



## REPORT FOR THE QUARTER ENDED 30 JUNE 2013

During the quarter, the Company has been involved with the rejection of its Application for the Renewal of PL69/2003, in Western Ngamiland, Botswana, as follows:

On the 13 May 2013, The Minister for the Ministry of Minerals, Energy and Water Resources (MMEWR), Botswana, rejected the Application for Extension of PL69/2003, lodged on 29 March 2012 in the name of Mount Burgess (Botswana) (Proprietary) Ltd (MBB), a wholly owned subsidiary of Mount Burgess Mining NL (MTB). PL69/2003 contains the Kihabe and Nxuu JORC compliant resources of 25 million tons @ 3% Zn/Pb including 3 million ozs Ag, developed by MTB and MBB.

In terms of the specific functions of His Honour the Vice President's Private Office - Appeals and Complaints handling - MBB and MTB **appealed on 6 June 2013 to The Vice President of Botswana**. The appeal was in respect of both the rejection of the Application for Extension and the fourteen month time frame it took for the rejection decision to be advised by The Minister MMEWR. Without reference to the fourteen month time frame, **The Minister MMEWR, rejected the appeal** on 9 July 2013, on the basis that MBB had failed to:

1. Carry out the proposed prospecting programme, during the two years to 30 June 2012, which included the completion of a feasibility study.
2. Gain approval from the Minister for a change in the prospecting programme for not having completed a feasibility study.

With regard to 1 above, as MTB is a Company listed on the ASX, MTB and MBB must comply with the provisions of the JORC code, relative to feasibility studies. Under the provisions of the JORC code, which are similar to other international codes such as the SAMREC code of South Africa and the NI 43 – 101 code of Canada, the proposed feasibility study was not able to be compiled and signed off by a competent person because of the unavailability of a commercial power supply. Previous advice was that grid power would be available within the project area by the end of 2012.

With regard to 2 above, MTB and MBB gave a presentation to the previous Minister MMEWR on the 23 March 2012, advising him of alternative metallurgical processes being trialled to reduce the projects 40MW power requirement, because of the foreseeable lack of grid power. The Minister suggested that MTB and MBB should join the power forum in order to be kept informed of the progress in the upgrade of power to the area. The Minister was also advised of the geochemical soil sampling programmes being conducted in an effort to increase the projects resource base with the concept of increasing annual throughput and thereby reducing operating costs, in the event of having to rely on higher cost on-site power generation.

With regard to the **initial rejection of the Application for Renewal of PL69/2003, advised by The Minister MMEWR** on 13 May 2013, a memorandum received on 18 July 2013 from the Chambers of Advocates Robert Douglas SC and Peter O'Halloran, outlined the following:

## LEGAL ADVICE ON THE LEGAL POSITION

1. MBB is faced with a situation where it is impossible for it to comply with the JORC code without the necessary power. Consequently, it cannot produce the requisite feasibility study i.e. MBB is faced with impossibility of performance.
2. In our view MMEWR was, at all times, aware of this situation yet took no steps to provide the power or advise MBB that it should not continue operations and involve itself in the steep costs thereof.
3. In other words MMEWR is itself responsible for the stalemate that has arisen and MBB's obligation to provide the necessary feasibility study has become impossible as a direct result of MMEWR's failure to provide power at the site despite its assurances that it would do so.
4. In Roman Dutch law impossibility of performance negates the obligation.
5. Likewise MBB has a cause of action based on MMEWR's failure to honour assurances and failure to comply with time frames i.e. maladministration of the process.

## LEGAL CONCLUSION

1. We therefore conclude that the rejection of the Application for Extension was unlawful and in direct contravention of the common law. MMEWR is legally bound to grant it.
2. In our view the Botswana High Court will uphold the contention that MBB is bound by the JORC code whatever the Botswana legislation may provide and that at all material times MMEWR was fully aware of this fact
3. MMEWR's failure to do anything for fourteen months before it handed down its decision and its failure to inform MBB of the rejection within the prescribed three month period up to the end of June 2012, clearly amounts to maladministration.
4. An application to the High Court ought to be made seeking the setting aside MMEWR's decision rejecting the renewal application.
5. MBB has a claim for damages arising out of the costs of its operations.

With regard to the **rejection of the appeal, advised by The Minister MMEWR** on 9 July 2013, legal opinion handed down by Advocates Robert Douglas SC and Peter O'Halloran concur as follows:

1. The decision in regard to the appeal should have been handed down by **The Vice President of Botswana**, with whom the appeal was rightly lodged.
2. The review of the appeal and the decision relative thereto are **not within the jurisdiction of The Minister MMEWR**.
3. The decision handed down by The Minister MMEWR rejecting the appeal is therefore opined to be **ultra vires**.

## FUNDING OF OPERATIONS

During the quarter the Company placed 25 million shares at 0.1 of a cent to raise \$25,000.

Loan funding from Directors during the quarter amounted to \$95,000.

On 30 July 2013 a further \$60,000 was negotiated by way of Director's loan funding.

As a consequence of the current situation relative to the rejection of the Application for the Renewal of PL69/2003 in Western Ngamiland, Botswana, the Company together with its wholly owned Botswana subsidiary, have unfortunately been forced to cause redundancies. Of the exploration team of eight staff members, five have been made redundant, two remain in the capacity of guardian and a senior field geologist has voluntarily elected to perform his duties on half pay until the legal situation in this matter has been clarified.

In Perth Head Office, two staff members directly related to the project have also been affected by redundancies.

The Company is extremely grateful for the past commitment and support for the project given by all staff members, who in this unfortunate situation have been forced to be made redundant.

A handwritten signature in black ink, consisting of several overlapping loops and lines, appearing to read 'Nigel Forrester'.

**Nigel Forrester**  
**CEO**  
**Mount Burgess Mining NL**

# 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.
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ABN

31009067476
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Quarter ended ("current quarter")

30 June 2013
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(39)	(263)
(b) development	-	-
(c) production	-	-
(d) administration	(122)	(616)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(15)	(56)
1.6 Income taxes refund	-	118
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(176)</b>	<b>(817)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(4)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	2	15
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>2</b>	<b>11</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(174)</b>	<b>(806)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(174)	(806)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	25	510
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	115	305
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Lease liability repayments	(1)	(3)
	Other – Placement fees	-	(7)
	<b>Net financing cash flows</b>	139	805
	<b>Net increase / decrease in cash held</b>	(35)	(1)
1.20	Cash at beginning of quarter/year to date	(337)	(370)
1.21	Exchange rate adjustments to item 1.20	-	(1)
1.22	<b>Cash at end of quarter</b>	(372)	(372)

**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	50
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 \$405,000.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	977	968
3.2 Credit standby arrangements	415	387

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	100
<b>Total</b>	100

### 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	15	10
5.2 Deposits at call	-	-
5.3 Bank overdraft	(387)	(347)
5.4 Other (provide details)		-
<b>Total: cash at end of quarter</b> (item 1.22)	(372)	(337)

### 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 <b>Preference securities</b> <i>(description)</i>	N/A			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	862,838,602	862,838,602		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	20,000,000 25,000,000  N/A	20,000,000 25,000,000  N/A		
7.5 <b>*Convertible debt securities</b> <i>(description)</i>	N/A	N/A		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>Employee Share Plans</i>	13,350,000 500,000	NIL NIL	5 cents 5 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 <b>Debentures</b> <i>(totals only)</i>	NIL			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	NIL			

+ See chapter 19 for defined terms.

