



REPORT FOR THE QUARTER TO 31 MARCH 2015

APPEAL COURT HEARING RE PL69/2003, THE KIHABE Zn/Pb/Ag PROJECT BOTSWANA

As announced on 30 March 2015, Mount Burgess (Botswana) (Proprietary) Ltd (MBB), a wholly-owned subsidiary of the Company has been informed by its newly appointed Botswana Attorneys that MBB is scheduled to have its appeal heard in the **July 2015** Appeal Court sitting.

MBB is appealing against the decision handed down on **13 May 2013** by Minister Mokaila, the current Minister for Minerals Energy and Water Resources, Botswana (MMEWR) not to grant an extension to PL69/2003, applied for fourteen months earlier, in **March 2012**.

Whilst awaiting confirmation during this fourteen month period, MBB continued in good faith working on PL69/2003, continually updating MMEWR and **incurring expenditure of \$1.2 million**.

LATE FILING OF SECURITY FOR APPEAL COURT COSTS AND COSTS FOR THE PREPARATION OF THE RECORD

On **24 September 2014**, MBB's Botswana Attorney confirmed that security for costs of **Pula 40,000** and costs for the preparation of the record of **Pula 1,000** had been filed with the Appeal Court. This filing was required by **29 September 2014** to secure an Appeal Court hearing in **January 2015**.

MBB's case was not called in the **January 2015** Appeal Court roll.

Enquiry by MBB's Legal Counsel revealed that the required bond of **Pula 25,000 (not Pula 40,000 as previously advised)** and costs of **Pula 1,000** were not filed until **October 2014**. It was also revealed that the Attorney then filed an Application for Condonation for late payment of costs. This contained forged documents, allegedly signed by Nigel Forrester, CEO of MBB. As a result, MBB had to appoint new Botswana Attorneys, withdraw the fraudulent Application for Condonation for late payment of costs and file a valid Application for Condonation for late payment of costs. This resulted in a six month delay, with the Appeal Court hearing now scheduled for **July 2015**.

MBB's previous Botswana Attorney has accepted responsibility for the actions outlined above, agreeing to settle damages.

MINISTER MOKAILA'S DECISION NOT TO EXTEND PL69/2003

In an interview that Minister Mokaila had with Global Business Review at the Africa Downunder conference in **August 2013**, he was reported as saying ***"In the case of Mount Burgess the Company clearly went against the legal framework that Botswana has in place to govern its mining industry. Were we to make an exception and waive the penalties associated with their violation, would it not in fact be indicative of the type of exceptionalism that have (sic) led many other African countries to have poor investment climates ? Would this not undermine our credibility ? "***

MBB questions:

- **What evidence is there to show that MBB "clearly went against the legal framework that Botswana has in place to govern its mining industry" ?**
- **What has MBB violated ?**

On **13 May** and **11 July 2013**, Minister Mokaila advised that in terms of section 22 of Botswana's Mines and Minerals Act (MMA), MBB did not get approval to amend its approved prospecting programme for the two years to **30 June 2012**, which pertinently included conducting a **feasibility** study.

A **feasibility** study could not be completed, as during this period it became obvious that an economic grid power supply would not be available in the Kihabe project area **by the end of 2012**, as previously assured it would be. Kihabe project power requirements advised by MBB to then Minister Kedikilwe in **March 2010**, were in the range of 40MW, to produce zinc metal on site through solvent extraction and electro-winning (SX/EW).

Contrary to what Minister Mokaila advised, MBB DID get approval to amend its prospecting programme.

Attempts at arranging a meeting eventuated in MBB giving a presentation to Minister Kedikilwe on **23 March 2012**. **This outlined proposed amendments to MBB's prospecting programme because of power problems.** Though no fault of the Botswana Power Corporation (BPC), the provision of grid power, previously assured would be available **by the end of 2012**, from the construction of the Morupule B power supply, could not be relied upon in the foreseeable future.

MBB's proposed amendments included the intention of trialling metallurgical recovery processes, alternative to SX/EW, requiring less power. They also included the intention to increase the project's resource base to generate greater throughput to counter the higher cost, in event of the need to rely on on-site power generation.

At the conclusion of the presentation, Minister Kedikilwe invited MBB to join the power forum so that MBB could advise of its amended future power requirements, as well as being updated on the power situation.

In accordance with Section 22 (1) MMA, because Minister Kedikilwe did NOT reject those proposed amendments within two months, they became effective as of 23 May 2012.

Background

- On **9 September 2006**, then Minister Tibone advised Mount Burgess Mining that grid power would be available in the Kihabe area in five years time (2011).
- On **24 July 2008**, at the Botswana Resources Conference, the BPC advised MBB that grid power should be available in the Kihabe area **by the end of 2012**.
- In **June 2009**, at the Botswana Resources Conference, the BPC advised that **MBB could rely on grid power being available for the Kihabe project**.
- On **25 January 2010**, whilst on a Kihabe site visit, Minister Kedikilwe enquired what would be required to get the Kihabe project into production. MBB advised that grid power would be required, the amount of which would be advised on completion of metallurgical testwork then being undertaken.
- On **5 March 2010**, In planning to conduct a **feasibility** study on the Kihabe project during the two years to **30 June 2012**, MBB advised Minister Kedikilwe that it would need in the region of 40MW of power to produce zinc metal on site through SX/EW. MMEWR responded **"This is certainly useful to enable us to engage with other stakeholders"**.
- In **September 2010**, having undertaken to compile a **feasibility** study, MBB first became aware of possible delays in the provision of grid power. A presentation in respect of power supply, given by the BPC at the Botswana Coal and Energy Conference, revealed **"the supply situation is tight and set to remain so until end of 2012"**.
- In **February 2013**, in an interview with Johannesburg newspaper Business Day, the President of Botswana, Ian Khama commented on the Morupule B power upgrade delays, scheduled for completion by **October 2012**. He was reported as saying **"Power shortages will not attract the large investment in railways, roads and mining that are planned". "Those generation plants at Morupule B should have all been up and running by the end of last year – but only one of the four is operating"**.
- On **1 March 2013**, Minister Mokaila was interviewed by Business Week, regarding the Botswana Government suing the contractors over delays in constructing and commissioning the Morupule B power stations. Minister Mokaila stated **"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"**.
- On **8 March 2013** Botswana's High Commissioner to Australia advised MBB that on the previous day he had spoken to Mr Segwabe of the Geological Survey. He told Mr Segwabe that he must not blame MBB for not being able to move the project forward as planned because of the power problem. He explained that they had all suffered from this and it wasn't MBB's fault. (Mr Segwabe was advising Minister Mokaila on MBB's application for extension of PL69/2003).

On **13 May 2013**, Minister Mokaila, first rejected MBB's application for extension of PL69/2003. He described as **"unsatisfactory"** the reason put forward by MBB for not being able to complete a **feasibility** study, **that being the lack of grid power**.

COMPLIANCE WITH THE JORC CODE AS ORDERED BY A PREVIOUS MINISTER MMEWR AND AS REQUIRED UNDER BOTSWANA'S MMA CHECKLIST FOR APPROPRIATE PROGRAMME OF PROSPECTING OPERATIONS

MBB explained to Minister Mokaila that in compliance with the **JORC Code**, *(the 2004 edition was applicable at that time)* it could not produce nor get a **competent person** to sign off on a **feasibility** study, as it said in **March 2010** it would do, during the two years to **30 June 2012**. This was as a result of not having available, as previously assured it would have, **economic** grid power, in the Kihabe project area **by the end of 2012**.

The Australian JORC Code states, as all other International Codes do, that **feasibility** studies can only be compiled and signed off by a **competent person** when dealing with **ore reserves**. It further states, as all other International Codes do, that **resources** can only be upgraded to **ore reserve** status, if at the time of so doing it can be shown that adequate required **infrastructure** is in place and that **ore reserves** can be mined and treated on an **economic** basis.

Without grid power, previously assured would be available, there was not adequate **infrastructure** in place. Therefore, mining and treatment by way of SX/EW could **not** be conducted on an **economic** basis. Consequently the Kihabe **resources** could **not** be upgraded to **ore reserve** status.

On **11 July 2013**, Minister Mokaila further rejected MBB's appeal to then Vice President Kedikilwe, for the extension of PL69/2003. In so doing he stated **"JORC Code or any other international requirements and standards does not substitute ones obligations under MMA"**.

Contrary to this statement by Minister Mokaila, a previous Minister MMEWR, on signing a grant for the extension of PL69/2003, **specifically ordered Mount Burgess Mining to comply with the JORC Code**. He stated, under Pre-Feasibility study **"The aim is to progress the project to JORC compliant resource status"**.

In addition **MBB had to comply** with Botswana's MMA "Checklist for Appropriate Company Programme of Prospecting Operations". This was required by MMEWR to be completed by MBB when applying in **March 2010** for an extension of PL69/2003 for a further two years to **30 June 2012**. This MMA checklist specifically stated under section D – **Pre-feasibility study** and section E – **Mine Feasibility study** that **reserves** must be compliant to an **International Code**. **The JORC Code is an accepted International Code**.

The Combined Reserves International Reporting Standards Committee (CRIRSCO) website confirms under "About CRIRSCO", so far as **mineral reserves** and **resources** are concerned, that **"The JORC Code** (Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia) **has played a crucial role** in initiating the development of standard definitions for these codes and guidelines".

In 1997, agreement was reached on these standards and definitions by CRIRSCO members under the Denver Accord. In 1999, they were then adopted by the United Nations Economic Commission for Europe, thereby establishing their **"true International status"** (ref CRIRSCO).

"An updated version of the JORC Code was then released in Australia in 1999 (and more recently in 2004) followed by similar codes and guidelines in South Africa, USA, Canada, UK/Ireland/W. Europe, Chile and Peru" (ref CRIRSCO).

This was the derivation of the title **"International Code for Reporting on Mineral Resources and Ore Reserves"**. This **"International Code"** is what is referred to in sections D and E of Botswana's MMA "Checklist for Appropriate Company Programme of Prospecting Operations".

In summary, in complying with Botswana's MMA checklist and the JORC Code, MBB could NOT upgrade its RESOURCES to ORE RESERVE status, because of the lack of required INFRASTRUCTURE - an ECONOMIC grid power supply. Consequently, it could not get a COMPETENT PERSON to compile and sign off on a FEASIBILITY STUDY.

CORPORATE FUNDING

During the quarter to 31 March 2015 Jan and Nigel Forrester provided further loan funding to the Company amounting to \$82,000.

Since the end of the quarter the Company has available funding and commitments to funding amounting to A\$61,500. This is made up of:

Cash as at 31 March 2015	A\$16,000
Commitment to further loan funding	A\$12,700
Sale of assets	A\$ 5,300
Commitment to the recoupment of damages	A\$27,500

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

MOUNT BURGESS MINING N.L.

ABN

31009067476

Quarter ended ("current quarter")

31 Mar 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) administration	(80)	(215)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	-
1.5	Interest and other costs of finance paid	-	(1)
1.6	Income taxes refund	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(80)	(216)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(80)	(216)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(80)	(216)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	22
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	82	203
1.17	Repayment of borrowings	-	(10)
1.18	Dividends paid	-	-
1.19	Other – Lease liability repayments	-	-
	Other – Placement fees	-	-
	Net financing cash flows	82	215
	Net increase / decrease in cash held	2	(1)
1.20	Cash at beginning of quarter/year to date	14	16
1.21	Exchange rate adjustments to item 1.20	-	1
1.22	Cash at end of quarter	16	16

**** The Company currently has an overdraft facility of \$NIL**

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	N/A	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

**** The Company currently has an overdraft facility of \$NIL**

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	2	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	50
Total	50

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	16	14
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)		-
Total: cash at end of quarter (item 1.22)	16	14

**** The Company currently has an overdraft facility of \$NIL**

Changes in interest in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	-	-	-	-

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted share securities at the end of current quarter

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	N/A			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities (Note 1)	153,227,958	153,227,958		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	N/A N/A	N/A N/A		
7.5	+Convertible debt securities (description)	N/A	N/A		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options Employee Share Plans (note 1)	1,907,149 71,430	NIL NIL	35 cents 35 cents	31/12/15 31/12/16
7.8	Issued during quarter	NIL			
7.9	Exercised during quarter	NIL			
7.10	Expired / Cancelled	NIL			
7.11	Debentures (totals only)	NIL			
7.12	Unsecured notes (totals only)	NIL			

Note 1 Post consolidation

+ See chapter 19 for defined terms.

Compliance statement⁷

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: *Serene Chau*
 (Director/Company secretary)

Date: 22 Apr 2015

Print name: Serene Chau

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 [Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic \(if any\) must be complied with.](#)

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⁷ See chapter 19 for defined terms.