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MINING LICENCE 5391 – CLUNES
REPORT ON PROGRESS

Drilling is in progress on MIN 5391, with two holes completed from the one site near the north-east corner of the licence. These holes tested the objectives set out in the recent prospectus of the Company.

Directors are pleased with the results to hand – see table of results below. These early results demonstrate the presence of unmined gold in the zone above the percussion hole MCR-1, drilled in 1996.

The results set out in the table are derived from a larger number of analyses, following continuous down-hole sampling of sawn half HQ drill core (diameter 62mm) commencing immediately below the overlying decomposed basalt. Higher values given in this table have been confirmed by Screen Fire Assay of a second split from the original collected sample. The sampled down-hole interval is shown in the table, in metres.

The tabulated results are all from the initial hole, designated CD06-1. The cut and sampling procedure for hole CD06-2 is incomplete as at 17 October 2006. Samples for the lower half of this hole have not yet been forwarded to the analytical laboratory.

Hole CD06-1 (drilled west, dip – 65 degrees) crossed the mineralised zone in the eastern half of MIN 5391, approximately 20 metres vertically above hole MCR-1. The subsequent hole (also drilled west dip – 80.5 degrees) was drilled to test below hole MCR-1. Drilling is continuing: a third hole from the same site is to test the same zone, above hole CD06-1.


Tabulated results – a summary

Down-hole interval (m)	Gold (g/t) First Report	Gold (g/t) Screen Fire Report	Comment
25.9 – 34.4	-	-	Variable, low values
34.3 – 35.4	9.43	9.57	
35.4 – 36.6	7.11	12.12	
36.6 – 39.7	-	-	Low values
39.7 – 40.3	2.05	1.88	
40.3 – 40.9	3.50	3.48	
40.9 – 44.9	-	-	Low values
44.9 – 45.5	3.13	n.a.	
45.5 – 46.5	-	-	Low values
46.5 – 47.5	2.71	n.a.	
47.5 – 49.9	-	-	Low values
49.9 – 50.3	25.42	6.83	Nugget effect
50.3 – 51.3	-	-	Low value
51.3 – 51.9	4.60	4.07	
51.9 – 57.8	-	-	Low values
57.8 – 58.9	6.51	6.19	
58.9 – 68.5	-	-	Low values
68.5 – 69.0	0.89	1.08	
69.0 – 70.0	0.80	n.a.	
70.0 – 71.0	5.95	-	
71.0 – 71.4	4.19	13.04	Nugget effect (?)
71.4 – 72.0	33.40	37.78	Nugget effect (?)
72.0 – 72.8	1.65	n.a.	
72.8 – 73.4	7.69	8.69	
73.4 – 74.4	0.90	-	
74.4 – 75.4	-	-	Low values
75.4 – 76.4	1.83	-	
76.4 – 77.0	-	-	Low values
77.0 – 78.0	8.38	-	
78.0 – 87.0	-	n.a.	Low values
87.0 – 87.9	2.76	3.20	
87.9 – 94.8	-	n.a.	Low values
94.8 – 95.5	1.37	1.51	

The remainder of this hole (95.5 to 133.1 metres down hole) revealed a wide and continuous quartz breccia. A total of 44 samples from this breccia were analysed. Although gold is pervasive at low levels, few results exceed 0.5 g/t gold.

The completion of holes CD06-1 and CD06-2 continues to demonstrate the considerable additional value inherent in diamond drilling (versus percussion drilling) in this Clunes environs.

Here is the important point: the drilling in progress, and the above results, point to gold unknown to the early miners and still in place on the eastern side of the brecciated less mineralised quartz. This zone is in the central part of MIN 5391, and has not apparently been explored, even by upper level workings in the past.



F.L. Hunt *M AusIMM*

This Public Report of Exploration Results may be of use to investors. The results given in the above table can be placed in perspective by reference to the February 2006 prospectus of the Company, and to the web-site of the Company.

The information in this Public Report that relates to exploration results is based on information compiled by F.L. Hunt, who is a Member of the Australasian Institute of Mining and Metallurgy and is a director of the company.

F.L. Hunt is a person competent to make such a Public Report, as is defined in the 2004 Edition of the "Australasian Code for the Reporting of Exploration Results."