's Kihabe project, such that we now believe it will reflect a commercial future, is credit to all those individuals, companies and consultants involved. I thank them for their persistence and application.

Nigel Forrester
*Chairman & Managing Director*

## BOTSWANA AND NAMIBIA

### BASE METALS

In NW Botswana and NE Namibia in southern Africa, the Company has landholdings covering 3,000km$^2$ of a Damaran Proterozoic Belt. Depositional environments similar to this area host copper, lead and zinc deposits such as the Copperbelt in Zambia, Mount Isa, HYC, Lady Loretta, Century and Hilton in Australia, Meggen and Rammelsberg in Germany, Red Dog in the USA and Cirque, Howards Pass, Tom and Jason in Canada. The Company landholdings contain the Kihabe and Nxuu zinc/lead deposits, numerous other anomalies of these metals and still others of copper. Also included in the lease area are known zinc/lead/silver vein deposits of which the primary area of focus is the Gossan Anomaly.

On the Botswana side of the border, the Company has to date defined at the Kihabe and Nxuu deposits combined resources of 33.6 million tonnes @2.46% zinc equivalent grade, applying a 0.3% zinc equivalent low grade cut.

From the above combined resources, 25.3 million tonnes @3% zinc equivalent grade have been selected for a scoping study, designed for a 10 year mine life, at 2.5 million tonnes per annum throughput, as follows:

**Kihabe-Nxuu Resource Statement**

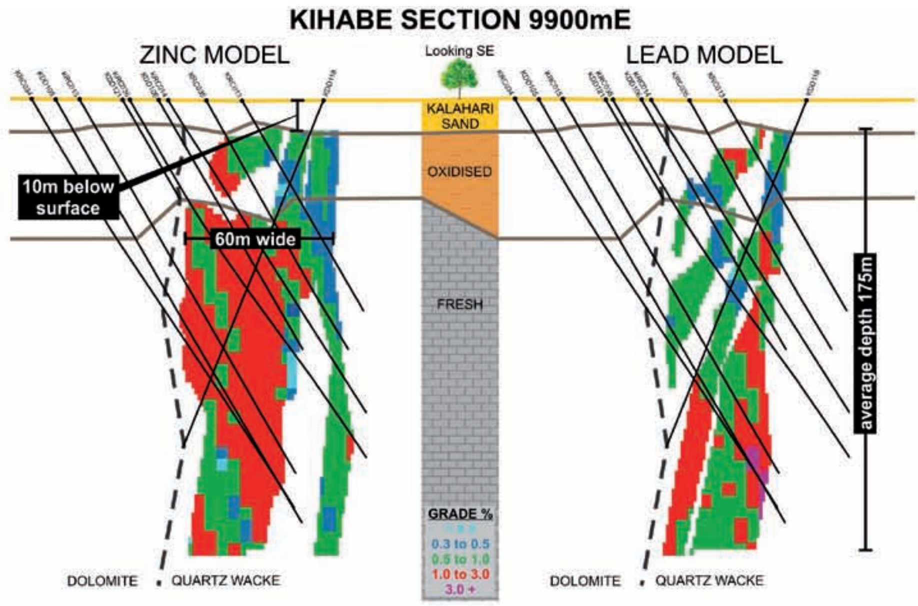
| DEPOSIT | EXTERNAL CUT % | INDICATED M TONNES % | INFERRED M TONNES % | TOTAL M TONNES % |
|---|---|---|---|---|
| **KIHABE** | 1.5% | 11.4 @ 2.90% | 3.0 @ 2.60% | 14.4 @ 2.84% |
| **NXUU** | 0.3% | - | 10.9 @ 3.20% | 10.9 @ 3.20% |
| | | **11.4 @ 2.90%** | **13.9 @ 3.07%** | **25.3 @ 3.00%** |

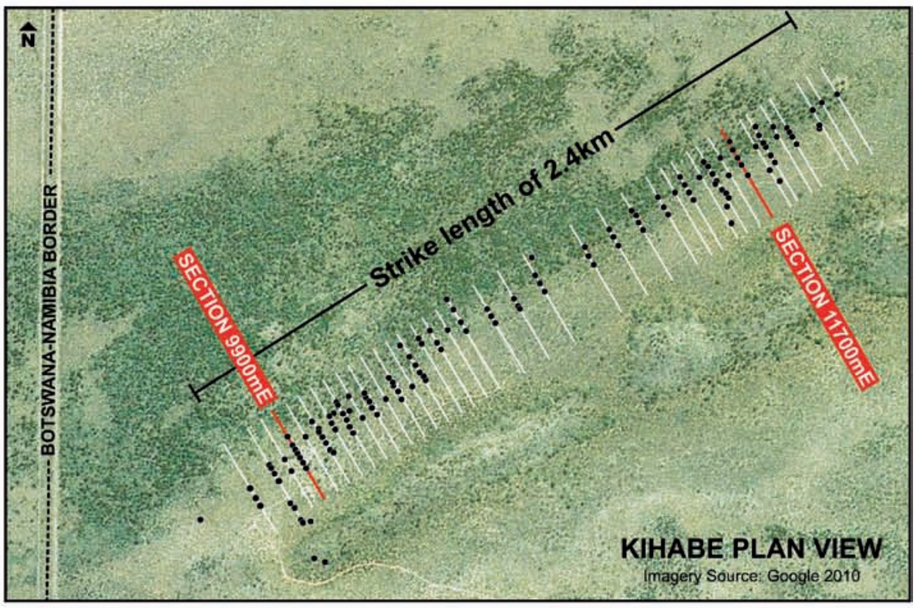
**Zinc Equivalent Grade**

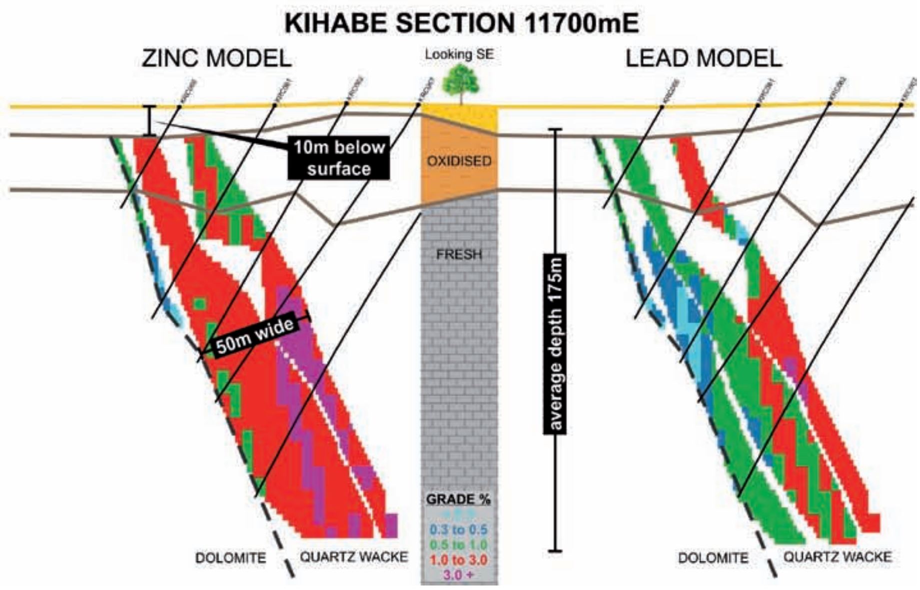
| | | | |
|---|---|---|---|
| Kihabe calculated on metal prices as at 17 July 2008: | Zn US$1,810/t | Pb US$1,955/t | Ag US$18.75/oz |
| Grades applied: | Zn 1.75% | Pb 0.76% | Ag 6.93 g/t |
| | | | |
| Nxuu calculated on zinc and lead at US$ par | | | |
| Grades applied: | Zn 1.8% | Pb 1.4% | |

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 SECTION 9900mE
ZINC MODEL
Looking SE
LEAD MODEL
KALAHARI SAND
OXIDISED
FRESH
10m below surface
60m wide
average depth 175m
GRADE %
0.3 to 0.5
0.5 to 1.0
1.0 to 3.0
3.0 +
DOLOMITE
QUARTZ WACKE
DOLOMITE
QUARTZ WACKE


N
BOTSWANA-NAMIBIA BORDER
Strike length of 2.4km
SECTION 9900mE
SECTION 11700mE
KIHABE PLAN VIEW
Imagery Source: Google 2010


KIHABE SECTION 11700mE
ZINC MODEL
Looking SE
LEAD MODEL
10m below surface
OXIDISED
FRESH
50m wide
average depth 175m
GRADE %
0.3 to 0.5
0.5 to 1.0
1.0 to 3.0
3.0 +
DOLOMITE
QUARTZ WACKE
DOLOMITE
QUARTZ WACKE

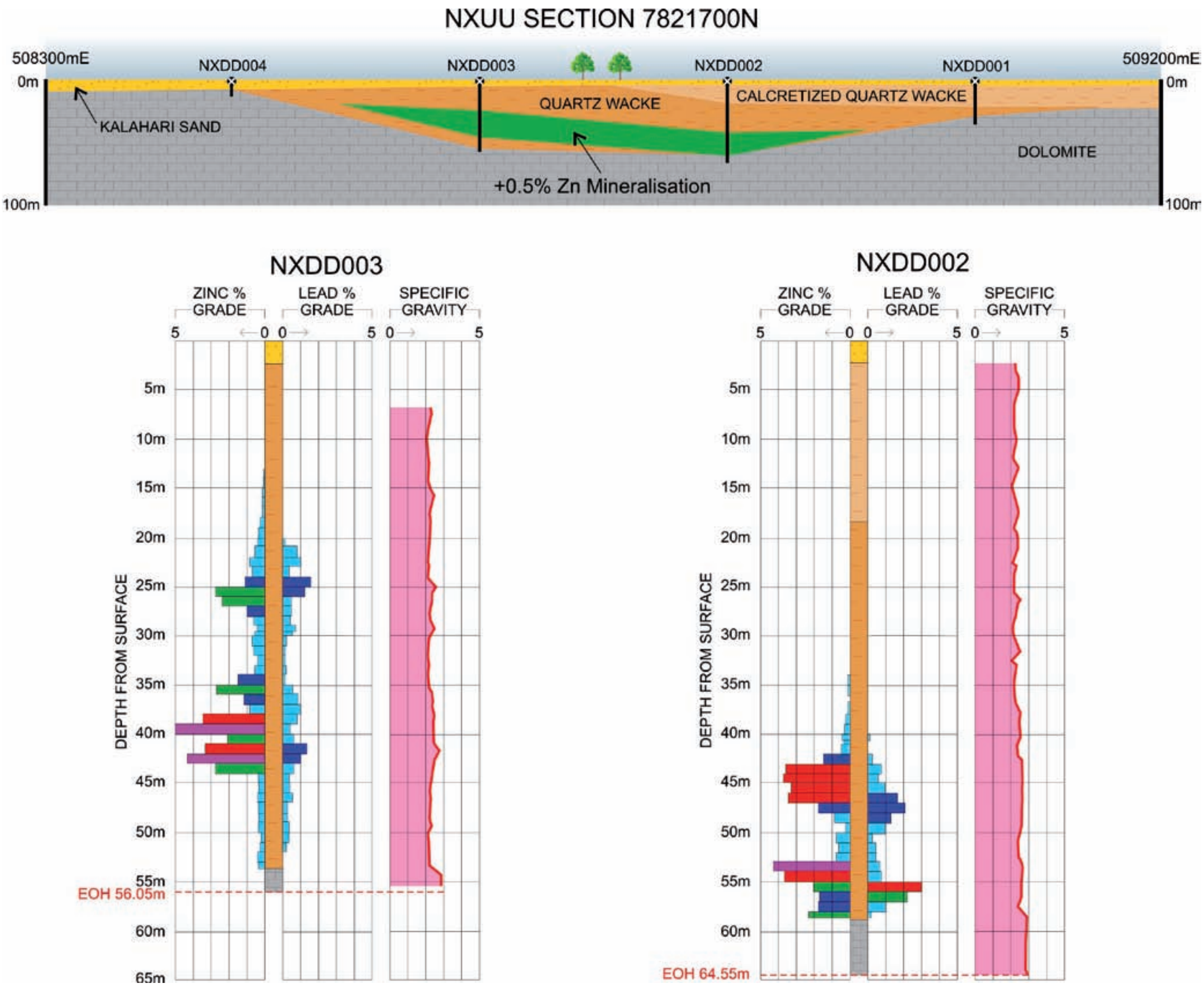
## THE KIHABE DEPOSIT

The Kihabe zinc/lead/silver deposit is a classic SEDEX type, 2.4 km long. The zinc/lead/silver mineralisation occurs in a quartz wacke right at the almost vertical contact with the regional dolomite. Within this 2.4 km strike length, two proposed pits have been designed for the scoping study, covering a strike length of 1.8 km. With the combined 1.8 km length, the average width of the deposit is 26m, down to a depth of 175m, the depth extent of the resource calculation to date. Many sections range from 35m to 69m true width, commencing between 5-15m below Kalahari sand cover.

The top 25% of the Kihabe deposit is oxidized and the remaining lower 75% is sulphidic.

## THE NXUU DEPOSIT

The Nxuu zinc/lead deposit is SEDEX type, covering an area 550m long and 250m wide with a maximum depth of only 60m. The zinc/lead mineralisation occurs within a flat lying quartz wacke, bounded by a regional dolomitic basin, 60m deep.



Whilst drilling during the year doubled the initial Nxuu Resource, further drilling is required to determine the exact resource boundaries, where they contact with the dolomitic basin wall, which will then enable the Company to compile a pit design.

The whole of the Nxuu deposit is oxidised.

**METAL RECOVERIES**

During the year the Company applied considerable effort to improving metal recoveries from the range of 63% Zn and 68% Pb, used in the May 2009 Scoping Study. Data available at that time was compiled from metallurgical work applied to drill samples composited from both oxide and fresh sulphide material.

Subsequent test work has produced the following results:

| | Time | Zn | Pb | Ag |
|---|---|---|---|---|
| **KIHABE DEPOSIT** | | | | |
| **Oxide Zone (see Note)** | | | | |
| Acid leaching – $40^{o}$ 30 kg/t acid | 24 hrs | 96.9% | 91.9% | n/a |
| | | | | |
| Sulphide Zone | | | | |
| Rougher flot | 90 seconds | 91.9% | 84.8% | 94.0% |
| | 15.5 minutes | 93.8% | 88.1% | 96.4% |
| | | | | |
| **NXUU DEPOSIT** | | | | |
| **Oxide Zone (see Note)** | | | | |
| Acid leaching – $25^{O}$ , 30 kg/t acid | 12 hrs | 93% | 93% | n/a |
| | | | | |

Note: Mineralogical test work conducted during the year has shown that Zn mineralisation in the oxidised zones is hosted within Smithosonite and Baileychlore, both of which are amenable to acid leaching.

Zinc recovered from acid leaching oxide zones will enable Zn metal to be recovered on site from electro-winning.

**KIHABE-NXUU PROJECT SCOPING STUDY**

The Scoping Study produced in May 2009 now needs to be updated to take into account the following:

- The increase in Zn/Pb metal prices from around US$1,200/t to current prices of around US$2,000/t.
- The increase in metal recoveries from 63% Zn and 68% Pb to those as tabulated above.
- The modification of the process flow sheet to incorporate acid leaching and electro-winning Zn metal on site for the first 5 years of the project mine life.

## SUMMARISED PROJECT ATTRIBUTES - KIHABE-NXUU

**Wide shallow open cut resources**

Both Kihabe and Nxuu are wide shallow potential open-cut deposits that commence 5m to 15m below surface (Kalahari sand). They are not underground operations.

The current Kihabe strip ratio of 5.5:1 has been calculated on conservative 40 deg pit slopes. With geotechnical drilling, pit slopes will steepen significantly and reduce strip ratio. Drilling done to date confirms the hanging wall quartz wacke and foot wall dolomite are very competent. A strip ratio around 4:1 is probably achievable. There is good potential to increase the Kihabe resource below the current 175m depth.

Whilst a pit still has to be designed for the Nxuu deposit, it will have a low strip ratio of probably around 3:1.

**Few carbonates in mineralisd quartz wacke**

Mineralisation at both Kihabe and Nxuu is in quartz wacke, not dolomite, as are most of these SEDEX deposits. The quartz wackes do not contain the same proportion of carbonates as found in the dolomites. When acid leaching the oxidised zones, acid consumption in the quartz wacke is low (30kg/t). Dolomites consume much more acid as they are composed of carbonate minerals, thereby rendering many such deposits in dolomites un-commercial.

**Average Botswana temperatures reduce power required**

Botswana temperatures (average daily 22 deg) contribute significantly to the acid leaching process without requiring induced power/heat in the process. With Botswana temperatures, recoveries from oxidised deposits in the region of 93% Zn can be achieved in 12 to 24 hours.

**Zinc metal produced on site**

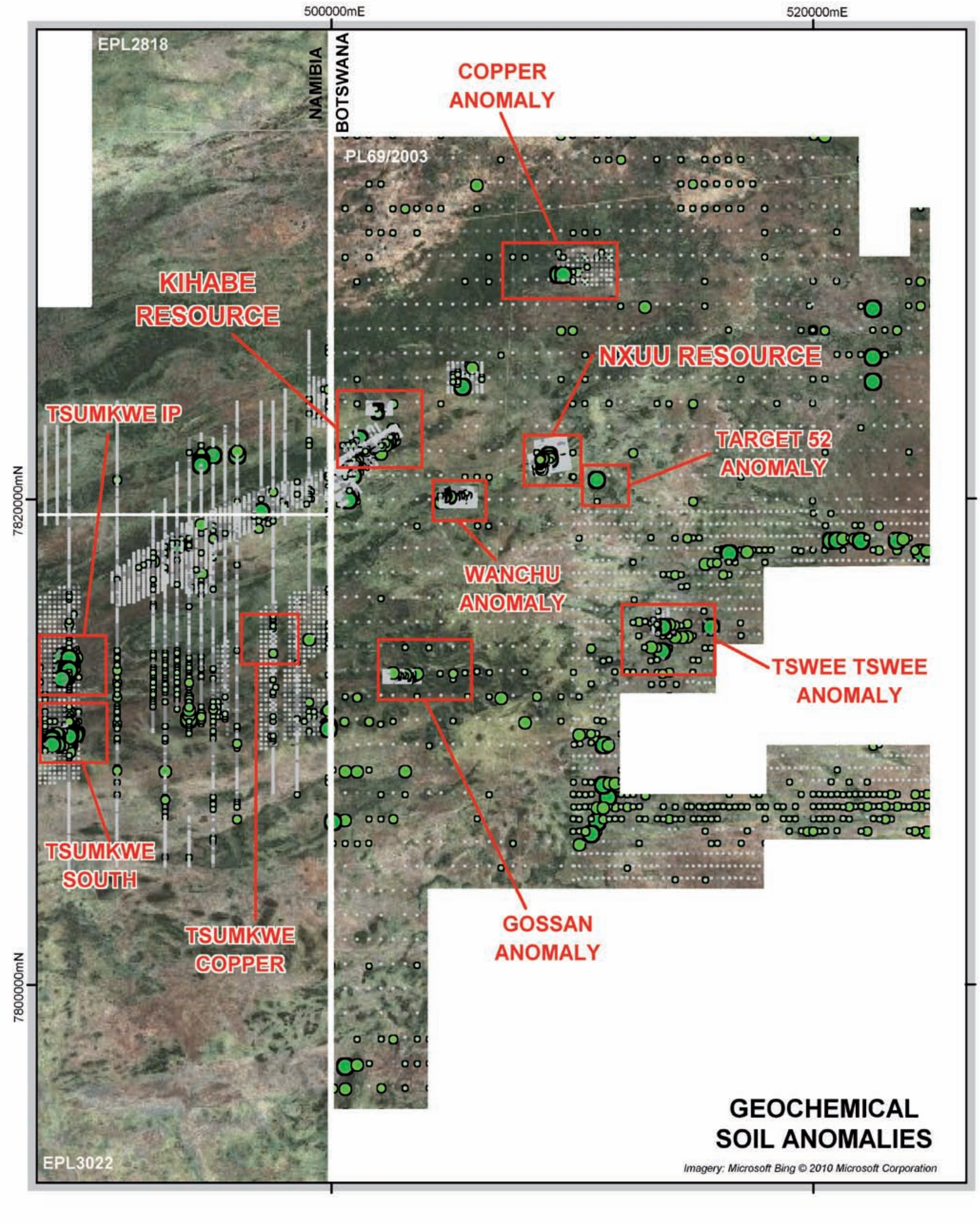
As a consequence of the above, Zn metal can be produced on site, with significant savings in concentrate transport costs and smelting costs.

**Potential for further discoveries**

MTB controls the whole Proterozoic belt (100%), therefore significant potential exists for generation of additional resources of Zn, Pb and Cu. The mineralisation in this region is hosted within quartz wackes, right at the contact with the regional dolomite. The key to further discoveries is to find further quartz wackes. Four new quartz wackes have recently been discovered - the Copper Anomaly and the Tswee Tswee Anomaly which are both copper anomalies together with the Wanchu Anomaly and the Target 52 Anomaly which are Zn/Pb anomalies (refer to Geochemical Soil Anomaly map). Geochemical sampling is now being conducted over these quartz wackes in search of the mineralised zones, right at the contact with the regional dolomite.

**Potential Vanadium resource**

There is further potential at Kihabe with shallow (40m) close spaced drilling to delineate a supergene Vanadium resource which could make a significant contribution to returns in the top level, oxidised zone. No account has been taken of this to date.


500000mE
520000mE
7820000mN
7800000mN
EPL2818
NAMIBIA
BOTSWANA
PL69/2003
COPPER ANOMALY
KIHABE RESOURCE
NXUU RESOURCE
TSUMKWE IP
TARGET 52 ANOMALY
WANCHU ANOMALY
TSWEE TSWEE ANOMALY
TSUMKWE SOUTH
TSUMKWE COPPER
GOSSAN ANOMALY
EPL3022
GEOCHEMICAL SOIL ANOMALIES
Imagery: Microsoft Bing © 2010 Microsoft Corporation

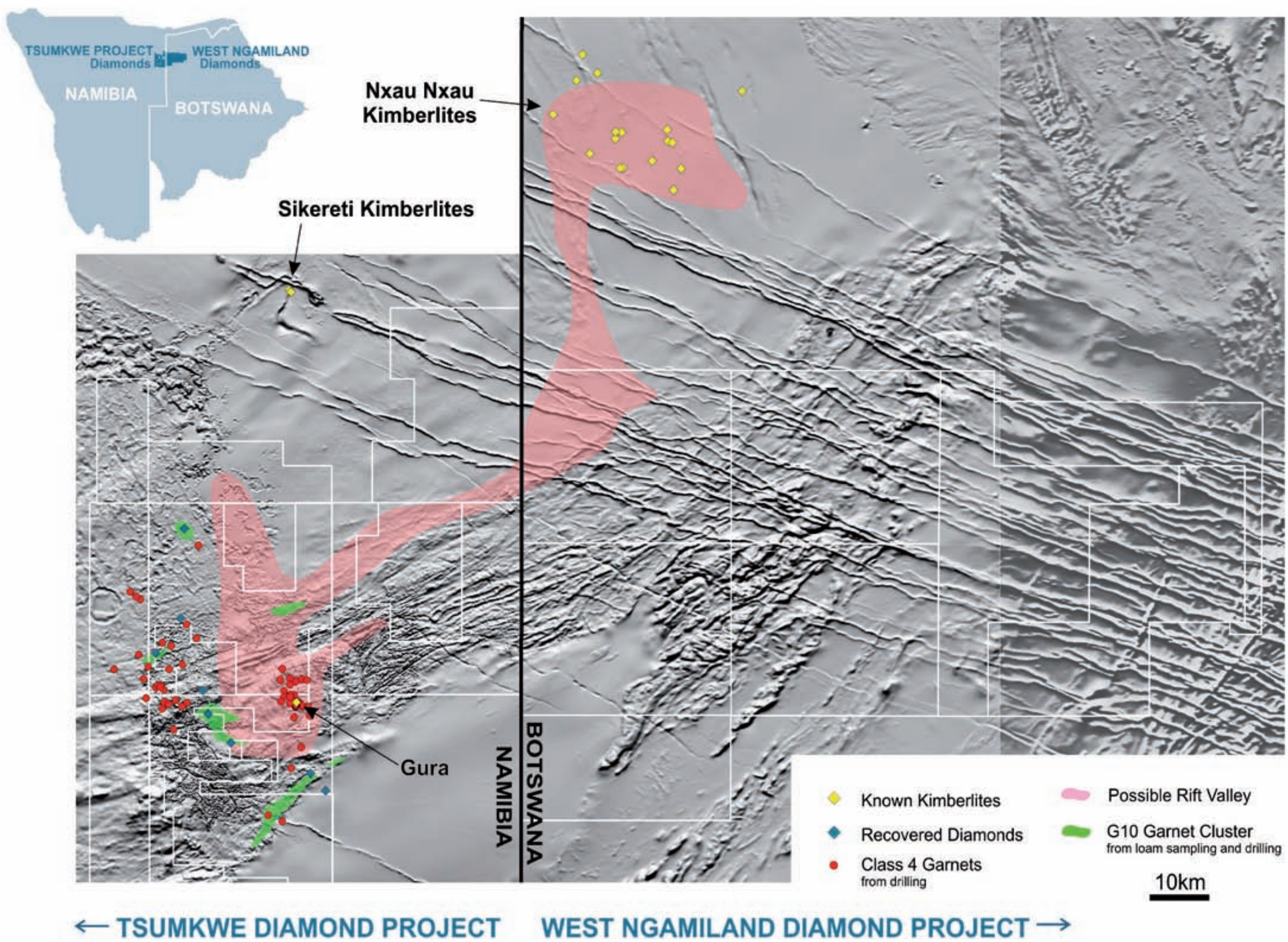
## DIAMONDS

### WESTERN NGAMILAND DIAMOND PROJECT, BOTSWANA

The Company has eight Prospecting Licences for diamond exploration, covering an area of some 7,000 square kms, in Western Ngamiland, Botswana. The Company believes that high potential exists in this area for the discovery of kimberlites for the following reasons:

- The area is part of or proximal to the south eastern margins of the Angolan Craton, prospective for the discovery of kimberlites.
- Part of the area is some 30km south of the recently discovered Nxau Nxau kimberlite field.
- The area falls within the Limpopo dolerite dyke swarm, conducive to the occurrence of kimberlite intrusives.
- The area adjoins the Company's Tsumkwe diamond project in Namibia, immediately to the east, where to date a number of G10 pyrope garnet anomalies and macro diamonds have been found in both drilling and loam sampling. It is possible that some of these anomalies have been sourced from kimberlites within the area the Company now has under licence on the Botswana side of the border.

During the year the Company continued drill testing targets that it had previously covered with close spaced ground magnetic surveys. Thirty targets have been drill tested to date, none of which have proved to be kimberlites.



# NAMIBIA

## TSUMKWE DIAMOND PROJECT

The Tsumkwe diamond project located in Bushmanland, Namibia has now reached a mature stage where the future of this project can be assessed, based on an extensive and very detailed data base. The conclusions and future work as set out below are based on a comprehensive review by Mr Manfred Marx, Consulting Diamond Geologist, of the information held by the Company.

The main **conclusions** reached are as follows:

- Evidence suggests that the Tsumkwe Panneveld region is most likely to harbour more kimberlite or lamproite pipes, in addition to the three known Gura kimberlite pipes.
- The kimberlite indicator mineral (KIM) grain distribution patterns are both locally transported (abraded surfaces) and residual (fresh surfaces).
- Trace quantities of macro-diamonds, as well as G10 pyrope garnets (which are well represented within the Tsumkwe garnet population), support the occurrence of yet to be discovered diamond bearing kimberlites.
- The target area with the highest potential identified for future exploration lies in a band along the Damara Fault Zone over a strike length of some 30km.
- The modest kimberlite exploration success to date within the Tsumkwe area can be largely attributed to the complex sub-surface geology beneath the Kalahari sand cover.

The future work **recommendations** arising from these conclusions are as follows:

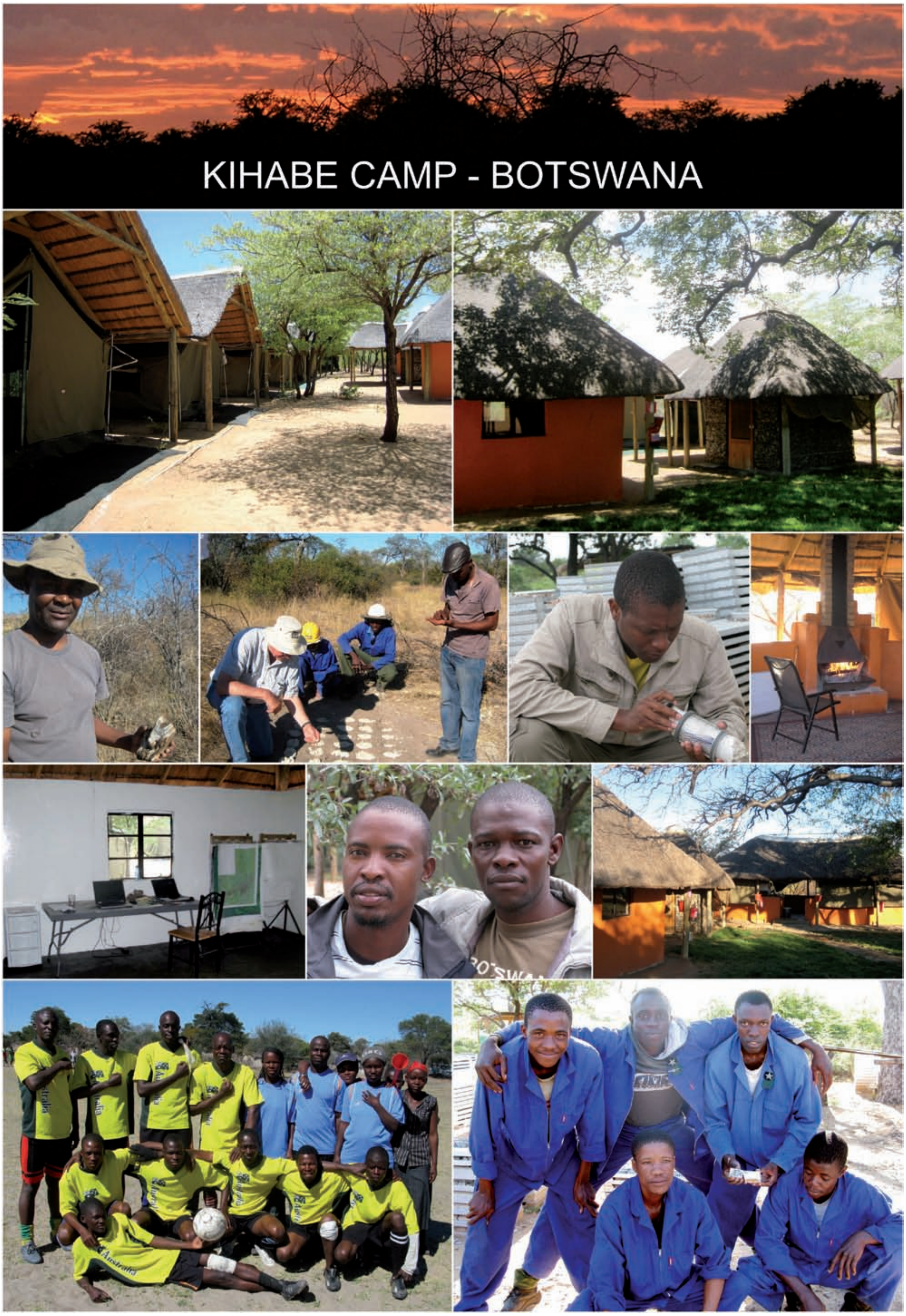
- The loam sample density over the existing regional KIM anomalies associated with the Damara Fault Zone should be increased to define the primary source areas more clearly.
- Detailed ground geophysical surveys should then be initiated to cover the resulting KIM clusters prior to drilling.

## HARDAP DIAMOND PROJECT, NAMIBIA

The Company holds four exploration licences, in joint venture with Namibian entities, in the Hardap region of Namibia, covering an area of 3,800 square kilometres,. The Company holds 80% in 2,800 square kilometres and 60% in 1,000 square kilometres. The area under licence incorporates the Maltahohe kimberlite field in which nine kimberlites have been found to date.

This same area also covers the drainage sources to the Tsauchab River, believed to be the carrier of the diamonds found around the regions of Meob Bay on Namibia's Atlantic coastline. Several kimberlite targets have been selected from locally flown aeromagnetics, ready for drilling upon conclusion of access negotiations.

The information contained in this report relative to the West Ngamiland, Tsumkwe and Hardap diamond projects is based on information approved for release by Mr Manfred Marx of Manfred Marx and Associates Pty Ltd, Bsc., Dip Env. Sc., Aus.I.M M., GSSA. Mr Manfred Marx is a consulting geologist to the Company. He has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2004 edition of the Australasian Code for Reporting of exploration results, mineral resources and ore reserves. Mr Marx consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.


KIHABE CAMP - BOTSWANA

## CORPORATE GOVERNANCE POLICY

**Role of the Board and Directors**
*ASX Best Practice Recommendations 1.1, 1.2 and 1.3*

The Board of Directors of the Company is responsible for the corporate governance of the Company which it endeavours to conduct at all times, where possible, in accordance with “best practice”. The Board determines and monitors on behalf of shareholders the day to day business and affairs of the Company and its subsidiaries. In accordance with the determination of the Board, Senior Management/Executives has/have the actual responsibility of conducting the day to day business of the Company. The responsibility for the day to day business and affairs of the Company are as delegated and outlined below.

| Day to Day Business Responsibilities | Board | Senior Management/ Executives |
|---|---|---|
| Overseeing the Group, including its control and accountability systems | √ | √ |
| Monitoring and guiding the Group in accordance with its planned and approved strategic direction and required performance. | √ | √ |
| Approving and monitoring the Group’s budgets. | √ | √ |
| Reporting to shareholders and authorities, as required, on the performance and state of the Company. | √ | √ |
| Approving and monitoring the progress of capital management, capital expenditure, acquisitions and divestments; | √ | √ |
| Continually monitoring and implementing the Group’s systems of internal compliance and control, risk management and legal compliance and ensuring the integrity and effectiveness of those systems; | √ | √ |
| Approving and monitoring financial and other reporting, including reporting to shareholders, the Australian Securities Exchange and other authorities as required. | √ | √ |
| Appointing and removing the Chief Executive Officer, Company Secretary and Chief Financial Officer; | √ | |
| Selecting and ratifying the appointment of senior management | √ | |
| Monitoring senior management’s performance | √ | |
| Ensuring that the remuneration and conditions of service are appropriate to attract and retain required senior management; and | √ | |
| Establishing and monitoring succession planning for the Board and senior management. | √ | |

The process of evaluating the performance of Board members and senior executives, in respect of the duties which they are required to perform, within the capacity for which they are engaged, is conducted on an ongoing basis. The Company is of the size where this process can be conducted satisfactorily without having to engage in evaluation regimes to determine states of performance. Any unsatisfactory states of performance are dealt with accordingly.

**Director Independence**
*ASX Best Practice Recommendation 2.1*

The ASX Best Practice Recommendations maintain that directors are considered to be independent if they are not major shareholders, are independent of management and are free from any business or other relationship that could materially interfere with their exercise of free and independent judgement. ASX Best Practice Recommendation 2.1 recommends that the Board should comprise a majority of independent directors.

During the year, Mr Stirling, a non-executive director of the Company became – through his indirect holdings – a substantial shareholder of the Company and therefore is not considered, according to ASX Best Practice Recommendation 2.1, to be independent.

The Board therefore now comprises an equal number of independent and non-independent directors. Because of the size of the Company, a majority of executive directors may occur where the direction of the Company requires additional executive expertise. For commercial reasons, the Company will not necessarily appoint additional non-executive directors simply for the purpose of maintaining a majority of independent non-executive directors on the Board. Refer to ASX Best Practice Recommendations 2.6 for Directors' status of independence.

**Role of Chairman**
*ASX Best Practice Recommendation 2.2 and 2.3*

The ASX Best Practice Recommendations 2.2 and 2.3 maintain that the Chairman should be an Independent Director and that the roles of Chairman and Chief Executive Officer should not be exercised by the same individual.

Mr Forrester, engaged in the role of Managing Director is not, therefore, considered to be independent in his role as Chairman. For the sake of preserving administrative costs Mr Forrester is currently filling the role of both Chairman and Managing Director.

**Nomination Committee**
*ASX Best Practice Recommendation 2.4*

The ASX Best Practice Recommendation 2.4 maintains that the Board should establish a nomination committee to assess the competencies of Directors, review Board succession plans, evaluate the performance of the Board and the appointment and re-election of Directors.

Because of its size the Company does not have an independent Nomination Committee. Any relevant matters to be dealt with are dealt with by the Board as a whole.

**Process of Evaluating the Performance of the Board**
*ASX Best Practice Recommendation 2.5*

The ASX Best Practice Recommendation 2.5 maintains that the performance of the Board should be reviewed regularly in respect of:

- Participation of all Board members in Board decision making
- Having access to relevant information for the purpose of decision making
- Communications with the Company Secretary

The Company is of the size where all members of the Board are updated on a regular basis, both telephonically and by way of update reports, in respect of the ongoing operations of the Company. In order to eliminate high travel costs involved for the overseas directors to be present in Australia for meetings, the majority of the Company's Board Meetings are held telephonically. Any abnormal situations are reported and discussed in a timely manner. Specific requests for information are responded to as soon as possible. Monthly financial statements are circularised to all members of the Board and all members of the Board are free to communicate with the Joint Company Secretaries.

Thirteen Board meetings were held during the year.

**Composition of the Board**
*ASX Best Practice Recommendation 2.6*

The Company's Constitution requires a minimum of three Directors. This number can be increased in accordance with the requirements of the Company.

The names of the Directors of the Company at the date of this report are as follows:

| DIRECTOR | ROLE | APPOINTED | RETIRING AT 2010 AGM | SEEKING RE-ELECTION AT 2010 AGM |
|---|---|---|---|---|
| Nigel Raymond Forrester | Chairman and Managing Director | 1985 | No | - |
| Molatlhegi Benjamin Mosigi | Technical Director Exploration | 2009 | No | No |
| Ronald William O'Regan | Non Executive Director | 2000 | No | No |
| Alfred Patrick Stirling | Non Executive Director | 2003 | Yes | Yes |
| Godfrey Edward Taylor | Non Executive Director | 1999 | No | No |

The skills, experience and expertise of the current Directors of the Company are outlined below.

| | |
|---|---|
| Mr N R Forrester<br>FCA | Chairman and Managing Director, aged 65, Chartered Accountant, joined the Board in 1985. Mr Forrester is a Fellow of the Institute of Chartered Accountants in England and Wales and also a Fellow of the Institute of Chartered Accountants in Australia. He has been involved in the exploration and mining industry over the past thirty one years. Mr Forrester is one of the original shareholders of the Company which he floated in 1985. |
| Mr M B Mosigi<br>B.Sc. M.Sc | Executive Director, aged 52, geologist, joined the Board in 2009. Mr Mosigi has significant experience in base metal and diamond exploration/mining. His previous diamond exploration and mining experience, which included a significant period of time with Debswana and Botswana Diamondfields covered work on the Orapa, Lethlakane, Jwaneng and Damtshaa Diamond Mines in Botswana and the Bobbejaan, Water Fissure and Bellsbank kimberlites in the Republic of South Africa. |
| Mr R W O'Regan | Non-executive Director, aged 69, retired Stockbroker, joined the Board in 2000. Mr O'Regan became a member of the London Stock Exchange in the 1970s and a member of the board of Astaire and Partners, a firm of London stockbrokers, from 1987-2009. |
| Mr G E Taylor<br>LLB | Non-executive Director, aged 63, Practising Solicitor joined the Board in 1999. Mr Taylor, graduated in law from the University of Western Australia in 1968 and was admitted to practice in 1970. He has been practising law for more than thirty years and specialises in commercial and corporate law. Mr Taylor and his family were original shareholders in the Company and have been shareholders throughout its existence. He is also a non-executive director of another Australian public listed resource exploration company. |
| Mr A P Stirling<br>FCA | Non-executive Director, aged 74, Chartered Accountant, joined the Board in 2003. Mr Stirling, a Fellow of the Institute of Chartered Accountants in England and Wales, has had significant experience in investment and fund management. Mr Stirling, together with associates is a substantial shareholder of the Company. |

The non-independent Directors of the Company are Mr Forrester, Chairman and Managing Director and Mr Mosigi, Technical Director, Exploration. Non-executive Directors of the Company, Mr O'Regan and Mr Taylor, are both shareholders of the Company and are considered independent to the extent that:

- They are not individually substantial shareholders of the Company or otherwise associated with a substantial shareholder of the Company
- They are not employed nor have they in the last three years been employed in an executive capacity by the Company
- They have not in the previous three years been a professional advisor to the Company
- They have not been a material supplier to or customer of the Company
- They do not have a contractual relationship with the Company other than as a Director.

Non-executive Director of the Company, Mr A P Stirling, may be considered under ASX Best Practice Recommendation 2.1 to be non-independent to the extent that:

- He is, through an indirect associated shareholding, a substantial shareholder of the Company and
- He has a contractual relationship with the Company other than as a Director.

Regarding the Board's policy for the nomination and appointment of Directors, it reviews its composition on a continual basis to ensure that it comprises sufficient members to achieve the purpose and direction of the Company and that its members have the relevant expertise and experience for that purpose and direction of the Company.

Except for the Managing Director, all Directors appointed to the Board are subject to election by shareholders, initially at the Annual General Meeting following their appointment and thereafter every three years.

**Independent Professional Advice for Board Members**

Any member of the Board of Directors is entitled to take independent professional advice at the expense of the Company. However, in so doing the Board must reasonably consider any request for any such expenses to be borne by the Company and meet any such expenses where relevant to the business of the Company.

**Promoting Ethical and Responsible Behaviour**
*ASX Best Practice Recommendations 3.1*

Regarding the Company's Code of Conduct, the Board of the Company endeavours to engage fellow Board Members, Senior Management and Employees of high ethical standard. As the Company is engaged in operations in countries outside Australia it engages a high proportion of local senior management and employees to achieve familiar compliance with local laws and customs. At the same time the Company requires compliance with legal and operational procedures relative to Australia. Any divergence from the standard of ethics required is dealt with in accordance with the laws and procedures as laid down in the countries in which the Company operates.

The Code of Conduct includes but is not necessarily limited to such issues as accountability, dealing with concern, violation of Company policies and standards, treatment of Company personnel and co-workers, confidentiality, personal information and intellectual property, misuse of Company assets and resources, fraud and theft, bribery and corruption, alcohol and drug abuse, use of Company information systems, respect for host country's laws etc.

**Trading in the Company's Securities by Directors and Employees of the Company**
*ASX Best Practice Recommendations 3.2*

The Company's policy in relation to trading in the Company's securities requires that prior to the placing of any intended order by any director or employee of the Company, confirmation should be sought from either the Managing Director or Company Secretary regarding any imminent Securities Exchange releases for the purpose of keeping the market fully informed.

In the event of an imminent Securities Exchange release or in the event that the Company is awaiting confirmation of information to determine whether or not a release should be made, any employee or director of the Company intending to place an order to trade in the Company's securities will be advised not to do so until any imminent or required release has been made.

These conditions will not apply to unfulfilled orders that were placed by directors or employees in acceptable circumstances.

**Integrity in Financial Reporting**
*ASX Best Practice Recommendation 4.1, 4.2, 4.3 and 4.4*

The ASX Best Practices Recommendation 4 is in relation to the establishment of an audit committee. Because of its size, the Company does not have a separate Audit Committee. Any controls required to be introduced, monitored or reviewed are done so by the five Directors who currently comprise the Board.

**Timely and Balanced Disclosure**
*ASX Best Practices Recommendations 5.1 and 5.2*

As a public exploration company, listed on the Australian Securities Exchange, the Company adopts the policy of strict adherence to the ASX Listing Rules and requirements under the Corporations Act in respect of responsible, timely, balanced and factual continuous disclosure requirements, for the purpose of keeping the market fully informed in respect of price sensitive information.

The Managing Director is responsible for determining what amounts to price sensitive information and in so doing may seek legal advice or advice from the Board.

Draft announcements are prepared for review by either administrative or geological staff or geological consultants, dependant upon the type of announcement to be made.

Price sensitive information for this Company would normally include:

- Significant exploration results, resource/reserve results or mining results. All such results are reported in compliance with the JORC Code and only released with the approval of relevant qualified personnel.
- Changes to the Company's Board of Directors or Auditors
- Changes to the Company's issued share capital through capital raisings
- Changes to the Company's Directors' shareholdings
- The acquisition or disposal of exploration areas and resources/reserves
- The formation of joint ventures

All price sensitive announcements are posted to the Company's website as soon as possible after the announcements have been released to the market by the ASX.

**Shareholder Communication**
*ASX Best Practices Recommendations 6.1 and 6.2*

The Company's auditors will be available at the Company's Annual General Meeting to answer any shareholder queries relating to the audit of the Company's Annual Report.

It is the Company's policy to ensure that a full review of the Company's operations will be presented following the Company's Annual General Meeting and that its website, www.mountburgess.com is regularly updated with all Securities Exchange announcements including its Annual and Quarterly Reports. Beneficial owners who request the Company to automatically provide them with any announcements can receive such information by electronic means.

**Recognition and Management of Risk**
*ASX Best Practices Recommendations 7.1, 7.2, 7.3 and 7.4*

The Company recognises that there are inherent risks in being involved in the resource exploration industry and operating in non-domicile countries. The policy of the Board is to monitor and if considered necessary, seek advice on areas of operational and financial risk and implement strategies for appropriate risk management arrangements.

Specific areas of risk, which are regularly considered at Board Meetings include expenditure levels relative to exploration success, going concern, foreign currency and commodities price fluctuations, performance of activities, human resources, the environment, land access, political instability and internal control. With regard to internal control the Managing Director and Chief Financial Officer are required to certify to the Board that:

- The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
- That the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all respects.

The financial reports of the Company are produced in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accountings Standards Board and the Corporations Act and in may cases exceed the disclosure requirements of the Corporations Act and the Australian Accounting Standards Board Policy 1434. The financial statements and reports are subject to review of every half year and the auditor issues an audit opinion accompanying the full year results for each financial year.

**Executive Remuneration**
*ASX Best Practices Recommendations 8.1, 8.2 and 8.3*

ASX Best Practices Recommendation 8.1 advises that the Board should establish a remuneration committee. Because of its size the Company does not have a separate remuneration committee.

The Board, as a whole, reviews the remuneration packages and policies applicable to executive Directors, senior executives and non-executive Directors on an annual basis. Remuneration levels will be realistically and competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the board will obtain independent advice on the appropriateness of remuneration packages.

Executive Directors receive a salary and share options. Non-Executive Directors normally receive a set fee per annum and share options and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties.

Because of the difficulty of raising funds as an exploration company, under the current global economic conditions, the non-executive directors of the Company have volunteered to waive their fees for the time being and the Managing Director of the Company has not taken the salary increase as recommended by the Board at the last salary review.

ASX Best Practices Recommendations 8.2 recommends that Non-executive directors should not receive options or bonus payments. The Company does not comply with this recommendation as it grants options to all non-executive Directors in recognition of the significant time they contribute to the Company. The non-executive directors are often called upon to perform duties for the Company overseas or spend considerable time away from their earning base, to represent the Company. Their fees for these duties (currently waived) in no way cover what they could otherwise earn. The options granted are exercisable at a significant premium to the current share price.

The Directors of Mount Burgess Mining N.L. ("Mount Burgess" or the "Company") submit herewith the annual report of Mount Burgess Mining N.L. and its subsidiaries (the Group) for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## INFORMATION ABOUT THE DIRECTORS AND SENIOR MANAGEMENT

The names and particulars of the Directors of the Company during or since the end of the financial year are:

| Name | Particulars |
|---|---|
| Mr N R Forrester<br>FCA | Chairman and Managing Director, aged 65, Chartered Accountant, joined the Board in 1985. Mr Forrester is a Fellow of the Institute of Chartered Accountants in England and Wales and also a Fellow of the Institute of Chartered Accountants in Australia. He has been involved in the exploration and mining industry over the past thirty one years. Mr Forrester is one of the original shareholders of the Company which he floated in 1985. |
| Mr M B Mosigi<br>B.Sc. M.Sc | Executive Director, aged 51, geologist, joined the Board in 2009. Mr Mosigi has significant experience in base metal and diamond exploration/mining. His previous diamond exploration and mining experience, which included a significant period of time with Debswana and Botswana Diamonfields covered work on the Orapa, Lethlakane, Jwaneng and Damtshaa Diamond Mines in Botswana and the Bobbejaan, Water Fissure and Bellsbank kimberlites in the Republic of South Africa. |
| Mr R W O'Regan | Non-executive Director, aged 69, retired Stockbroker, joined the Board in 2000. Mr O'Regan became a member of the London Stock Exchange in the 1970s and a member of the board of Astaire and Partners, a firm of London stockbrokers, from 1987-2009. |
| Mr G E Taylor<br>LLB | Non-executive Director, aged 63, Practising Solicitor joined the Board in 1999. Mr Taylor, graduated in law from the University of Western Australia in 1968 and was admitted to practice in 1970. He has been practising law for more than thirty years and specialises in commercial and corporate law. Mr Taylor and his family were original shareholders in the Company and have been shareholders throughout its existence. He is also a non-executive director of another Australian public listed resource exploration company. |
| Mr A P Stirling<br>FCA | Non-executive Director, aged 74, Chartered Accountant, joined the Board in 2003. Mr Stirling, a Fellow of the Institute of Chartered Accountants in England and Wales, has had significant experience in investment and fund management. |

The above named Directors held office during the whole of the financial year and since the end of the financial year, except as noted.

## DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

| Name | Company | Position | Period of Directorship |
|---|---|---|---|
| Mr G E Taylor | Iron Ore Holdings Limited | Non-executive | April 2005 - February 2009 |
| Mr A P Stirling | Gresham House Plc | Executive | October 1969 – October 2008 |
| | Welsh Industrial Investment Trust Plc | Executive | July 1993 – April 2010 |
| | SpaceandPeople Plc | Non-executive | Since 21 June 2007 |

**FORMER PARTNERS OF THE AUDIT FIRM**

At no time during the year was any officer of the Company a partner in an audit firm, or a director of an audit company that was an auditor of the Company for the year.

**DIRECTORS' SHAREHOLDINGS**

The following table sets out each director's relevant interest in shares and options in shares of the Company or a related body corporate as at the date of this report.

| | Mount Burgess Mining NL | |
|---|---|---|
| **Director** | **Fully Paid Ordinary Shares** | **Share Options** |
| N R Forrester and /or associates | 11,397,346 | 2,000,000 |
| M B Mosigi and / or associates | - | 2,000,000 |
| R W O'Regan and / or associates | 4,950,000 | 2,000,000 |
| G E Taylor and /or associates | 2,247,339 | 2,000,000 |
| A P Stirling and / or associates | 19,620,000 | 2,000,000 |

**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 24 to 27.

**SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT**

The following table discloses the details of the option holdings of the Directors and senior management of the Company. The issuing entity of all options is Mount Burgess Mining N.L.

| | Option held 1/7/2009 | Granted as Remuneration | Lapsed during the Year | Balance as at 30/06/2010 | Terminated as at 23/07/2010 | Granted as at 17/09/2010 | Balance as at 22/09/2010 | Number of ordinary shares under option |
|---|---|---|---|---|---|---|---|---|
| **DIRECTORS** | | | | | | | | |
| *Chairman* | | | | | | | | |
| N R Forrester | 1,000,000 | - | - | 1,000,000 | (1,000,000) | 2,000,000 | 2,000,000 | 2,000,000 |
| *Executive director* | | | | | | | | |
| M B Mosigi | 500,000 | - | - | 500,000 | (500,000) | 2,000,000 | 2,000,000 | 2,000,000 |
| *Non-executive directors* | | | | | | | | |
| R W O'Regan | 1,000,000 | - | - | 1,000,000 | (1,000,000) | 2,000,000 | 2,000,000 | 2,000,000 |
| G E Taylor | 1,000,000 | - | - | 1,000,000 | (1,000,000) | 2,000,000 | 2,000,000 | 2,000,000 |
| A P Stirling | 1,000,000 | - | (500,000) | 500,000 | (500,000) | 2,000,000 | 2,000,000 | 2,000,000 |
| **SENIOR MANAGEMENT** | | | | | | | | |
| *Company Secretary* | | | | | | | | |
| J E Forrester | 1,000,000 | - | (250,000) | 750,000 | (750,000) | 2,000,000 | 2,000,000 | 2,000,000 |
| S Chau | 250,000 | 500,000 | - | 750,000 | (750,000) | - | - | - |
| | 5,750,000 | 500,000 | (750,000) | 5,500,000 | (5,500,000) | 12,000,000 | 12,000,000 | 12,000,000 |

## COMPANY SECRETARIES

The names and particulars of the Company Secretaries of the Company as at the end of the financial year are:

| Name | Particulars |
|---|---|
| Mrs J E Forrester | Aged 61, joined the Company upon listing in 1985 and was appointed as Joint Company Secretary in 1993. |
| Ms S Chau, CPA | Certified Practising Accountant, aged 31, joined the Company in 2007 as Company Secretary/ Accountant and previously held a position in the audit division of Deloitte, Perth. |

## REVIEW OF OPERATIONS

(a) The objectives of the Group are to explore for and in the event of discovery, develop commercial deposits of mineral resources. To this end, the Group is currently exploring for diamonds at Tsumkwe and Hardap in Namibia and in Western Ngamiland in Botswana. It is also exploring for base metals at Tsumkwe in Namibia and at Kihabe in Botswana.

(b) Performance and indicators used by management in carrying out the above objectives include:

- Assessing and reviewing the likeliness of making a discovery through exploration
- Assessing the risks and rewards relative to the costs of exploration and the values of the minerals being explored for

(c) As the Group is involved only in exploration and resource development at this stage, any significant commercial discovery or resource upgrade could have a significant impact on the capitalisation of the Group. However, inherent in all exploration are risk factors relative to rates of success. Even beyond exploration at the point of resource development, risks prevail relative to fluctuations in commodity prices, rates of exchange and political risk.

## OPERATIONS AND PRINCIPAL ACTIVITIES

(a) The main business activity of the Group during the year was resource exploration and resource development. Funds applied to the various exploration and resource development activities were as follows:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Exploration for diamonds in Namibia and Botswana | 498,140 | 266,409 | 103,241 | 86,953 | 572,597 |

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Resource development for base metals in Namibia and Botswana | 463,016 | 1,202,304 | 2,037,137 | 2,244,913 | 760,991 |

(b) As the Group was involved only in exploration and resource development during the year there were not any returns to shareholders by way of dividends and increase in shareholder funds. Between 2006 and 2010 the Company's shares traded as follows:

| 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
|---|---|---|---|---|---|---|---|---|---|
| Low cents | High cents | Low cents | High cents | Low cents | High cents | Low cents | High cents | Low cents | High cents |
| 1.0 | 3.0 | 1.0 | 12 | 2.0 | 3.0 | 1.0 | 12 | 2.0 | 7.5 |

**FINANCIAL CONDITIONS**

(a) Further resource exploration requirements beyond the Group's current cash resources can only be funded from further share and loan capital raisings or the sale or joint venture of equity in the projects.

(b) At the end of the financial year, the Group had cash resources of $66,466.

(c) Other than bank facilities of $415,000, a loan agreement with Exchange Services Ltd, a company controlled by A.P Stirling, a Director of the Company for funding up to £250,000 if required and funding of $100,000 to be provided via a loan from Nigel Forrester, there were no other resources available to the Group, that are not reflected in the Balance Sheet, other than the availability to raise further funds through the issue of shares or the sale or joint venture of equity in projects.

(d) As the Group was involved only in exploration and resource development during the year there was not any cash generated from operations apart from interest revenue.

(e) The financial condition of the Group was not impacted by any legislation or other external requirements during the reporting period. It is not currently foreseen that the financial condition will be materially affected by such issues in future reporting periods.

A full review of operations is outlined on pages 3 to 11.

**CHANGE IN STATE OF AFFAIRS**

During the year there were no significant changes in the state of affairs of the Group.

**SUBSEQUENT EVENTS**

On 24 June 2010, the Company completed a placement of 22,375,000 fully paid ordinary shares to raise $179,000. The placement was at an issue price of $0.008 cents per share. As at the 30th June 2010, $47,000 of this amount had been received, this has been recognised as other financial liability in the Statement of Financial Position. The remaining $132,000 has been received subsequently after year end. All shares were subsequently allotted on 9 July 2010.

On 23 July 2010, the Company terminated the Employee Share Options Plan introduced in 2000. The Company recognises that because of Employee Share Scheme legislation enacted in late 2009 and today's difficult market conditions, its 2000 Plan may not, in the Board's opinion, currently be providing the performance incentives or reward for past services that were intended for our valued employees.

The following Employee Share Options issued under the 2000 Plan have been cancelled for no consideration:

| **Number** | **ASX Code** | **Security Description** |
|---|---|---|
| 2,500,000 | MTBAS | Expiry Date 31/12/10 |
| 2,050,000 | MTBAK | Expiry Date 31/12/11 |
| 1,050,000 | MTBAU | Expiry Date 31/12/12 |
| 2,200,000 | MTBAI | Expiry Date 31/12/14 |

On 30 July 2010, the Company introduced a new Employee Share Option Plan 2010 which will be governed by the following terms and conditions:

(1) each option will be issued free of consideration;

(2) the Options shall not be transferred or assigned by the holder provided that the holder shall be at liberty at any time to transfer all or any of his or her Options to his or her wife or husband respectively or to a proprietary limited company all the issued shares of which are beneficially owned by the holder and his or her wife or husband or any other nominee of the Eligible Employee, provided that any such transferee first undertakes to the Company, in a deed, not to transfer or assign such Options until such time as they are exercised;

(3) each Option will entitle the holder to subscribe for one share at an exercise price;

(4) the Options expire at 5.00pm on 31 December of the year five (5) years from the year of grant;

(5) the Options are exercisable wholly or in part by forwarding to the Company an "Option Exercise Form", accompanied by payment of the exercise price;

(6) the Options are exercisable at any time on or prior to the Expiry Date;

(7) there are no participating rights or entitlements inherent in the Options and holders will not participate in any new issue of capital offered to shareholders during the currency of the Options;

(8) shares issued on the exercise of Options will rank pari passu with the then existing ordinary share capital;

(9) an Option's terms must not prevent the Option being reorganised as required by the Listing Rules on a reorganisation of capital;

(10) the Company shall grant the Options and deliver the certificates relating to the Options to the Eligible employee within ten (10) business days of the Application Date.

**Status of the Options**

Any options issued under this plan will not be listed on the Australian Securities Exchange Limited for official quotation.

Only upon exercise of the Options issued under the plan will the Company make application to the Australian Securities Exchange Limited for the quotation of the shares issued pursuant to the exercise of the Options.

As of the date of this report 12,000,000 options with an expiry date 31 December 2015 were issued. None of these have yet been exercised.

Other than the above, there had not been any matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## FUTURE DEVELOPMENTS

The Group will be continuing exploration and enhancement of resource development on the various projects that it has committed to as outlined in the Projects Section of this report.

## ENVIRONMENTAL REGULATIONS

The Board is committed to environmental best practice in its operations and ensures full compliance with all statutory environmental regulations and guidelines. No known environmental breaches have occurred in relation to the Group's operations.

## DIVIDENDS

The Directors do not recommend the payment of a dividend and no dividend has been paid or declared since the end of the previous financial year.

## SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

On 21 September 2000, an Option Plan was introduced for the issue of options which in total shall not exceed 5% of the Issued Share Capital of the Company. The plan was introduced to reward past services and contributions of Eligible Employees and also to assist in the recruitment, retention, incentive and motivation of Eligible Employees of the Company.

Subsequently after year end, the Company's Share Option plan in force at that time was terminated and a new plan was introduced. The plan detail is disclosed in Subsequent Events.

As at the date of this report the following options over ordinary shares of Mount Burgess Mining N.L. remain on issue:

| | Number of Shares under option | Expiry Date | Exercise price $ |
|---|---|---|---|
| Issued 17 September 2010 | 12,000,000 | 31/12/2015 | 0.05 |

All of the above options were issued as an incentive and in recognition of past performance, none of which are dependent on the satisfaction of a performance condition. Further details of the options on issue are disclosed in Note 26 to the financial statements.

No shares have been issued during or since the end of the year as a result of the exercise of an option over unissued shares.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the end of the financial year the Company, except to the extent permitted by law, has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of any contract insuring against a liability incurred by an officer or auditor.

## DIRECTORS MEETINGS

Thirteen Board Meetings were held during the year. Messrs Forrester, O'Regan, Stirling and Taylor attended all thirteen Board Meetings held during the year. Mr Mosigi attended twelve of the thirteen Board Meetings held during the year.

## NON-AUDIT SERVICES

There were no amounts paid or payable to the auditors of the Group for non audit services provided during the year.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration follows on immediately from the Directors Report.

## REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Mount Burgess Mining NL's directors and its senior management for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of directors and senior management
- key terms of employment contracts

### DIRECTOR AND SENIOR MANAGEMENT DETAILS

The following persons acted as directors of the Company during or since the end of the financial year:

Mr N R Forrester (Chairman and Managing Director)
Mr M B Mosigi
Mr R W O'Regan
Mr G E Taylor
Mr A P Stirling

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted the named person held their position for the whole of the financial year and since the end of the financial year:

Mrs J E Forrester – Company Secretary
Ms S Chau – Company Secretary

Senior management for the Company and the Group are the same.

### REMUNERATION POLICY

The non-executive directors receive fees (including statutory superannuation where applicable) for their services and the reimbursement of reasonable expenses.

Directors and staff are granted options in recognition of their efforts and to act as long term incentives for their retention and for creating value for the Company. None of these options are issued for the satisfaction of any performance conditions. All options issued to directors are subject to shareholder approval.

The Board reviews the remuneration packages and policies applicable to executive directors, executives and non-executive directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Remuneration packages contain the following key elements:

(a) Short term employee benefits - salary/fees (including any annual leave accrued), non-monetary benefits
(b) Post employment benefits – including superannuation
(c) Other long term employment benefits – long service leave
(d) Share based payment – unlisted share options granted under the Employee Share Option Plan

## RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2010:

| | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2006 |
|---|---|---|---|---|---|
| Revenue | 15,734 | 49,011 | 28,316 | 23,471 | 17,152 |
| Net loss before tax | 859,565 | 550,415 | 1,143,845 | 4,212,660 | 1,122,203 |
| Net loss after tax | 859,565 | 550,415 | 1,143,845 | 4,212,660 | 1,122,203 |

| | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2006 |
|---|---|---|---|---|---|
| Share price at start of year | 0.01 | 0.03 | 0.07 | 0.09 | 0.07 |
| Share price at end of year | 0.01 | 0.01 | 0.03 | 0.07 | 0.09 |
| Basic loss per share (cents per share) | 0.27 | 0.17 | 0.42 | 1.93 | 0.64 |
| Diluted loss per share (cents per share) | 0.27 | 0.17 | 0.42 | 1.93 | 0.64 |

The Company's policy is not specifically linked to the Company's financial performance given the nature of the entity as a mining exploration Company.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The compensation of each member of the key management personnel of the Company and Group is set out below:

| | Short term employee benefits | | Post employment benefits | Other long-term employee benefits | Share based payments - Equity options | |
|---|---|---|---|---|---|---|
| | Salary & fees | Non-monetary | Superannuation | | | Total |
| **2010** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Non-executive directors** | | | | | | |
| R W O'Regan | - | - | - | - | - | - |
| G E Taylor | - | - | - | - | - | - |
| A P Stirling | - | - | - | - | - | - |
| **Executive Officers** | | | | | | |
| N R Forrester | 187,380 | 7,928 | 15,564 | 6,616 | - | 217,488 |
| M B Mosigi | 53,926 | - | - | - | - | 53,926 |
| J E Forrester | 91,454 | 8,647 | 7,596 | 3,231 | - | 110,928 |
| S Chau | 96,874 | 8,675 | 8,019 | - | 5,500 | 119,068 |
| | 429,634 | 25,250 | 31,179 | 9,847 | 5,500 | 501,410 |

| | Short term employee benefits | | | | | | |
|---|---|---|---|---|---|---|
| | Salary & fees | Non-monetary | Post employment benefits (Superannuation) | Other long-term employee benefits | Share based payments - Equity options | Total |
| **2009** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Non-executive directors** | | | | | | |
| R W O'Regan | - | - | - | - | - | - |
| G E Taylor | 4,000 | - | - | - | - | 4,000 |
| A P Stirling | - | - | - | - | - | - |
| A Mulligan | 5,505 | - | 495 | - | - | 6,000 |
| **Executive Officers** | | | | | | |
| N R Forrester | 187,381 | 7,501 | 15,564 | 6,636 | - | 217,082 |
| M B Mosigi | 25,802 | - | - | - | - | 25,802 |
| A M Surtees (i) | 43,808 | 1,875 | 3,693 | - | - | 49,376 |
| J E Forrester | 91,453 | 9,576 | 7,596 | 3,242 | - | 111,867 |
| S Chau | 96,873 | 4,688 | 8,019 | - | - | 109,580 |
| | 454,822 | 23,640 | 35,367 | 9,878 | - | 523,707 |

(i) Remuneration received by A M Surtees from 1 July 2008 until his resignation on 6 November 2008.

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

**SHARE OPTIONS**

Mount Burgess Mining N.L. operates an ownership-based scheme for executives and employees of the Group. In accordance with the provisions of the plan, executives and employees may be granted options which can be converted to ordinary shares.

Each employee share option converts into one ordinary share of Mount Burgess Mining N. L. on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. All options granted during the financial year vest immediately.

The number of options granted is based on the discretion of the Board of Directors. The Board does not impose any restrictions in relation to a person limiting his or her exposure to the risk in respect of options issued by the Company. Given the nature of the company, options are not performance driven.

Subsequent to the year end, the Company's Share Option plan in force during the year was terminated and all options issued under that plan were cancelled. A new plan, the Mount Burgess 2010 Employee Share Option Plan was adopted on 26 July 2010. The plan detail is disclosed under Subsequent Events.

The following grants of share-based payment compensation to directors and senior management relate to the current financial year:

| | | | | | During the financial year | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name** | **Option series and grant date** | **Expiry Date** | **Exercise Price $** | **Grant date fair value $** | **No. granted** | **No. vested** | **% of grant vested** | **% of grant forfeited** | **% of the total remuneration for the year that consists of options** |
| S Chau | Issued 19 Dec 2009 | 31 Dec 2014 | 0.10 | 0.011 | 500,000 | 500,000 | 100% | n/a | 4.62% |

Share based payments in existence during the year are disclosed in Note 26.

There are no further series or performance criteria that need to be met in relation to the options granted during the financial year before the beneficial interest vests in the recipient at date of grant.

The following table summarises the value of options granted, exercised or lapsed during the year to directors and senior management:

| | **Value of options granted at the grant date (i) $** | **Value of options exercised at the exercise date $** | **Value of options lapsed at the date of lapse(ii) $** |
|---|---|---|---|
| A P Stirling | - | - | 9,500 |
| J E Forrester | - | - | 4,750 |
| S Chau | 5,500 | - | - |

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards. The amount payable on exercise is $0.10.

(ii) The value of options lapsing during the period due to the date of their expiry.

Subsequent to the year end, the Company's Share Option Plan in force during the year was terminated, all options were cancelled and a new plan was introduced. The plan detail is disclosed in Subsequent Events.

**KEY TERMS OF EMPLOYMENT CONTRACTS**

Ms S Chau is a party to a service contract with Mount Burgess Mining NL, which sets out a fixed compensation package. The service contract specifies a one month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. Additional performance incentives were agreed between Ms S Chau and the Company from time to time. Ms S Chau was appointed as Company Secretary on 2 October 2007.

Other than the parties mentioned above, no other directors or senior management have service contracts with Mount Burgess Mining.

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

N R Forrester
CHAIRMAN AND MANAGING DIRECTOR
Perth, 28th September 2010

**Deloitte.**

Deloitte Touche Tohmatsu
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The Board of Directors
Mount Burgess Mining N.L.
Level 4, 109 St. Georges Terrace
Perth WA 6000

28 September 2010

Dear Board Members

**Mount Burgess Mining N.L.**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mount Burgess Mining N.L.

As lead audit partner for the audit of the financial statements of Mount Burgess Mining N.L. for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kathleen Bozanic

Kathleen Bozanic
Partner
Chartered Accountants

| | Notes | Consolidated 2010 $ | 2009 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5(a) | 15,734 | 49,011 |
| Other income | 5(b) | 478 | 313 |
| Administration expenses | 5(c) | (864,729) | (921,473) |
| Finance costs | 5(d) | (6,923) | - |
| Other expenses | 5(e) | (4,125) | (4,393) |
| Loss before tax | | (859,565) | (876,542) |
| Income tax expense | 6 | - | - |
| **Loss for the year from continuing operations** | | (859,565) | (876,542) |
| **Discontinued operations** | | | |
| Other income | 5(f) | - | 2,847,926 |
| Exploration interests written off | 5(g) | - | (2,521,799) |
| Profit before tax | | - | 326,127 |
| Income tax expense | 6 | - | - |
| **Profit for the year from discontinued operations** | | - | 326,127 |
| **Loss for the year** | 19 | (859,565) | (550,415) |
| **Other comprehensive income** | | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | (859,565) | (550,415) |
| **Earnings per share:** | | | |
| From continuing and discontinued operations: | | | |
| Basic Loss per Share (cents per share) | 20 | (0.27) | (0.17) |
| Diluted Loss per Share (cents per share) | 20 | (0.27) | (0.17) |
| From continuing operations: | | | |
| Basic (cents per share) | 20 | (0.27) | (0.27) |
| Diluted (cents per share) | 20 | (0.27) | (0.27) |

The notes to the financial statements are included on pages 34 to 68.

| | Notes | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 24(a) | 66,466 | 1,415,810 |
| Trade and other receivables | 7 | 4,810 | 13,310 |
| Inventories | 8 | 1,120 | 10,993 |
| **TOTAL CURRENT ASSETS** | | 72,396 | 1,440,113 |
| **NON CURRENT ASSETS** | | | |
| Other financial assets | 9 | - | 5,000 |
| Plant and equipment | 10 | 88,964 | 164,736 |
| Exploration interests | 11 | 14,348,125 | 13,386,969 |
| **TOTAL NON CURRENT ASSETS** | | 14,437,089 | 13,556,705 |
| **TOTAL ASSETS** | | 14,509,485 | 14,996,818 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | 102,250 | 208,253 |
| Borrowings | 13 | 380,383 | - |
| Other financial liabilities | 14 | 46,993 | - |
| Provisions | 15 | 37,028 | 18,428 |
| **TOTAL CURRENT LIABILITIES** | | 566,654 | 226,681 |
| **NON CURRENT LIABILITIES** | | | |
| Borrowings | 13 | 8,059 | - |
| Other financial liabilities | 14 | - | - |
| **TOTAL NON CURRENT LIABILITIES** | | 8,059 | - |
| **TOTAL LIABILITIES** | | 574,713 | 226,681 |
| **NET ASSETS** | | 13,934,772 | 14,770,137 |
| **EQUITY** | | | |
| Issued capital | 17 | 39,787,892 | 39,787,892 |
| Reserves | 18 | 418,017 | 393,817 |
| Accumulated losses | 19 | (26,271,137) | (25,411,572) |
| **TOTAL EQUITY** | | 13,934,772 | 14,770,137 |

The notes to the financial statements are included on pages 34 to 68.

| | Issued Capital | Employee Equity Settled Benefits Reserve | Assets Realisation Reserve | Accumulated Losses | Total |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Balance at 1 July 2008 | 39,350,959 | 283,845 | 109,972 | (24,861,157) | 14,883,619 |
| Loss for the year | - | - | - | (550,415) | (550,415) |
| Other comprehensive income for the year | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | (550,415) | (550,415) |
| Share placement to professional investor | 436,933 | - | - | - | 436,933 |
| **Balance at 30 June 2009** | 39,787,892 | 283,845 | 109,972 | (25,411,572) | 14,770,137 |
| | | | | | |
| Loss for the year | - | - | - | (859,565) | (859,565) |
| Other comprehensive income for the year | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | (859,565) | (859,565) |
| Share based payments | - | 24,200 | - | - | 24,200 |
| **Balance at 30 June 2010** | 39,787,892 | 308,045 | 109,972 | (26,271,137) | 13,934,772 |

The notes to the financial statements are included on pages 34 to 68.

| | Notes | Consolidated | |
|---|---|---|---|
| | | 2010 | 2009 |
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (791,843) | (1,049,322) |
| Interest received | | 15,734 | 49,011 |
| Refund from Mines Department | | - | 102,034 |
| Proceeds from the sale of royalties | | - | 500,000 |
| Interest and other costs of finance paid | | (6,923) | - |
| Net cash used in operating activities | 24(b) | (783,032) | (398,277) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payment for plant and equipment | | (744) | (20,286) |
| Payments for exploration and evaluation expenditure | | (980,542) | (1,291,891) |
| Proceeds from withdrawal of exploration license application | | - | 2,350,000 |
| Proceeds from sale of investment | | 5,000 | |
| Dividend received | | 478 | 313 |
| Amounts advanced to wholly owned controlled entities | | - | - |
| Net cash (used in) / provided by investing activities | | (975,808) | 1,038,136 |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of equity securities | | 47,000 | 440,000 |
| Payment for share issue costs | | (7) | (3,067) |
| Proceeds from borrowings | | 162,847 | - |
| Repayment of lease liabilities | | (1,741) | - |
| Net cash provided by financing activities | | 208,099 | 436,933 |
| | | | |
| Net (decrease) / increase in cash and cash equivalents | | (1,550,741) | 1,076,792 |
| **Cash and cash equivalents at the beginning of the financial year** | | 1,415,810 | 336,121 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (1,014) | 2,897 |
| **Cash and cash equivalents at the end of the financial year** | 24(a) | (135,945) | 1,415,810 |

The notes to the financial statements are included on pages 34 to 68.

## TABLE OF CONTENTS

## 1. GENERAL INFORMATION

Mount Burgess Mining N.L. (the Company) is a public company listed on Australian Securities Exchange (trading under the symbol 'MTB') incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in note 4.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28th September 2010.

### 2.2 Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

2.2.1 Adoption of new and revised Accounting Standards

In the current year, the Company and the Group have adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are included in the individual accounting policy notes set out below.

2.2.2 Standards affecting presentation and disclosure

| | |
|---|---|
| *AASB 101 Presentation of Financial Statements (as revised in September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASN 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101.* | AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard has required the presentation of a third statement of financial position at 1 July 2008, because the entity has applied new accounting policies retrospectively (see below). |
| *AASB 8 Operating Segments* | AASB 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see Note 4). |

2.2.3 Standards and Interpretation issued not yet effective

At the date of authorisation of the financial report, the following standards and Interpretations below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

| | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| • **AASB 9** *Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9.* AASB 9 introduces new requirements for classifying and measuring | 1 January 2013 | 30 June 2014 |

Initial application of the following standards is not expected to have any material impact on the financial report of the Group and the Company.

| | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| • **AASB 124** *Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards* Amends the requirements of the previous version of AASB 124. | 1 January 2011 | 30 June 2011 |
| • **AASB 2009-5** 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'* | 1 January 2010 | 30 June 2011 |
| • **AASB 2009-8** *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions Amends AASB 2 Share-based Payment* to clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. | 1 January 2010 | 30 June 2011 |
| • **AASB 2009-10** *Amendments to Australian Accounting Standards – Classification of Rights Issues Amends AASB 132 Financial Instruments:* Presentation to require a financial instrument that gives the holder the right to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as an equity instrument if, and only if, the entity offers the financial instrument pro rate to all of its existing owners of the same class of its own non-derivative equity instruments. Prior to this amendment, right issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer were accounted for as derivative instruments. | 1 February 2010 | 30 June 2011 |
| • **AASB 2010-3** *Amendments to Australian Accounting Standards arising from the Annual Improvement Project* Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters. | 1 July 2010 | 30 June 2011 |
| • **AASB 2010-4** *Further Amendments to Australian Accounting Standards* arising from the Annual Improvements Project Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements. | 1 January 2011 | 30 June 2011 |

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

| | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| • **AASB Interpretation 19** *Extinguishing Financial Liabilities with Equity Instruments* Requires the extinguishment of a financial liability by the issue of equity instruments to be measure fair value (preferably using the fair value of the equity instruments issued) with the difference between the fair value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of convertible debt) or to common control transactions. | 1 July 2010 | 30 June 2011 |

The director's note that the impact of the initial application of the other Standards and Interpretations not adopted is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

* AASB 2009-5 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project" specifies amendments resulting from the IASB's annual improvement project to various Australian accounting standards and interpretations. As permitted, the group has early adopted most of the amendments in AASB 2009-5 (refer note 1.2). However, the amendments to AASB 117 Leases have not been early adopted. Adoption of these amendments will potentially result in the reclassification of several leases over land as finance leases. The amendments, which apply retrospectively to unexpired leases from 1 July 2010, remove the guidance from AASB 117 which effectively prohibited the classification of leases over land as finance leases. It is not practical to provide a reasonable estimate of the impact of this amendment until a detailed review of existing leases has been completed.

### 2.3 Going concern basis

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company and consolidated entity have incurred net losses after tax for the year ended 30 June 2010 of $8,717,309 (2009: $497,343) and $859,565 (2009: $876,542) respectively. The consolidated entity has a net cash outflow of $1,550,741 (2009: inflow $1,076,792).

The ability of the Company and the consolidated entity to continue as going concerns and pay their debts as and when they fall due, given the consolidated entity's intended operational plans, assumes the following:

a) Utilisation of bank facilities of $415,000 as required, $127,000 being available to draw down at 23 September 2010.
b) Continued financial support from Exchange Services Ltd, a company controlled by A.P Stirling, a Director of the Company. At 30 June 2010, £100,000 ($175,000) is owed to Exchange Services Ltd. A further, £50,000 ($80,645) is in the process of being provided via a loan to the Company. The £150,000 loan has a term to 30 June 2011 and incurs interest at 4% above the bank bill rate.
c) Funding of $100,000 to be provided via a loan from Nigel Forrester, a Director of the Company and Jan Forrester (Company Secretary). The terms of this loan are yet to be agreed.
d) Additional funding via capital raisings or entering into joint venture arrangements in the next three months. Initial discussions have commenced with potential investors.
e) Active management of the current level of discretionary expenditure in line with the funds available to the Company and consolidated entity.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they are confident in the ability of the Company and consolidated entity to achieve the matters set out above. As such, the directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

Notwithstanding this, as a junior explorer with start up projects and a dependency on continued support from current financiers and on securing additional funding, should the Company and consolidated entity be unable to secure sufficient funding from the above, there is significant uncertainty whether the Company and consolidated entity will be able to continue as going concerns

Should the Company and consolidated entity be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company and consolidated entity be unable to continue as going concerns

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

**2.4 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit and loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

**2.5 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.6 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

**2.7 Development**

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the field on a units-of -production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

**2.8 Employee Benefits**

Liabilities recognised in respect of short term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Contributions to defined contribution retirement benefits are recognised as an expense when employees have rendered service entitling them to the contributions.

**2.9 Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate areas of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at lest one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- exploration and evaluation in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administration costs are only included in measurement of exploration and evaluation costs when they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**2.10 Financial assets**

All financial assets are recognised and derecognised on date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit and loss, which are initially measured at fair value.

2.10.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.10.2 Available-for-sale financial assets

Listed shares held by Group that are traded in an active market are classified as being available-for-sale and are stated at fair value. Fair value is determined by reference to quoted market prices less costs to sell. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is classified to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.

2.10.3 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

2.10.4 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit and loss in the period.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impartment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.10.5 De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.10.6 Investment in subsidiaries

Investments in subsidiaries are recognised in the parent entity's financial statements at cost less any impairment losses.

**2.11 Financial Instruments issued by the Company**

2.11.1 Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

2.11.2 Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

2.11.3 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 2.12 Foreign currencies

The individual financial statements of each Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributable to non-controlling interests as appropriate).

### 2.13 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**2.14 Impairment of long-lived assets**

At the end of each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**2.15 Income tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.15.1 Current tax

The tax currently payable is based on the profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.15.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all deductible temporary differences to the extent that it is probably that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

## 2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of the each reporting period and reduced to the extent that it is not longer probable that sufficient taxable profits will be available to allow all of part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they are relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.15.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit and loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

### 2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### 2.17 Jointly controlled assets

Interests in jointly controlled assets in which the Group is a venturer and has joint control are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with over ventures) and the Group's share of expenses incurred by or in respect of each joint venture.

### 2.18 Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.18.1 Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**2.19 Plant and equipment**

Plant and equipment and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

The cost of each item of plant and equipment is written off over its estimated useful life to its estimated residual value. Depreciation is calculated on a diminishing value or straight line basis. Each item's economic life has due regard to both its own physical limitations and to any present assessments of economically recoverable resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are made annually, with the effect of any changes recognised on a prospective basis. The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| Plant, equipment and vehicles | 2 - 15 years |
| Leased equipment and vehicles | 3 - 5 years |

Depreciation relating directly to plant and equipment utilised in exploration activities is allocated to particular areas of interest and capitalised into the exploration and evaluation asset for that area.

**2.20 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**2.21 Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable.

2.21.1 Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probably that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probably that the economic benefits will flow to the Group and the amount of revenue can be measure reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on a initial recognition.

**2.22 Share-based payments**

Equity-settled share-based payments to employee granted after 7 November 2002 that vested on or after 1 January 2005 are measured at fair value at the date of the grant. Fair value is measured by use of a binomial model where Black Scholes option pricing model has been used to validate the valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates, and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the entity's accounting policies**
The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

**(a) Going concern**
The Company does not have a sustainable income base from which it can fund its continual exploration effort and resource development. Consequently, with regard to going concern, the Company is reliant upon raising funds through equity issues or from the sale of assets to fund its ongoing exploration and resource development. Alternatively, the Company can seek joint venture partners to fund exploration and resource development on its behalf.

**(b) Commitments for exploration and evaluation expenditure not provided for**
The Company has expenditure commitments in relation to its various exploration licences and mining leases. If any of these commitments fall into arrears through any funding inability, the Company has the choice to seek joint venture partners to meet these commitments or apply for expenditure exemptions.

**(c) Impairment of inter company loans**
The Company has inter company loans to both its Namibian and Botswana subsidiaries. These loans were established for the purpose of routing funds out of Australia to fund exploration and resource development in Namibia and Botswana. The recovery of these loans is entirely dependent upon returns from the successful development of mining operations overseas or from surpluses from the sale of either the subsidiary companies or their projects.

**(d) Recovery of capitalised exploration expenditure**
The Company capitalises exploration expenditure incurred on ongoing projects. The recoverability of this capitalised exploration expenditure is entirely dependent upon returns from the successful development of mining operations or from surpluses from the sale of the projects or the subsidiary companies that control the projects. At the point that it is determined that any capitalised exploration expenditure is definitely not recoverable, it is written off.

## 4. SEGMENT INFORMATION

The Company has adopted AASB 8 *Operating Segments* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal report about components of the Group that re regularly overviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (AASB 115 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and return approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the staring point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

Information reported to the Company's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on the countries that the Company operates, ie Namibia and Botswana.

The Company operates in Australia, Namibia and Botswana in the area of mineral exploration.

In Australia the exploration focus was on gold and base metals. The Company withdrew from this project during the previous financial year.

In Namibia the exploration focus is on diamonds and base metals.

In Botswana the exploration focus is on base metals.

| | External sales | | Total | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| **Segment revenues from continuing operations** | | | | |
| Namibia | - | - | - | - |
| Botswana | - | - | - | - |
| | - | - | - | - |
| **Segment revenues from discontinued operations** | | | | |
| Australia | - | 2,847,926 | - | 2,847,926 |
| Total of all segments | | | - | 2,847,926 |
| Unallocated corporate revenue | | | 16,212 | 49,324 |
| Consolidated total revenue | | | 16,212 | 2,897,250 |
| | | | | |
| **Segment Results** | | | | |
| Continuing operations | | | | |
| Namibia | | | - | - |
| Botswana | | | - | - |
| | | | - | - |
| Discontinued operations | | | | |
| Australia | | | - | 326,127 |
| Total of all Segments | | | - | 326,127 |
| | | | | |
| Unallocated corporate revenue | | | 16,212 | 49,324 |
| Unallocated corporate expenses | | | (875,777) | (925,866) |
| Loss before income tax expense | | | (859,565) | (550,415) |
| Income tax expense | | | - | - |
| Loss for the year | | | (859,565) | (550,415) |
| | | | | |
| **Segment Assets** | | | | |
| Continuing operations | | | | |
| Namibia | | | 7,425,473 | 7,205,223 |
| Botswana | | | 7,036,193 | 6,382,065 |
| | | | 14,461,666 | 13,587,288 |
| Discontinued operations | | | | |
| Australia | | | - | - |
| Total of all segments | | | 14,461,666 | 13,587,288 |
| | | | | |
| Unallocated corporate assets | | | 47,819 | 1,409,530 |
| Consolidated total assets | | | 14,509,485 | 14,996,818 |

**4. SEGMENT INFORMATION (Cont'd)**

| | Total | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| **Segment Liabilities** | | |
| Continuing operations | | |
| Namibia | 1,320 | 955 |
| Botswana | 27,381 | 96,078 |
| | 28,701 | 97,033 |
| Discontinued operations | | |
| Australia | - | - |
| Total of all segments | 28,701 | 97,033 |
| | | |
| Unallocated corporate liabilities | 546,012 | 129,648 |
| Consolidated total liabilities | 574,713 | 226,681 |
| | | |
| **Acquisition of plant and equipment and exploration expenditure** | | |
| Continuing operations | | |
| Namibia | 233,009 | 194,021 |
| Botswana | 728,891 | 1,294,978 |
| | 961,900 | 1,488,999 |
| Discontinued operations | | |
| Australia | - | - |
| Total of all segments | 961,900 | 1,488,999 |
| | | |
| Unallocated corporate | 10,501 | - |
| Consolidated total | 972,401 | 1,488,999 |
| | | |
| **Depreciation/amortisation included in segment result** | | |
| Continuing operations | | |
| Namibia | - | - |
| Botswana | - | - |
| | - | - |
| Discontinued operations | | |
| Australia | - | - |
| Total of all segments | - | - |
| | | |
| Unallocated corporate | 4,125 | 4,393 |
| Consolidated total | 4,125 | 4,393 |
| | | |
| **Non cash expense other than depreciation / amortisation** | | |
| Continuing operations | | |
| Namibia | 13,643 | - |
| Botswana | 2,219 | 77,319 |
| | 15,862 | 77,319 |
| Discontinued operations | | |
| Australia | - | 2,521,380 |
| Total of all segments | 15,862 | 2,598,699 |
| | | |
| Unallocated corporate | 13,557 | - |
| Consolidated total | 29,419 | 2,598,699 |

## 5. LOSS FROM OPERATIONS

Loss from operations before income tax expense includes the following items of revenue and expense:

| | 2010 $ | 2009 $ |
|---|---|---|
| **Continuing operations** | | |
| **(a) Revenue** | | |
| Interest – other entities | 15,734 | 49,011 |
| **(b) Other** | | |
| Dividend income | 478 | 313 |
| **(c) Administration expenses include:** | | |
| Salaries and wages | 413,649 | 446,328 |
| Defined contribution plans | 43,753 | 44,143 |
| Equity settled share based payments | 24,200 | - |
| | 481,602 | 490,471 |
| Net foreign exchange loss / (gain) | 29,419 | 8,339 |
| **(d) Finance costs** | | |
| Interest on bank overdrafts | 5,870 | - |
| Interest on obligations under finance lease | 1,053 | - |
| | 6,923 | - |
| **(e) Other expenses** | | |
| Depreciation of non current assets | 2,200 | 4,393 |
| Amortisation of leased assets | 1,925 | - |
| | 4,125 | 4,393 |
| **Discontinued operations** | | |
| **(f) Other** | | |
| Sale of royalty (i) | - | 500,000 |
| Withdrawal of Exploration Licence Application 45/1946 (ii) | - | 2,347,926 |
| | - | 2,847,926 |

(i) During the last financial year the Company realised $500,000 from the sale of royalty rights in respect of the Red October gold deposit and various ground holdings in the Butcher Well area, south of Laverton in Western Australia.

(ii) During the last financial year the Company realised $2,350,000 from the withdrawal of Exploration Licence Application 45/1946 in the Telfer region of Western Australia.

| | 2010 $ | 2009 $ |
|---|---|---|
| **(g) Exploration interests written off** | - | 2,521,799 |

Write offs relate to areas which the directors have decided not to renew the right to explore or areas that were required to be reduced in size under the relevant Mining Act.

## 6. INCOME TAXES

### (a) Income tax expense

| | 2010 $ | 2009 $ |
|---|---|---|
| **Income tax recognised in profit and loss** | | |
| Tax expense / (income) comprises: | | |
| Current tax expense/(income) in respect of the current year | - | - |
| Deferred tax expense/(income) relating to the origination and reversal of temporary differences | - | - |
| Benefits arising from previously unrecognised tax losses recognised | | |
| Total tax expense/(income) | - | - |
| Income tax expense/(income) attributable to loss from continuing operations | - | - |

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense as follows:

| | 2010 $ | 2009 $ |
|---|---|---|
| Loss from continuing operations | (859,565) | (876,542) |
| Profit from discontinued operations | - | 326,127 |
| Loss from operations | (859,565) | (550,415) |
| Income tax expense calculated at 30% (2009: 30%) | (257,870) | (165,125) |
| Tax effect of amounts which are not deductible/taxable in calculating taxable income: | | |
| Non deductible expenses | | |
| Share based payments | 630 | 1,351 |
| Tax benefits not recognised | 7,260 | - |
| Income tax expense/(benefit) | 249,980 | 163,774 |
| | - | - |

### (b) Deferred tax balances

Deferred tax assets /(liabilities) arise from the following:

| | Opening Balance $ | Charged to income $ | Charged to equity $ | Closing balance $ |
|---|---|---|---|---|
| **2010** | | | | |
| Gross deferred tax assets: | | | | |
| Accruals | 7,500 | 550 | - | 8,050 |
| Provisions | 9,581 | (305) | - | 9,276 |
| Plant & equipment | 448 | (488) | - | - |
| Share issue expenses | 10,549 | - | (10,549) | - |
| Finance lease liabilities | (13) | 13 | - | - |
| Tax losses | - | (10,549) | 10,549 | - |
| Unrecognised temporary differences | (27,946) | 10,620 | - | (17,326) |
| | 119 | (119) | - | - |
| Gross deferred tax liabilities: | | | | |
| Interest receivable on 11am account | 119 | (119) | - | - |
| | 119 | (119) | - | - |
| Net deferred tax assets (not recognised) | - | - | - | - |

## 6. INCOME TAXES (Cont'd)

| | Opening Balance | Charged to income | Charged to equity | Closing balance |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2009** | | | | |
| Gross deferred tax assets: | | | | |
| Accruals | 7,500 | - | - | 7,500 |
| Provisions | 3,359 | 6,222 | - | 9,581 |
| Plant & equipment | 1,035 | (587) | - | 448 |
| Share issue expenses | 34,116 | - | (23,567) | 10,549 |
| Finance lease liabilities | (13) | - | - | (13) |
| Tax losses | 751,421 | (774,988) | 23,567 | - |
| Unrecognised temporary differences | - | (27,946) | - | (27,946) |
| | 797,418 | (797,299) | - | 119 |
| Gross deferred tax liabilities: | | | | |
| Interest receivable on 11am account | 577 | (458) | - | 119 |
| Intangible Assets-Mineral exploration | 796,841 | (796,841) | - | - |
| Other liabilities-loan payable | - | - | - | - |
| | 797.418 | (797,299) | - | 119 |
| Net deferred tax assets (not recognised) | - | - | - | - |

**Unrecognised Australian deferred tax assets**

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| The following deferred tax assets have not been brought to account as assets: | | |
| Tax losses | 5,139,874 | 4,891,403 |
| Temporary differences | 17,326 | 27,946 |
| | 5,169,329 | 4,919,349 |

## 7. TRADE AND OTHER RECEIVABLES

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Trade receivables | 220 | - |
| VAT/GST recoverable | 4,590 | 13,310 |
| | 4,810 | 13,310 |

## 8. INVENTORIES

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Diesel at cost | 1,120 | 10,993 |

## 9. OTHER NON CURRENT FINANCIAL ASSETS

| | 2010 $ | 2009 $ |
|---|---|---|
| Available-for-sale investment carried at fair value: | | |
| Investment in shares | - | 5,000 |
| Investment carried at cost: | | |
| Investments in subsidiaries | - | - |
| Loans carried at amortised cost: | | |
| Non-trade receivables from wholly owned controlled entities (i) | - | - |
| Write down to recoverable amount | - | - |
| | - | - |
| | - | 5,000 |

(i) All loans advanced to MTB (Namibia) (Pty) Ltd and Mount Burgess (Botswana) (Proprietary) Limited are interest free, unsecured, subordinate to other liabilities and repayable on demand.

## 10. PLANT & EQUIPMENT AT COST

| | Plant, Equipment and Vehicles $ | Leased Equipment and vehicle $ | Total $ |
|---|---|---|---|
| **Gross carrying amount** | | | |
| Balance as at 1 July 2008 | 856,328 | 17,430 | 873,758 |
| Additions | 20,286 | - | 20,286 |
| **Balance as at 1 July 2009** | 876,614 | 17,430 | 894,044 |
| Additions | 744 | 10,501 | 11,245 |
| **Balance as at 30 June 2010** | 877,358 | 27,931 | 905,289 |
| | | | |
| **Accumulated depreciation/amortisation** | | | |
| Balance as at 1 July 2008 | 624,850 | 17,430 | 642,280 |
| Depreciation/amortisation expense | 87,028 | - | 87,028 |
| **Balance as at 1 July 2009** | 711,878 | 17,430 | 729,308 |
| Depreciation/amortisation expense | 85,092 | 1,925 | 87,017 |
| **Balance as at 30 June 2010** | 796,970 | 19,355 | 816,325 |
| | | | |
| **Net Book Value** | | | |
| As at 30 June 2009 | 164,736 | - | 164,736 |
| As at 30 June 2010 | 80,388 | 8,576 | 88,964 |

Aggregate depreciation and amortisation allocated during the year.

| | 2010 $ | 2009 $ |
|---|---|---|
| **Plant, equipment and vehicles** | | |
| Recognised as an expense | 2,200 | 4,393 |
| Capitalised as part of the carrying amount of exploration interests | 82,892 | 82,635 |
| **Leased equipment and vehicles** | | |
| Recognised as an expense | 1,925 | - |
| | 87,017 | 87,028 |

## 11. EXPLORATION INTEREST

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| **Tenement acquisition at cost** | | |
| Balance as at the start of the financial year | - | 572,043 |
| Write offs | - | (572,043) |
| Balance as at the end of the financial year | - | - |
| | | |
| **Exploration expenditure at cost** | | |
| Balance as at the start of the financial year | 13,386,969 | 13,937,545 |
| Additions | 961,156 | 1,501,214 |
| Refunds from Mines Department | - | (102,034) |
| Write offs | - | (1,949,756) |
| Balance as at the end of the financial year | 14,348,125 | 13,386,969 |
| | | |
| **Total Exploration Interests** | 14,348,125 | 13,386,969 |

The ultimate recoupment of the value of assets is dependent upon their successful development and commercial exploitation, or alternatively their respective sale.

## 12. TRADE AND OTHER PAYABLES

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Trade payables | 102,250 | 208,253 |

Trade payables are non interest bearing and are normally settled on terms of 30 days from month end.

## 13. BORROWINGS

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| **Unsecured – at amortised costs** | | |
| Loan from a director related company (i) | 175,871 | - |
| | | |
| **Secured – at amortised costs** | | |
| Bank overdrafts (ii) | 202,411 | - |
| Finance lease liability (iii) (Note 16) | 10,160 | - |
| | 212,571 | - |
| | | |
| | 388,442 | - |
| | | |
| Current | 380,383 | - |
| Non -current | 8,059 | - |

(i) The loan from a director related company is amounting to £100,000. Interest will accrue on the loan at the rate of 4% above the Bank Bill Rate in Australia as from 1 July 2010 until the loan has been repaid in full but shall only become payable if the loan is not fully repaid on or before the 30 June 2010 or if earlier the Company is in default of its obligations hereunder.

(ii) Secured by a mortgage over a property which is belongs to one of the directors, namely N R Forrester, of the Company. The interest rate on bank overdraft facility is based on BMI rate plus a margin in 0.33% pa. No fees have been paying for Mr N R Forrester for providing his property as a mortgage.

(iii) Secured by the asset held. The interest rate on finance lease is 10.57% with repayment period of 5 years.

## 14. OTHER FINANCIAL LIABILITIES

| | Consolidated | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Other (i) | 46,993 | - |
| Non-trade payable to wholly owned controlled entity (ii) | - | - |
| | 46,993 | - |
| Current | 46,993 | - |
| Non-current | - | - |

(i) Other financial liabilities representing the funds received from the share placement announced on 25 June 2010 where shares were allotted subsequent to the year end.
(ii) Non-trade payable to wholly owned entities are non interest bearing with no fixed term of repayment.

## 15. CURRENT PROVISIONS

| | **2010** | **2009** |
|---|---|---|
| | **$** | **$** |
| Employee entitlements | 37,028 | 18,428 |

## 16. OBLIGATIONS UNDER FINANCE LEASE

| | **2010** | **2009** |
|---|---|---|
| | **$** | **$** |
| Not later than one year | 3,049 | - |
| Later than one year and note later than five years | 9,399 | - |
| | 12,448 | - |
| Less future finance charges | (2,288) | - |
| Present value of minimum lease payments | 10,160 | - |
| Included in the financial statements are: | | |
| - current borrowings (note 13) | 2,101 | - |
| - non-current borrowings (Note 13) | 8,059 | - |

Finance lease relates to a photocopying machine with a lease term of 5 years. The Group's obligations under the finance lease are secured by the lessor's title to the lease asset.

## 17. ISSUED CAPITAL

| | **2010** | **2009** |
|---|---|---|
| | **$** | **$** |
| 320,257,000 fully paid ordinary shares (2009: 300,257,000) | 39,787,892 | 39,787,892 |

| | Consolidated | | | |
|---|---|---|---|---|
| | **2010** | **2010** | **2009** | **2009** |
| | **No.** | **$** | **No.** | **$** |
| **Fully paid ordinary share capital** | | | | |
| Balance at beginning of financial year | 320,257,000 | 39,787,892 | 300,257,000 | 39,350,959 |
| Share placements to professional investors | - | - | 20,000,000 | 440,000 |
| Less costs | - | - | - | (3,067) |
| | 320,257,000 | 39,787,892 | 320,257,000 | 39,787,892 |

**17. ISSUED CAPITAL (Cont'd)**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

**18. RESERVES**

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Equity-settled employee benefits | 308,045 | 283,845 |
| Asset realisation reserve | 109,972 | 109,972 |
| | 418,017 | 393,817 |

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| **Equity-settled employee benefits** | | |
| Balance at beginning of financial year | 283,845 | 283,845 |
| Share based payments | 24,200 | - |
| Balance at end of financial year | 308,045 | 283,845 |

The equity-settled employee benefits arise on the grant of share options to employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in Note 26 to the financial statements.

Asset realisation reserve represents realised benefits transferred from a previous asset revaluation reserve.

**19. ACCUMULATED LOSSES**

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Balance at beginning of financial year | (25,411,572) | (24,861,157) |
| Net loss | (859,565) | (550,415) |
| Balance at end of financial year | (26,271,137) | (25,411,572) |

**20. EARNINGS PER SHARE**

| | 2010 | 2009 |
|---|---|---|
| | Cents per share | Cents per share |
| **Basic loss per share** | | |
| From continuing operations | (0.27) | (0.27) |
| From discontinued operations | - | 0.10 |
| Total basis loss per share | (0.27) | (0.17) |
| | | |
| **Diluted basic loss per share** | | |
| From continuing operations | (0.27) | (0.27) |
| From discontinued operations | - | 0.10 |
| Total diluted loss per share | (0.27) | (0.17) |

## 20. EARNINGS PER SHARE (Cont'd)

The loss and weighted average number of ordinary shares used in the calculation of basic and dilutive earnings per share are as follows:

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Net loss | (859,565) | (550,415) |
| Loss used in calculation of basic and dilutive EPS | (859,565) | (550,415) |

| | 2010 | 2009 |
|---|---|---|
| | No. | No. |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 320,257,000 | 319,051,521 |

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

| | 2010 | 2009 |
|---|---|---|
| | No. | No. |
| Employee share options | 7,800,000 | 6,550,000 |

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report except as disclose in subsequent event. As of the date of this report the above options were cancelled. On 17 September 2010, 12,000,000 options, with an expiry date 31 December 2015, were issued. None of these have yet been exercised.

## 21. COMMITMENTS FOR EXPENDITURE

### (a) Exploration Commitments

The Group has certain obligations to perform minimum exploration work on mineral licences held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. As at balance sheet date, total exploration expenditures commitments on tenements held by the Group have not been provided for in the financial statements and which cover the twelve month period amount to $2,863,000 (2009: $4,510,000). These obligations are also subject to variations by farm-out arrangements or sale of the relevant licenses.

| | | 2010 | 2009 |
|---|---|---|---|
| | | $ | $ |
| Namibia | (i) | 981,000 | 711,000 |
| Botswana | (ii) | 1,882,000 | 3,799,000 |
| | | 2,863,000 | 4,510,000 |

**(i) Namibia**

In terms of the Minerals (Prospecting and Mining) Act of Namibia the Company has prescribed annual expenditure estimates as proposed by it at the time of application or renewal of the various prospecting licences which are held in Namibia. As at 30 June 2010 the Company had, since project commencement, exceeded its cumulative annual expenditure commitments by A$1,412,000.

**(ii) Botswana**

The Company has a minimum annual expenditure estimates as proposed by it when applying for or renewing licences in Botswana. The Company may from time to time notify the Minister of any amendments it wishes to make to the proposed prospecting operations. The Minister has the discretion to suspend the obligation to expend the estimated amount of moneys on the exploration licences.

## 21. COMMITMENTS FOR EXPENDITURE (Cont'd)

| | | 2010 | 2009 |
|---|---|---|---|
| | | **$** | **$** |
| (i) | no later than 1 year | 50,597 | 47,396 |
| (ii) | later than 1 year and not later than 5 years | 53,126 | 102,023 |
| | | 103,723 | 149,419 |

The above operating lease commitment is for the lease of the Company premises. The annual lease commitments are fixed and there are no contingent rental payments. The lease agreement contains an option to renew the lease for 3 years. Refer to Note 16 for finance lease obligations.

## 22. JOINTLY CONTROLLED ASSETS

The Company has an interest in the following jointly controlled assets as at the 30 June 2010:

(a) a joint venture, known as the Tsumkwe Joint Venture, with Kimberlite Resources Pty Ltd, for the exploration and development of mines on Exclusive Prospecting Licences 2012, 2014, 2817, 2818, 2819, 3019 and 3020 in Namibia, where the Company holds 90% and Kimberlite Resources Pty Ltd holds 10%.

The capital commitments arising from the Company's interests in joint venture operations are disclosed in Note 21(a).

The following amounts represent the Group's interest in assets employed in the above joint venture. The amounts are included in the financial statements under their respective asset categories.

| | 2010 | 2009 |
|---|---|---|
| | **$** | **$** |
| **Current Assets** | | |
| Cash assets | 5,736 | 4,216 |
| Receivables | 734 | 1,034 |
| Total Current Assets | 6,470 | 5,250 |
| **Non Current Assets** | | |
| Exploration interests | 6,986,958 | 6,770,461 |
| Plant and equipment | 16,849 | 30,329 |
| Total Non Current Assets | 7,003,807 | 6,800,790 |
| **Total Assets** | 7,010,277 | 6,806,040 |

## 23. CONTROLLED ENTITIES

| | Country of Incorporation | Ownership Interest (%) | |
|---|---|---|---|
| **Parent Entity** | | **2010** | **2009** |
| Mount Burgess Mining N.L. | Australia | | |
| **Controlled Entity** | | | |
| MTB (Namibia) (Proprietary) Ltd | Namibia | 100% | 100% |
| Mount Burgess (Botswana) (Pty) Ltd | Botswana | 100% | 100% |
| Aten Investments (Pty) Ltd | Namibia | 100% | 100% |
| Leda Investments (Pty) Ltd | Namibia | 100% | 100% |

## 24. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:

## 24. NOTES TO THE STATEMENT OF CASH FLOWS (Cont'd)

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 66,466 | 1,415,810 |
| Bank overdraft | (202,411) | - |
| | (135,945) | 1,415,810 |

**(b) Reconciliation of loss for the period to the net cash flows from operating activities:**

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Loss for the year | (859,565) | (550,415) |
| Depreciation | 2,200 | 4,393 |
| Amortisation | 1,925 | - |
| Write off of exploration and development expenditure | - | 2,521,799 |
| Profit on withdrawal of ELA | - | (2,347,926) |
| Unrealised foreign exchange loss on loan | 13,024 | - |
| Dividend received | (478) | (313) |
| Net exchange differences | 1,014 | (2,897) |
| Recoverable amount write down | - | - |
| Equity settled share options payments | 24,200 | - |
| Changes in operating assets and liabilities: | | |
| Decrease in trade receivables | 2,970 | 3,176 |
| Increase / (decrease) in trade payables | 13,078 | (33,325) |
| Increase in provision for employee entitlements | 18,600 | 7,231 |
| Net cash flows from operations | (783,032) | (398,277) |

**(c) Financing facilities**

As at 30 June 2009 the Company had a Visa Card credit facility to the value of $65,000 (2009: $65,000), an overdraft facility to the value of $350,000 (2009: $350,000) and indemnity / guarantee facility of $18,300 (2009: $18,300). At balance date the total amount unused was $213,000 (2009: $253,000).

## 25. FINANCIAL INSTRUMENTS

**(a) Significant accounting policies**

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements. No financial derivative instruments were in place at year end.

**(b) Financial risk management objectives**

Note 25 (c), (d), (e) and (g) present information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivatives financial instruments, for speculative purposes.

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risk relating to the operations of the Group through regular reviews of the risks.

## 25. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Interest rate risk management

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| **Fixed rate instruments** | | |
| Financial assets | 35,541 | 164,441 |
| Financial liabilities | 102,250 | 208,253 |
| | 137,791 | 372,694 |
| **Variable rate instruments** | | |
| Financial assets | 35,735 | 1,264,677 |
| Financial liabilities | 388,442 | - |
| | 424,177 | 1,264,677 |

**Sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis point higher/lower and all other variables constant, the Group's:

- Profit for the year ended 30 June 2010 would decrease/increase by $1,723 (2009: decrease/increase by $6,323). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

### (d) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Company monitors relevant rates of exchange on a daily basis to determine as best as possible the more advantageous rates at which to transfer funds to overseas accounts.

The Group has not entered into any derivative financial instruments to hedge such transactions.

The Group is exposed to currency risk, however at balance sheet date the Group holds insignificant amounts of financial assets or liabilities which are exposed to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| GBP | 100,000 | - | - | - |

**25. FINANCIAL INSTRUMENTS (Cont'd)**

**Sensitivity Analysis**

A 10 percent strengthening of the Australian dollar against the following currency as at 30 June would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

| | GBP impact | |
|---|---|---|
| | **2010** | **2009** |
| Profit or loss | 17,587 | - |

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

**(e) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Non-trade receivables from wholly owned controlled entities are assessed for impairment by reference to any future prospects in relation to development of the tenements.

**(f) Net fair value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

**(g) Liquidity risk management**

Ultimate responsibility of liquidity risk management rests with the Board of Directors, which continually monitors the Company's future funding plans. Future funding plans are subject to change, according to prevailing and anticipated market conditions determining the ease at which further funding capital can be raised. Capital raisings are planned at times that the Company still holds adequate cash resources or has in place banking and resource borrowing facilities. Details of the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments are disclosed in Note 25 (c).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

## 25. FINANCIAL INSTRUMENTS (Cont'd)

| | Weighted average effective interest rate | Less than 1 year | 1-5 years | Total |
|---|---|---|---|---|
| | % | $ | $ | $ |
| **30 June 2010** | | | | |
| Non-interest bearing | - | 102,250 | - | 102,250 |
| Finance lease liability | 10.57 | 2,323 | 8,911 | 11,234 |
| Variable interest rate instruments | 9.07 | 412,588 | - | 412,588 |
| | | 517,161 | 8,911 | 526,072 |
| **30 June 2009** | | | | |
| Non-interest bearing | | 208,253 | - | 208,253 |

The following table details the Company's expected maturity of its non-derivative financial assets. The table has been drawn up based on the undiscounted maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

| Consolidated | Weighted average effective interest rate | Less than 1 year | 1-5 years | Total |
|---|---|---|---|---|
| | % | $ | $ | $ |
| **30 June 2010** | | | | |
| Non interest bearing | | 35,541 | - | 35,541 |
| Variable rate instruments | 2.41 | 36,596 | - | 36,596 |
| | | 72,137 | - | 72,137 |
| **30 June 2009** | | | | |
| Non interest bearing | | 164,443 | - | 164,443 |
| Variable rate instruments | 6.55 | 1,347,513 | - | 1,347,513 |
| | | 1,511,956 | - | 1,511,956 |

### (h) Capital risk management

The Group manages its capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt to equity balance. The Group's focus has been to raise sufficient funds through equity to fund exploration activities.

The Group's overall strategy remains unchanged from 2009. Risk management policies and procedures are established with regular monitoring and reporting.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in Notes 17, 18 and 19 respectively. The Group operates in Australia, Namibia and Botswana. None of the Group's companies are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Group's operations.

## 26. SHARE-BASED PAYMENTS

**Employee Share Option Plan (Terminated on 20 July 2010)**

In September 2000 the Company adopted the Mount Burgess Mining N.L. Employee Share Option Plan as approved by shareholders to reward past services and contributions of Eligible Employees and also to assist in the recruitment, retention, incentive and motivation of Eligible Employees of the Company. Employee share options carry no rights to dividends and no voting rights. In accordance with the terms of the Employee Share Option Plan, all options, including any issued during the year ended 30 June 2010, vest in the option holder at the date of their issue and may be exercised at any time from the date of their issue to the date of their expiry. No amounts are paid by the recipient on receipt of the option. Each share option converts to one ordinary share of Mount Burgess Mining N.L. on exercise. The majority of options issued under this plan were exercisable at 25 cents, with some options issued in December 2009, under the amended plan being exercisable at 10 cents.

| | 2010 | Weighted Average exercise price | 2009 | Weighted Average exercise price |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| Employee share option plan | | | | |
| Balance at the start of the year (i) | 6,550,000 | 0.25 | 10,650,000 | 0.25 |
| Granted during the year(ii) | 2,200,000 | 0.10 | - | - |
| Lapsed during the year (iii) | (950,000) | 0.25 | (4,100,000) | 0.25 |
| Balance at the end of the year (iv) | 7,800,000 | 0.21 | 6,550,000 | 0.25 |

**(i) Balance at the beginning of the year**

| | No. | Grant Date | Expiry Date | Exercise Price $ | Fair Value at grant date $ |
|---|---|---|---|---|---|
| Issued 31 March 2004 | 200,000 | 31/03/04 | 31/12/09 | 0.25 | 0.019 |
| Issued 11 June 2004 | 750,000 | 11/06/04 | 31/12/09 | 0.25 | 0.019 |
| Issued 26 August 2005 | 2,500,000 | 26/08/05 | 31/12/10 | 0.25 | 0.032 |
| Issued 12 January 2006 | 250,000 | 12/01/06 | 31/12/11 | 0.25 | 0.051 |
| Issued 24 February 2006 | 1,750,000 | 24/02/06 | 31/12/11 | 0.25 | 0.051 |
| Issued 22 March 2006 | 50,000 | 22/03/06 | 31/12/11 | 0.25 | 0.051 |
| Issued 9 August 2007 | 300,000 | 09/08/07 | 31/12/12 | 0.25 | 0.027 |
| Issued 20 November 2007 | 500,000 | 20/11/07 | 31/12/12 | 0.25 | 0.050 |
| Issued 13 May 2008 | 250,000 | 13/05/08 | 31/12/13 | 0.25 | 0.013 |
| | 6,550,000 | | | | |

**(ii) Granted during the year**

| | No. | Grant Date | Expiry Date | Exercise Price $ | Fair Value at grant date $ |
|---|---|---|---|---|---|
| Issued 19 December 2009 | 2,200,000 | 19/12/09 | 31/12/14 | 0.10 | 0.011 |

**(iii) Lapsed during the year**

| | 2010 | 2009 |
|---|---|---|
| | No | No |
| Issued 31 March 2004 | 200,000 | - |
| Issued 11 June 2004 | 750,000 | - |
| Issued 7 December 2006 | - | 3,000,000 |
| Issued 9 August 2007 | - | 50,000 |
| Issued 13 May 2008 | - | 1,050,000 |
| | 950,000 | 4,100,000 |

**26. SHARE-BASED PAYMENTS (Cont'd)**

**(iv) Balance at the end of the year**

| | No. | Grant Date | Expiry Date | Exercise Price $ | Fair Value at grant date $ |
|---|---|---|---|---|---|
| Issued 26 August 2005 | 2,500,000 | 26/08/05 | 31/12/10 | 0.25 | 0.032 |
| Issued 12 January 2006 | 250,000 | 12/01/06 | 31/12/11 | 0.25 | 0.051 |
| Issued 24 February 2006 | 1,750,000 | 24/02/06 | 31/12/11 | 0.25 | 0.051 |
| Issued 22 March 2006 | 50,000 | 22/03/06 | 31/12/11 | 0.25 | 0.051 |
| Issued 9 August 2007 | 300,000 | 09/08/07 | 31/12/12 | 0.25 | 0.027 |
| Issued 20 November 2007 | 500,000 | 20/11/07 | 31/12/12 | 0.25 | 0.050 |
| Issued 13 May 2008 | 250,000 | 13/05/08 | 31/12/13 | 0.25 | 0.013 |
| Issued 19 December 2009 | 2,200,000 | 19/12/09 | 31/12/14 | 0.10 | 0.011 |
| | 7,800,000 | | | | |

The majority of share options outstanding at the end of the financial year had an exercise price of $0.25 with some options issued in December 2009 had an exercise price of $0.10 (2009: $0.25) and a weighted average remaining contractual life of 2.16 years (2009: 1.95 years).

Consideration received on the exercise of employee share options is recognised in contributed equity.

The weighted average fair value of the share options granted during the financial year is $0.01 (2009: nil). Options were priced using a binomial option pricing model and Black Scholes option pricing model has been used to validate the valuation. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years.

Inputs into the model for issues made

| | 2010 | 2009 |
|---|---|---|
| Issued date | 19 Dec 10 | Nil |
| Grant share data price | $0.011 | Nil |
| Exercise price | $0.10 | Nil |
| Expected volatility | 100% | Nil |
| Option life | 5 years | Nil |
| Dividend yield | Nil | Nil |
| Risk-free interest rate | 5.03% | Nil |

Subsequent to the year end, the Company's Share Option Plan in force during the year was terminated, the options cancelled and a new plan was introduced. The plan detail is disclosed in Subsequent Events.

**27. RELATED PARTY DISCLOSURES**

**(a) Equity interest in related parties**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 23 to the financial statements.

**(b) Key Management personnel compensation**

**Remuneration of directors and senior management**

The aggregate compensation made to the directors and other key management personnel of the company and Group is set out below:

**27. RELATED PARTY DISCLOSURES (Cont'd)**

| | Consolidated | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Short term employee benefits (including annual leave accrued) | 454,884 | 478,462 |
| Post employment benefits | 31,179 | 35,367 |
| Other long term benefits – long service leave accrued | 9,847 | 9,878 |
| Termination benefits | - | - |
| Share based payment | 5,500 | - |
| | 501,410 | 523,707 |

**(c) Key management personnel equity holdings of Mount Burgess Mining NL**

**Fully Paid Ordinary Shares**

| | **Balance at 1 July** | **Off market purchased during the year** | **Balance at 30 June** | **Balance held nominally** |
|---|---|---|---|---|
| **2010** | **No.** | **No.** | **No.** | **No.** |
| N R Forrester | 10,764,191 | - | 10,764,191 | - |
| B Mosigi | - | - | - | - |
| G E Taylor | 2,247,339 | - | 2,247,339 | - |
| R W O'Regan | 4,450,000 | 500,000 | 4,950,000 | - |
| A P Stirling | 11,283,203 | 8,336,797 | 19,620,000 | - |
| J E Forrester | 633,155 | - | 633,155 | - |
| Total | 29,377,888 | 5,836,797 | 38,214,685 | - |
| | | | | |
| **2009** | | | | |
| N R Forrester | 10,915,436 | (151,245) | 10,764,191 | - |
| B Mosigi (i) | - | - | - | - |
| A M Surtees (ii) | 200,000 | (200,000) | - | - |
| G E Taylor | 2,247,339 | - | 2,247,339 | - |
| R W O'Regan | 3,950,000 | 500,000 | 4,450,000 | - |
| A P Stirling | 11,283,203 | - | 11,283,203 | - |
| G R Dale (iii) | 142,800 | (142,800) | - | - |
| A Mulligan (iv) | 700,000 | (700,000) | - | - |
| J E Forrester | 481,910 | 151,245 | 633,155 | - |
| Total | 29,920,688 | (542,800) | 29,377,888 | - |

(i) Appointed to the Board on 3 March 2009.

(ii) Resigned on 6 November 2008 and ceased to be a key management person. Accordingly, the movement in equity holdings disclosed reflects only those movements which took place during the period that this person was a key management person. The balance of securities held as at 30 June 2009 was nil as he was no longer a key management person and therefore the net change shown in the table above is not as a result of the sale of any securities while being a key management person.

(iii) Resigned on 28 May 2008 and ceased to be a key management person. Accordingly, the movement in equity holdings disclosed reflects only those movements which took place during the period that this person was a key management person. The balance of securities held as at 30 June 2009 was nil as he was no longer a key management person and therefore the net change shown in the table above is not as a result of the sale of any securities while being a key management person.

(iv) Resigned on 5 February 2009 and ceased to be a key management person. Accordingly, the movement in equity holdings disclosed reflects only those movements which took place during the period that this person was a key management person. The balance of securities held as at 30 June 2009 was nil as he was no longer a key management person and therefore the net change shown in the table above is not as a result of the sale of any securities while being a key management person.

## 27. RELATED PARTY DISCLOSURES (Cont'd)

None of the above fully paid ordinary shares were either granted during the reporting period as remuneration or received during the reporting period on exercise of options.

**Employee Share Options of Mount Burgess Mining N.L.**

| | Balance at 1 July | Granted as Remuneration | Net other Change | Balance at 30 June | Balance vested & exercisable at 30 June | Options vested during Year |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| N R Forrester | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| M B Mosigi | 500,000 | - | - | 500,000 | 500,000 | - |
| G E Taylor | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| R W O'Regan | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| A P Stirling | 1,000,000 | - | (500,000) | 500,000 | 500,000 | - |
| J E Forrester | 1,000,000 | - | (250,000) | 750,000 | 750,000 | - |
| S Chau | 250,000 | 500,000 | - | 750,000 | 750,000 | - |
| | 5,750,000 | 500,000 | (750,000) | 5,500,000 | 5,500,000 | - |
| **2009** | | | | | | |
| N R Forrester | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| M B Mosigi (i) (ii) | 500,000 | - | - | 500,000 | 500,000 | - |
| G E Taylor | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| R W O'Regan | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| A P Stirling | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| G R Dale (iii) | 1,000,000 | - | (1,000,000) | - | - | - |
| A M Surtees (iv) | 1,000,000 | - | (1,000,000) | - | - | - |
| A Mulligan (v) | 1,000,000 | - | (1,000,000) | - | - | - |
| J E Forrester | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| S Chau | 250,000 | - | - | 250,000 | 250,000 | - |
| | 8,750,000 | - | (3,000,000) | 5,750,000 | 5,750,000 | - |

Subsequent to the year end, the Company's Share Option Plan in force during the year was terminated, the options cancelled and a new plan was introduced. The plan detail is disclosed in Subsequent Events.

(i) Appointed to the Board on 3 March 2009
(ii) Mr Mosigi was granted 500,000 employee share option in 2008 before he was appointed as director of the Company.
(iii) Resigned from Board on 28 May 2008
(iv) Resigned from Board on 6 November 2008
(v) Resigned from Board on 5 February 2009

All options once granted vest in the option holder at the date of their issue and may be exercised at any time from the date of their issue to the date of their expiry. Any share options issued to a director during the financial year were made in accordance with the provisions of the Company's Share Option Plan. No amounts are payable by the recipient of the option. The majority of options issued under this plan were exercisable at 25 cents, with some options issued in December 2009, under the amended plan being exercisable at 10 cents. No options were exercised during the year.

Further details of options are contained in Note 26 to the financial statements.

## 27. RELATED PARTY DISCLOSURES (Cont'd)

### (d) Other transactions with key management personnel (and their related parties) of Mount Burgess Mining N.L.

The Company has a joint venture with Kimberlite Resources Pty Ltd in respect of its diamond exploration project at Tsumkwe in Namibia. Mr Godfrey Taylor is a shareholder and director of both the Company and Kimberlite Resources Pty Ltd. No related party transactions were incurred.

During the year an amount of $Nil (2009: $7,838) was paid to RSV Australia for technical consulting services at commercial rates, provided by Mr Allan Mulligan who is a Director of RSV.

During the year an amount of $Nil (2009: $564) was paid to Astaire & Partners, London in connection with placements. Mr Ronald O'Regan was a Director of Astaire & Partners at the time and the Company.

During the year the Company received a loan amounting to £100,000 (2009: Nil) from Exchange Services Limited. Mr A P Stirling is a Director of Exchange Services Limited and a Director of the Company. Interest will accrue on the loan at the rate of 4% above the Bank Bill Rate in Australia as from 1 July 2010 until the loan has been repaid in full but shall only become payable if the loan is not fully repaid on or before 30 June 2010 or earlier if the Company is in default of its obligations hereunder.

### (e) Transactions with subsidiary

Amounts receivable from and payable to the subsidiary, MTB (Namibia) (Pty) Ltd and Mount Burgess (Botswana) (Pty) Ltd are disclosed in Note 9 to the financial statements. All loans advanced to and payable to MTB (Namibia) (Pty) Ltd and Mount Burgess (Botswana) (Proprietary) Limited are interest free, unsecured and subordinate to other liabilities.

### (f) Parent entity

The parent entity in the Group is Mount Burgess Mining N.L. Equity interests in controlled entities are disclosed in Note 23. The Company's bank overdraft facility is secured by a property belonging to Nigel Forrester who is a Director of the Company.

## 28. REMUNERATION OF AUDITORS

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| **Auditor of the parent entity** | | |
| Auditing of the financial report | 35,432 | 41,554 |

The auditor of Mount Burgess Mining N.L. is Deloitte Touché Tohmatsu.

## 29. ECONOMY DEPENDENCY

The Company is not economically dependent on any other company.

## 30. SUPERANNUATION COMMITMENT

The Company has ensured that the minimum superannuation levy was contributed to a complying defined contribution fund on behalf of all its employees.

## 31. SUBSEQUENT EVENTS

On 24 June 2010, the Company completed a placement of 22,375,000 fully paid ordinary shares to raise $179,000. The placement was at an issue price of $0.008 cents per share. As at the 30th June 2010, $47,000 of this amount had been received, this has been recognised as other financial liability in the Statement of Financial Position. The remaining $132,000 has been received subsequent to the year end. All shares were subsequently allotted on 9 July 2010.

On 23 July 2010, the Company terminated the Employee Share Option Plan introduced in 2000. The Company recognised that, because of Employee Share Scheme legislation enacted in late 2009, and today's difficult market conditions, its 2000 Plan was not, in the Board's opinion, providing the performance incentives or reward for past services that were intended for its valued employees.

The following Employee Share Options issued under the 2000 Plan have been cancelled for no consideration:

| **Number** | **ASX Code** | **Security Description** |
|---|---|---|
| 2,500,000 | MTBAS | Expiry Date 31/12/10 |
| 2,050,000 | MTBAK | Expiry Date 31/12/11 |
| 1,050,000 | MTBAU | Expiry Date 31/12/12 |
| 2,200,000 | MTBAI | Expiry Date 31/12/14 |

On 30 July 2010, the Company introduced a new Employee Share Option Plan 2010 which will be governed by the following terms and conditions:

(1) each option will be issued free of consideration;

(2) the Options shall not be transferred or assigned by the holder provided that the holder shall be at liberty at any time to transfer all or any of his or her Options to his or her wife or husband respectively or to a proprietary limited company, all the issued shares of which are beneficially owned by the holder and his or her wife or husband or to any other nominee of the Eligible Employee, provided that any such transferee first undertakes to the Company, in a deed, not to transfer or assign such Options, until such time as they are exercised;

(3) each Option will entitle the holder to subscribe for one share at an exercise price;

(4) the Options expire at 5.00pm on 31 December of the year five (5) years from the year of grant;

(5) the Options are exercisable wholly or in part by forwarding to the Company an "Option Exercise Form", accompanied by payment of the exercise price;

(6) the Options are exercisable at any time on or prior to the Expiry Date;

(7) there are no participating rights or entitlements inherent in the Options and holders will not participate in any new issue of capital offered to shareholders during the currency of the Options;

(8) shares issued on the exercise of Options will rank pari passu with the then existing ordinary share capital;

(9) an Option's terms must not prevent the Option being reorganised as required by the Listing Rules on a reorganisation of capital;

(10) The Company shall grant the Options and deliver the certificates relating to the Options to the Eligible employee within ten (10) business days of the Application Date.

**Status of the Options**

Any options issued under this plan will not be listed on the Australian Securities Exchange Limited for official quotation.

Only upon exercise of the Options issued under the plan will the Company make application to the Australian Securities Exchange Limited for the quotation of the shares issued pursuant to the exercise of the Options.

**31. SUBSEQUENT EVENTS (Cont'd)**

As of the date of this report 12,000,000 options with an expiry date 31 December 2015 were issued. None of these have yet been exercised.

Other than the above, there have not been any matters or circumstances occurring subsequent to the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**32. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

As at balance sheet date there are no known contingent assets and liabilities.

**33. PARENT ENTITY DISCLOSURES**

**(a) Financial Position**

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 34,538 | 1,397,584 |
| Non-current assets | 6,690,967 | 13,604,666 |
| Total assets | 6,725,505 | 15,002,250 |
| **Liabilities** | | |
| Current liabilities | 537,953 | 129,648 |
| Non-current liabilities | 8,084 | 25 |
| Total liabilities | 546,037 | 129,673 |
| **Net Assets** | 6,179,468 | 14,872,577 |
| **Equity** | | |
| Issued capital | 39,787,892 | 39,787,892 |
| Reserves | 418,017 | 393,817 |
| Accumulated losses | (34,026,441) | (25,309,132) |
| | 6,179,648 | 14,872,577 |

**(b) Financial performance**

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Loss for the year | (8,717,309) | (497,434) |
| Other comprehensive income | - | - |
| Total comprehensive income | (8,717,309) | (497,343) |

**(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

As at balance sheet date there are no known guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

**(d) Contingent liabilities of the parent entity**

As at balance sheet date there are no known contingent liabilities of the parent entity.

**(e) Commitments of the parent entity**

The commitments of the parent entity have been disclosed in Note 21 (b).

The Directors declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Group; and

(c) In the Director's opinion the Financial Statements and notes thereto are in accordance with International Financial Reporting Standards as stated in Note 2.

(d) The Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors

N R Forrester
CHAIRMAN and MANAGING DIRECTOR

Perth, 28th September 2010

Deloitte.

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# Independent Auditor's Report to the members of Mount Burgess Mining NL

## Report on the Financial Report

We have audited the accompanying financial report Mount Burgess Mining NL , which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 29 to 68.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Deloitte.

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

*Auditor's Opinion*

In our opinion:

(a) the financial report of Mount Burgess Mining NL is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion we draw attention to Note 2 in the financial report which indicates that the company and consolidated entity have incurred net losses after tax for the year ended 30 June 2010 of $8,717,309 (2009: $497,343) and $859,565 (2009: $876,542) respectively. The consolidated entity had a net cash outflow of $1,550,741 (2009: inflow $1,076,792). These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cause significant doubt about the company and consolidated entity's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in page 24 to 27 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Mount Burgess Mining NL for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kathleen Bozanic

**Kathleen Bozanic**
Partner
Chartered Accountants
Perth, 28 September 2010

**ADDITIONAL INFORMATION INCLUDED IN ACCORDANCE WITH THE LISTING REQUIREMENTS OF THE AUSTRALIAN SECURITIES EXCHANGE LIMITED**

The information set out below was applicable as at 10 September 2010.

**1. Distribution of Equity Securities and Voting Rights:**

(a) Distribution of Shareholders of Ordinary shares:-

| | No. of Holders |
|---|---|
| 1 - 1,000 | 199 |
| 1,001 - 5,000 | 491 |
| 5,001 - 10,000 | 359 |
| 10,001 - 100,000 | 884 |
| 100,000 and over | 340 |
| Total No. of Shareholders | 2273 |

(b) Each shareholder entitled to vote may vote in person or by proxy, attorney or representative. On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote. On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share.

(c) There existed 1,770 shareholders who held less than a marketable parcel of shares.

(d) Substantial Shareholder - Mr A P Stirling and associates 19,620,000 shares representing 5.72% of the Company

**2. Top Twenty Shareholders**

| | **Shareholder Name** | **Units Held** | **Percentage of Issued Capital** |
|---|---|---|---|
| 1 | Citicorp Nominees | 57,859,740 | 16.887 |
| 2 | Strata Drilling WA Pty Ltd | 20,000,000 | 5.837 |
| 3 | National Nominees Limited | 17,550,373 | 5.122 |
| 4 | ANZ Nominees Limited | 13,986,109 | 4.082 |
| 5 | NR Forrester and Associates | 11,358,591 | 3.315 |
| 6 | HSBC Custody Nominees | 7,228,472 | 2.110 |
| 7 | Cen Pty Ltd | 5,570,000 | 1.626 |
| 8 | Mrs Alison Fay Davies & Mr Peter Murray Davies | 5,100,000 | 1.488 |
| 9 | Mr Reginald Keene | 3,936,619 | 1.168 |
| 10 | Mr Bevis Michael Leigh Coulson | 3,180,000 | 0.928 |
| 11 | Romadak Pty Ltd | 3,000,000 | 0.876 |
| 12 | Mr Jeremy Bewick Dowler | 3,000,000 | 0.876 |
| 13 | Davmin Pty Ltd | 3,000,000 | 0.876 |
| 14 | Mr Michael Damian Murphy & Mr Luke Gerard Murphy | 2,875,000 | 0.839 |
| 15 | Mr Phil Camp | 2,702,903 | 0.789 |
| 16 | Mr Philip Scott Button and Mrs Philippa Anne Nicol | 2,640,890 | 0.771 |
| 17 | W B Nominees | 2,500,000 | 0.730 |
| 18 | Linda Jayne Jones | 2,125,964 | 0.620 |
| 19 | Mr Ronald William O'Regan | 2,063,200 | 0.602 |
| 20 | State One Stockbroking Ltd | 2,044,750 | 0.597 |
| | | **171,722,611** | **50.139** |

| Tenement No. | Percentage of Equity |
|---|---|
| **NAMIBIA** | |
| **Tsumkwe** | |
| EPL 2012 | 90 |
| EPL 2014 | 90 |
| EPL 2817 | 90 |
| EPL 2818 | 90 |
| EPL 2819 | 90 |
| EPL 3019 | 90 |
| EPL 3020 | 90 |
| EPL 3021 | 100 |
| EPL 3022 | 100 |
| EPL 4078 | 100 |
| EPL 4071 | 100 |
| **Hardap** | |
| EPL 3435 | 60 |
| EPL 3473 | 80 |
| EPL 3474 | 80 |
| EPL 3475 | 80 |

| Tenement No. | Percentage of Equity |
|---|---|
| **BOTSWANA** | |
| **Kihabe** | |
| PL 69/2003 | 100 |
| **West Ngamiland** | |
| PL 418/2009 | 100 |
| PL 419/2009 | 100 |
| PL 420/2009 | 100 |
| PL 421/2009 | 100 |
| PL 422/2009 | 100 |
| PL 423/2009 | 100 |
| PL 424/2009 | 100 |
| PL 512/2009 | 100 |

MOUNT BURGESS MINING N.L.