



## **KIHABE – NXUU Zn/Pb/Ag PROJECT BOTSWANA – REJECTION OF APPLICATION FOR EXTENSION OF PL 69/2003**

Attached is a fax received by the Company on **14 May 2013** from the Minister of Minerals, Energy and Water Resources of Botswana (MMEWR), rejecting the Company's Application for a further two year Extension of PL69/2003 from **1 July 2012 to 30 June 2014**.

PL69/2003 contains the Company's Kihabe and Nxuu Zn/Pb/Ag JORC compliant resources of 25 million tons @3% Zn/Pb with 3.3 million ozs Ag. The rejection is based on the allegation that the Company failed to carry out the "approved prospecting programme", during the two year period to 30 June 2012.

This Application for Extension was submitted on the **29 March 2012**, within the three month time frame, prescribed by MMEWR, prior to the extension of the licence for a further two years to 30 June 2014. This three month time frame allows MMEWR to assess the Application for Extension, such that an acceptance or rejection by MMEWR of the Application for Extension can be confirmed within that three month time frame prior to the commencement of the further two year period being applied for. This practice has been confirmed by Mr Segwabe of the Geological Survey (now Department of Mines) when quoted by Mmegi Online as saying in April 2011 "*We encourage prospecting licence holders to apply for renewal three months ahead so that if there are any issues, these can be resolved within that period.*"

**On 11 September 2012** the Company received a letter from Mr Segwabe of Geological Survey of Botswana (GS), in respect of its Application for Extension, informing the Company that the proposed expenditure of only BWP 100,000 per annum over the two year period to 30 June 2014 would not be sufficient for the project. The Company responded by informing GS that it had in its Application for Extension, made provision for expenditure of BWP 5 million per annum, not BWP 100,00 per annum. The Company re-submitted its original Application for Extension, which confirmed that the expenditure provision was always BWP 5 million per annum.

**On 23 January 2013**, the Company received a **second** query from MMEWR, in respect of its Application for Extension, questioning why it had only conducted geochemical soil sampling during the two year period to 30 June 2012. The Company responded by informing MMEWR that it had done significantly more than geochemical soil sampling, as had been outlined in the eight quarterly as well as the half yearly and annual reports filed with GS over the two year period to 30 June 2012.

**On 17 April 2013**, the Company received a **third** query from MMEWR, questioning whether the Company had carried out work for the two years to 30 June 2012, in accordance with the "attached programme". The "attached programme" compiled by MMEWR, was allegedly part of the licence documents issued by MMEWR in August 2010 for the two year extension to 30 June 2012. The Company responded by informing MMEWR that it had **NOT** previously been aware of the "attached programme" as it was not part of the licence documents received by the Company in August 2010 for the two year extension to 30 June 2012. Mr Forrester CEO of the Company has since filed an affidavit with MMEWR, swearing under oath that the "attached programme" was never received by the Company.

The Company has since receiving a copy of the "attached programme" **on the 18 April 2013**, responded to MMEWR confirming those sections of the "attached programme" which had been fulfilled, despite not being aware of such programme at the time. It further outlined the reasons for those sections of the "attached programme" that had not been fulfilled. The main item that was not fulfilled was the completion of a feasibility study.

At the time of submitting its Application for Extension in March 2010, for the two years to 30 June 2012, the Company intended to conduct a feasibility study on the project and commenced discussions with various consultants. The reason it was not able to proceed with a feasibility study, was because during the latter half of 2010, it became apparent that it would not be able to rely on the provision of grid power to the region. It had previously been advised that grid power would be available in the region by the end of 2012. Both SENET Pty Ltd, in South Africa and ProMet Engineers tendered for and engaged in the initial process of compiling a feasibility study. Upon realising there would be significant delays in the provision of grid power to the region, they advised that from a commercial point of view there was no point in proceeding at that stage with a feasibility study that would cost in excess of \$3 million.

**In Paragraph 3** of his letter attached, the Minister MMEWR refers to the Company's representation in regard to the provision of power as "unsatisfactory". As of today, the availability of grid power to the region is not able to be ascertained within a foreseeable time frame.

Significant delays have been encountered in the commissioning of the four new coal fired units of the Morupule B power expansion. An article from Business Day on 20 February 2013 quotes President Khama as saying *"Those generation plants at Moropule B should have all been up and running by the end of last year but only one of the four is operating"*. In an interview with Business Week on 1 March 2013 the Minister MMEWR was quoted as saying *"One thing that I say all the time is that I know this (power crisis) affects business. Power and water are the heartbeat of the economy and one thing that I wish to say is that we are working overtime to repair the situation"*.

**In regard to Paragraph 4 and 5** the "prospecting programmes" to which the Hon Minister refers, were the programmes outlined by MMEWR, a copy of which the Company did not receive until **18 April 2013**, so was completely unaware of them at the time.

Despite the Company following up on a monthly basis since August 2012 with MMEWR it has had to wait **fourteen months** to be informed of this decision. The normal practice is for such a decision to be taken within **3 months** of submitting an Application for Extension.

The Company submitted its Application for Extension on the **29 March 2012**. During this time MMEWR has continually been aware of the Company's commitment to the project and the fact that the Company has continued to incur expenditure amounting to over \$1 million. It has continued to employ Batswana citizens on the project and generate further Zn/Pb anomalies that could significantly expand the resource base.

To date the Company has spent \$14.5 million (BWP 75 million) on the project. Of this \$7.6 million is currently shown as a capitalised cost.

Accordingly, the Company intends to appeal against this decision and has advised the Vice-President of Botswana accordingly.

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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 (12)

13 May 2013

Mr. Nigel Forrester  
The Director  
Mount Burgess (Botswana) Pty Ltd  
BDO Spencer Steward  
P.O. Box 1839  
Gaborone

Fax: 318 6055 or  
(00619) 9355 1484

Dear Sir

**Re: Renewal Application for Prospecting Licence (PL) 069/2003 by  
Mount Burgess (Pty) Ltd.**

1. I refer to your letters of the 29 March 2013, 14 February 2013, 2 May 2013 and my letter of the 10 January 2013.
2. I gave Mount Burgess (Botswana) Pty Ltd 30 days from the 10 January 2013 to remedy the default of failure to carry out the approved programme of prospecting and to show cause why the application of renewal for prospecting licence PL 069/2003 should not be rejected.
3. I note that you highlight one of the reasons for not meeting the approved programme of prospecting is that you varied the programme since you knew 40 MW of power supply would not be available for your project in the foreseeable future. I have considered your representation and find it to be unsatisfactory.
4. I further draw your attention to Section 22 of Mines and Minerals Act which requires that any amendments to prospecting programmes should

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be done only after the approval of the Minister and Mount Burgess did not apply to amend the prospecting programme.

5. In accordance with Section 17(4) of the Mines and Minerals Act, I reject the application for renewal of prospecting licence PL 069/2003 of Mount Burgess (Botswana) Pty Ltd because Mount Burgess (Botswana) Pty Ltd failed to carryout the approved prospecting programmes and failed to demonstrate that proper effort have been made to complete the evaluation work for the application to be considered Section 17(6) of Mines and Minerals Act.

Yours faithfully,



**Onkokame Kitso Mokaila**

MINISTER OF MINERALS, ENERGY AND WATER RESOURCES

cc: Ag. Director of Mines

## 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%*
		<b>11.4 @ 2.90%*</b>	<b>13.9 @ 3.07%*</b>	<b>25.3 @ 3.00%*</b>

### \*Zinc Equivalent Grade

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

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

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

Grades applied: Zn 1.8% Pb 1.4%

The information in the resource statement that relates to the Kihabe Resource is compiled by Byron Dumbleton, 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 Dumbleton is an independent qualified person and Mr Mosigi is a Technical Director of the Company. Both Mr Dumbleton 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 Dumbleton and Mr Mosigi consent to the inclusion in this report of the matters based on the information in the form and context in which it appears.

## KIHABE-NXUU METAL RECOVERIES

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

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

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