



11 July 2013

APPEAL AGAINST THE REJECTION OF THE APPLICATION FOR THE RENEWAL OF PROSPECTING LICENCE 69/2003 – KIHABE PROJECT BOTSWANA.

A case of conflict as an Australian Company complying with conditions of the JORC code which “does not substitute ones obligation under the MMA” (Mines and Minerals Act of Botswana).

On 6 June 2013 the Company and its wholly owned subsidiary Company, Mount Burgess (Botswana) Pty Ltd (MBB), lodged an appeal with the Vice President of Botswana, in regard to the rejection of its Application for Extension of Prospecting Licence PL69/2003 which contained the Kihabe project of 25 million tons resources @ 3% Zn/Pb with 3 million ozs Ag, developed by the Company.

On 10 July MBB received a letter from the Minister of the Ministry of Minerals, Energy and Water Resources (MMEWR), dated 9 July 2013, rejecting MBB's appeal.

The Company and MBB had previously been assured by the relative Botswana authorities of the provision of grid power being available in the Kihabe project area by the end of 2012. Based on that assurance, when MBB applied in March 2010, for an extension of PL 69/2003 for the two years to 30 June 2012, it made provision for a project feasibility study. During the two year period, it transpired that because of serious delays in Botswana's power upgrade, the provision of such power to the Kihabe area would not be available within a foreseeable time frame. As a result, in terms of the JORC code, the Company's resources could not be upgraded to ore reserve status, without a commercial power supply. This in turn meant that in accordance with the JORC code, a feasibility study could not be compiled and signed off by a competent person (refer to attachment 1, letter from Jim Cribbes, formerly Chairman of ProMet Engineers).

Because the feasibility study was not able to be compiled, the Minister MMEWR is now stating “Mount Burgess' efforts to complete evaluation work under PL 69/2003 during the last renewal period was unsatisfactory as the approved programme of prospecting was not carried out. Please note that it is only after a feasibility study is completed, that the applicant can progress the project forward from prospecting stage to mining or retention licence depending on the viability of the project” (refer to clause 6 of attachment 2 letter from the Minister).

The requirements under the JORC code with which the Company must comply, have been fully explained to the Minister MMEWR. He responded “Any holder of a Mineral Concession issued under the Mines and Minerals Act of the Republic of Botswana is required to comply with the relevant sections of MMA irrespective of the Company's international reporting requirement. JORC Code or any other international requirements and standards does not substitute ones obligation under the MMA” (refer to attachment 2 clause 4. of the attached letter from the Minister).

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The power issue was fully explained to the previous Minister MMEWR in March 2012, who also being the Minister for Energy, was well aware of the situation.

The Company also appealed against the fourteen months that it took MMEWR to reject the Company's Application for Extension which was filed in March 2012. This has not been addressed by the Minister MMEWR in his response. The Company should have been advised of the decision to reject the Application for Extension by 30 June 2012. From March 2012 to May 2013 when the Company was advised of the rejection, the Company continued in good faith to spend money on the project amounting \$1.2 million. MMEWR was well aware of this expenditure being incurred during this time as the discovery of new Zn/Pb anomalies generated during this time were all reported to MMEWR as they were announced to the ASX.

The Company is reviewing the potential for litigation in regard to the rejection of its appeal and also in regard to the 14 month time frame that it took MMEWR to inform the Company that its Application for Renewal had been rejected.

Yours sincerely,

A handwritten signature in black ink, appearing as a dense, circular scribble with several long, sweeping lines extending from the center.

Nigel Forrester
CEO
Mount Burgess Mining NL



05 July 2013

Nigel Forrester
Chief Executive Officer
Mount Burgess Mining N.L.
8/800 Albany Hwy
Victoria Park WA 6101

Dear Nigel

Kihabe Project

Please be advised that GHD acquired the business assets of ProMet Engineers in April 2013. I am therefore responding to our discussion in my prior capacity as Chairman of ProMet Engineers

In an effort to justify moving ahead with a feasibility study on your Kihabe project, ProMet conducted a significant amount of work on the project from January to April 2012. Realising that 40MW of grid power would not be available by the end of 2012, as previously believed would be the case, ProMet had to investigate alternative metallurgical processes, such as pre-concentration, to reduce the 40MW power requirement, on the basis that the project would need to rely on on-site power generation. Without grid power, the project would not be economic with a 40MW on-site power farm. Unfortunately, the investigations into pre-concentration were not sufficiently conclusive to justify such a processing route.

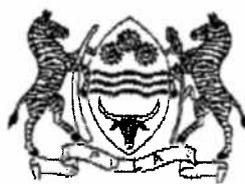
Accordingly, in terms of the JORC code, ProMet was not able, as a competent person, to complete and sign off on a feasibility study, without knowing at the time of so doing that the project could rely on the provision of a commercial power supply. Without the foreseeable availability of a commercial power supply, your resources could not be upgraded to ore reserve status, as required for a feasibility study.

Yours faithfully
GHD Pty Ltd

A handwritten signature in black ink, appearing to read 'Jim Cribbes', is written over a light blue horizontal line.

Jim Cribbes
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REPUBLIC OF BOTSWANA

MINISTRY OF MINERALS,
ENERGY AND WATER
RESOURCES, PRIVATE
BAG 0018, GABORONE
BOTSWANA

Ref: GSC 6/43/ 7 III (14)

9 July 2013

Mr Nigel Forrester
The Director
Mount Burgess (Botswana) Pty Ltd
BDO Spencer Steward
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Gaborone

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(00619) 9355 1484

Dear Sir

**MOUNT BURGESS BOTSWANA (PTY) LTD APPEAL IN RESPECT OF
PROSPECTING LICENCE (PL) 069/2003.**

1. I refer to your letter of the 6th June 2013 which was forwarded to my office via Mr. Peter O'Halloran's letter of the 12th June 2013.
2. The Minister of Minerals, Energy and Water Resources is empowered through the Mines and Minerals Act (MMA) to administer the investigation and exploitation of mineral resources in Botswana, including management of mineral concessions. It is for this reason that I respond to your letter of the 6th June 2013 addressed to the Vice President.
3. The issue of unavailability of grid power was raised as the main reason why you did not proceed with the feasibility study as it is a requirement under the Australian JORC Code for a competent person to sign off the feasibility. As indicated in my letter of the 13th May 2013, Ref: GSC 6/43/ 7 III (12), Mount Burges cannot unilaterally amend the approved prospecting programme without the Minister's approval, this is as per Section 22 of MMA.
4. In addition any holder of a Mineral Concession issued under the Mines and Minerals Act of the Republic of Botswana is required to comply with the relevant sections of MMA irrespective of the company's international

The Ministry that makes a real difference to Botswana

reporting requirement. JORC Code or any other international requirements and standards does not substitute one's obligation under the MMA.

5. Prospecting licence PL 069/2003 has already exhausted two permissible renewals under Section 17(3) of MMA. Any further renewal of a prospecting licence for a period or periods in excess of the periods specified in Section 17(3) above, may be granted where a discovery has been made.
6. Mount Burgess' efforts to complete evaluation work under PL 069/2003 during the last renewal period was unsatisfactory as the approved programme of prospecting was not carried out. Please note that it is only after a feasibility study is completed, that the applicant can progress the project forward from prospecting stage to mining or retention licence depending on the viability of the project.
7. On the issue of licence documents missing a page containing the programme of prospecting (Annexure II), please note that all licence documents issued in Botswana has a programme of prospecting as per Form II of the First schedule of MMA. Furthermore kindly note your obligations as a holder of a prospecting licence in particular conditions 3 of the Prospecting Licence, Sections 21(1)(ii) and 21(2) of MMA.
8. Given the above mentioned issues of Law, I am unable to reverse my decision which is to reject the application for renewal of prospecting licence PL 069/2003 of Mount Burgess (Botswana) Pty Ltd.

Yours faithfully,



Onkokame Kitso Mokaila
MINISTER OF MINERALS, ENERGY AND WATER RESOURCES

cc: Ag. Director of Mines