

MOUNT BURGESS MINING N.L.

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31 January 2010

Mr Nicholas Ong
Principal Adviser, Issuers (Perth)
ASX Markets Supervision Pty Ltd
2 The Esplanade
Perth WA 6000

via Facsimile: 9221 - 2020

Dear Nicholas,

With regard to your letter of 29th January 2010, addressed to the Company Secretary, in which you raised various questions relative to the Company's 2009 December Quarterly Report, I respond to each of those questions as follows:

ASX

1. **It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may only have sufficient cash to fund its activities until February 2010. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?**

MTB

Until further funding is available, the Company will not be expending cash at the rate for the quarter to the 31st December 2009. The Company has access to sufficient funds beyond February 2010.

As well as the \$ 222,000 held at the end of the December 2009 quarter other factors to be taken into account are as follows:

- As highlighted in the Appendix 5B December 2009 Quarterly Report, the Company does have standby credit arrangements to the value of \$415,000. These arrangements have been confirmed as current and accessible.
- The Company has outstanding VAT Receipts to the value of approximately \$45,000.
- The Company has the alternatives of raising further funds through:
 - (a) The issue of shares and/or
 - (b) Raising funds through the sale of equity to an in-coming joint venture partner in its Kihabe base metals project, in Botswana. In this regard, whilst no negotiations have been concluded at this point in time, a number of parties have expressed interest in reviewing such a proposition.

ASX

ASX notes that the Company has reported the following.

1. Receipts from customers of \$0.

ASX

2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

MTB

The Company does not have any customers. It is listed on the ASX as an Exploration Company. For as long as the Company is an Exploration Company, without any source of production/retail income, it will have negative operating cash flows. The rate of those cash flows will be governed by the availability of funding from time to time and will not necessarily be similar to the cash flow rate as reported in Appendix 5B for the December 2009 quarter. For the future, the Company will rely upon the available sources of funding as outlined in the answers to Q.1. above.

ASX

3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 5B, matched the Company's anticipated revenues and expenses for that reporting period?

MTB

In the September quarter Appendix 5B statement, the Company estimated exploration and evaluation expenditure of \$150,000 for the December quarter. This exploration and evaluation expenditure was estimated based on netting off anticipated VAT refunds, which have still not been received. The actual expenditure for the December quarter amounted to \$469,000, \$315,000 more than estimated in the September Appendix 5B statement.

The reasons for this increase were as follows:

- No VAT refunds were received, as expected.
- In its mineralogical and metallurgical test work, the Company achieved a significant breakthrough in increasing its metal recoveries in respect of its Kihabe Zinc/Lead/Silver project and this required further test work beyond that previously estimated.

With this encouragement and for the purpose of advancing the project, the Company decided to go ahead with the test work during the December quarter. This was first advised to the market on the 16th September 2009 "Zinc recoveries are expected to further improve to industry norms with possible leaching of the tails. **Further test work will be aimed at proving this concept**".

The Company announced the results of this further test work on the 16th December 2009 and confirmed that..... "**Further confirmatory test work will be conducted**".

- The Company took advantage of the fortuitous availability of a drill rig able to operate in the area, under the weather conditions prevailing at that time of the year, in order to conduct drilling on its diamond exploration projects in Botswana and Namibia. The certainty of this rig being able to mobilise to site had not been determined at the time of the release of the Company's September quarterly report, which stated "**drilling should commence around mid November to test a number of gravity and magnetic targets generated in this area.**" At the time of the release of the September quarterly report, the gravity survey had not been completed and there was some doubt, because of the early heavy rainfalls, as to whether a rig would be able to mobilise to site during the December quarter or whether that mobilisation would have to wait until the end of the rains in April 2010.

Because of the rains it was difficult to determine how much drilling, if any, could be achieved in the December quarter. It was therefore difficult to estimate the drilling costs for the December quarter.

- The area being explored for kimberlites in Botswana and Namibia is totally covered by Kalahari sands. It is not possible to determine the depth of the Kalahari sand cover and therefore not possible to accurately estimate the number of drill metres required and the cost of such drilling programmes. Throughout the project area the sand cover can vary from 15m to over 120m before reaching basement targets. In addition, a number of holes were lost during the drilling programme because of collapsing sands. It was impossible to determine this before drilling and therefore not possible to budget for. The drilling, which was not completed until just before the Christmas break, and the associated costs, accounted for a large part of the cost variation.

Because of the Christmas break this cost overrun was not able to be accurately determined for the purpose of reporting until the completion of the December accounts, immediately prior to the release of the Company's December quarterly report on 28th January 2010.

ASX

4. **What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?**

MTB

In order to meet its business objectives the Company proposes to appropriately implement any of the procedures as outlined in its answers to Q.1.

ASX

5. **Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?**

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

ASX

6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

MTB

Again, as with Q.5, the Company believes that it is in compliance with listing rule 12.2, as best as it possibly can be under the circumstances. Any exploration or resource development programmes that arose changing the situation from what was advised in the previous quarterly, have been announced to the market.

I do hope that this clarifies the situation.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Nigel Forrester', written in a cursive style with some loops and a long tail.

Nigel Forrester
Managing Director