



25 November 2015

CHAIRMAN'S STATEMENT – ANNUAL GENERAL MEETING 26 NOVEMBER 2015

It is with great sorrow and sadness that in August 2015 the Board of Mount Burgess Mining NL advised of the unexpected death of Fred Stirling, Non-Executive Director.

Fred was a highly respected Board member whose great contribution to the Company since his appointment in 2003 was appreciated by all. His support, advice, energy and inspiration will be greatly missed.

The Board and employees of the Company extend their deepest sympathy to Fred's family and colleagues and express their gratitude for Fred's support and advice given over the years.

Karen Clark, who has worked with Fred as his Company Secretary for many years accepted the position of a non-executive Director of the Company effective 24 August 2015. Karen has on many occasions represented Fred Stirling and attended corporate and project meetings.

She has been associated with and is familiar with the operations of the Company over the last twelve years. We welcome Karen to the Board.

Over the course of the year the Company has had to concentrate to a large extent on the process of litigation involved in trying to secure title to Prospecting Licence PL 69/2003, the Kihabe Zn/Pb/Ag project in Botswana.

Much has been announced to the market in this regard over the last two and a half years, though in order to clarify the situation, I thought it best to summarise it as follows:

- **In 2006 and 2007** two previous Ministers of MMEWR, (Ministry for Minerals, Energy and Water Resources), under their signatures ordered the Company, to comply with the JORC Code.
- **On 18 March 2010**, when applying for a further two year Prospecting Licence extension of PL 69/2003 to 30 June 2012, the Company undertook to compile a Feasibility Study on the project. This undertaking was based on three previous assurances from both the MMEWR and the Botswana Power Corporation, that grid power would be available in the project area by the end of 2012. In its extension application the Company informed then Minister Kedikilwe that the project would need between 40 to 45 MW of power in order to produce Zn metal on site through SX/EW.

- An extension of PL69/2003 was granted by Minister Kedikilwe to 30 June 2012 with full knowledge of the 40 to 45 MW grid power requirements. However, it became apparent during 2011 and early 2012, that because of the significant problems that ensued in constructing and commissioning Botswana's Morupule B power project, grid power would not be available within the project area in any determinable future time frame.
- **The Company approached both SENET Engineering and ProMet to conduct and sign off on a Feasibility Study as Competent Persons. However, in accordance with the JORC Code, without a determinable economic grid power supply neither was able to compile nor sign off on a Feasibility Study. Without grid power the Kihabe project Resources could not be upgraded to Ore Reserve status, as required by the JORC Code, for the compilation and sign off of a Feasibility Study.**
- **On 23 March 2012**, the Company informed Minister Kedkilwe, by way of a power point presentation, of amendments to its proposed prospecting programme as a result of not being able to rely on the availability of an economic grid power supply which was previously assured would be available. In accordance with the Mines and Minerals Act (MMA) of Botswana, because these amendments were not rejected by the Minister within two months, they became effective on **23 May 2012**.
- **On 29 March 2012**, the Company applied for a further two year extension of PL 69/2003 to **30 June 2014**. As this application was not rejected by the Minister by **30 June 2012**, in accordance with procedure adopted by the MMEWR, the Company continued in good faith working on and incurring expenditure on the project on a daily basis.
- **On 13 May 2013**, fourteen months after lodging its application for extension of PL 69/2003, during which time the Company had spent a further \$1.2 million on the project, then Minister Kitso Mokaila rejected the application for extension. He maintained that the Company had not been granted permission to amend its prospecting programme, which it had. He also described as "**unacceptable**" the Company's reason for not being able to produce a Feasibility Study - that being the lack of an economic grid power supply which was previously assured would be available.
- **On 6 June 2013**, the Company appealed Minister Mokaila's decision to then Vice President Kedikilwe, previously Minister MMEWR. On 15 March 2013, Vice President Kedikilwe advised that should the need arise, the Company could appeal to him in regard to any problems with the extension of PL 69/2003. He

stated "**As Vice President I have jurisdiction over all other Ministers' decisions**". Reference to the portal of the Office of the President on the web outlines under Special Functions of the Vice President "**Appeals and Complaints handling**".

- **On 9 July 2013**, Minister Mokaila rejected the Company's appeal to the Vice President. Again the Minister maintained that the Company did not get permission to amend its prospecting programme, which in fact it did. The Company's reason for not being able to produce a Feasibility Study in accordance with the JORC Code - the lack of grid power previously assured would be available - Minister Mokaila maintained "**JORC Code or any other international requirements or standards does not substitute ones obligations under the MMA**"

- Both these reasons for rejection were handed down by Minister Mokaila despite the fact that:
 1. Two previous Ministers had, under their signatures, ordered the Company to comply with the JORC Code.
 2. The Checklist for Appropriate Programme of Prospecting Operations, issued under Botswana's MMA requires compliance with an international code so far as Reserves are concerned when dealing with Feasibility Studies. The JORC Code is an International Code. It was adopted as an International Code by the UN Economic Commission in 1999. The JORC Code was the one code selected by the Combined Reserves International Reporting Standards Committee upon which all other International Codes were based so far as concerned reporting by Competent Persons on Exploration Results, Resources, Ore Reserves and Feasibility Studies.
 3. This Checklist for Appropriate Programme of Prospecting Operations is further highlighted on the MMEWR, Botswana website as an attachment to the "**Prospecting Licence Application Form 1**". Section D.2, "Pre-Feasibility Study" states "Reserves compliant to one of the international codes". The JORC Code is as an international code.
 4. The website of MMEWR, Botswana, further shows under "**Mining Licence Application**" the JORC Code template for delineating "Exploration Results, Mineral Resources and Mineral Reserves". Of the "mining conditions" required as outlined in sections 9 (b) to 9 (h), 9 (h) requires "Details of expected infrastructure, e.g. access roads, **electricity** and water supply". This is again repeated under section

11. q) "Detailed Feasibility Report containing - Details of expected infrastructure, e.g. access roads, **electricity** and water supply".

All of the above confirm acceptance of and the requirement of the MMEWR, Botswana, to comply with the conditions of the JORC Code.

Based on interlocutories the matter went from the High Court to the Appeal Court where it was ruled that the matter could be taken back to the high Court to be determined on the merits of the case.

The original application to the High Court was withdrawn on 6 November 2015 and a Statutory 30 day Notice Letter was sent to the Attorney General and the Minister MMEWR on 11 November 2015, where after an Application for Condonation and a new Application can be filed in the High Court of Botswana based on the merits of the case.

OUT OF COURT PROCEEDINGS

As announced on 10 November 2015, through assistance by the Chamber of Mines Botswana, MMEWR has confirmed that it is ready to engage with the Company should it select to submit a new Prospecting Licence Application over the Kihabe project.

The Company intends to submit a new Prospecting Licence application which it is currently in the process of compiling. This will be done in conjunction with considering all issues involved in this proposal in order to fully appreciate the potential outcome of this application prior to terminating legal proceedings.