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27 October 2006

## **MINING LICENCE 5391 – CLUNES PROGRESS REPORT**

Drilling at Clunes has been in progress for 6 weeks.

The present procedure is to cut drill core and then sample so as to attain a continuous sequence of analyses down the hole. To date, this procedure has been completed for two holes.

A Public Report dated 17 October 2006, recorded the results from sampling the first diamond drill hole at Clunes.

The results of sampling the second diamond drill hole at Clunes are set out in the table below.

### **Tabulated results – a summary (Hole CD06-2 only)**

| Down Hole interval<br>(m) | Gold (g/t)<br>First Report | Comment                      |
|---------------------------|----------------------------|------------------------------|
| 36.7 – 37.4               | 2.0                        | Consolidated fill            |
| 37.4 – 38.0               | 5.2                        | Consolidated fill            |
|                           |                            |                              |
| 88.2 – 89.0               | 8.1                        | Slate                        |
|                           |                            |                              |
| 121.0 – 121.5             | 5.9                        | Slate with dissem. sulphides |
| 121.5 – 122.1             | 7.3                        | Slate with dissem. sulphides |
| 122.1 – 122.7             | 7.6                        | Slate with dissem. sulphides |
| 122.7 – 123.7             | 1.7                        | White quartz                 |
|                           |                            |                              |
| 128.0 – 130.4             | 12.8                       | Cavity, broken slate         |
| 130.4 – 130.9             | 2.0                        | Slate, iron oxides           |
|                           |                            |                              |
| 179.9 – 180.8             | 11.6                       | Slate                        |
| 180.8 – 181.4             | 14.0                       | Shear in slate               |
| 181.4 – 182.0             | 7.8                        | Sandstone, sheared           |
| 182.0 – 182.7             | 6.5                        | Laminated qtz, slate, pyrite |
| 182.7 – 183.4             | 11.6                       | Laminated qtz, slate, pyrite |
| 183.4 – 184.0             | 13.6                       | Sandstone & slate (broken)   |
| 184.0 – 184.8             | 2.2                        |                              |
| 184.8 – 185.6             | 7.3                        |                              |
| 185.6 – 185.7             | 6.5                        |                              |
| 185.7 – 186.6             | 0.7                        |                              |
| 186.6 – 186.7             | 3.2                        |                              |
|                           |                            |                              |
| 189.2 – 189.8             | 6.0                        |                              |

Note: The interval 178 to 186 metres appears sheared throughout. Sulphide mineralisation includes pyrite and arsenopyrite.

A cross section is included to illustrate the relative positions of the three diamond drill holes completed as at 25 October 2006. On the cross section, the positions of worked out veins are shown in grey; the drives along those veins are marked, for example, as “2L”, “3L”, and so on. Those old workings were developed over months in the years after 1857. These three new diamond core holes were able to reveal mineralisation at the north end of the property not known by way of old workings.

The “Newsletter” to members of the Company dated 27 October 2006 provides further information, and is also included as part of this Progress Report.

A handwritten signature in black ink, reading "Frederick L. Hunt". The signature is written in a cursive, flowing style.

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.”

**WEST** **EAST**

MIN 5391

East Boundary MIN 5391

PRIVATE LAND

Dump over surface

BASALT

Basalt intersected is severely decomposed

DRILL RIG

NO DATA

50 metres below surface

WEST VEIN

ROBINSON'S VEIN

In place zone of brecciated quartz

West vein Worked Out

Welcome Vein (worked out)

Stoped East Vein (worked out)

HOLE CD06-3

HOLE CD06-1

HOLE CD06-2

2L

3L

4L

5L

6L

1L (150')

1L

2L

3L

4L

XCE 15m north of section

XCE 20m north of section

113m

133.9m

75m

70m

74m

85m

105m

115m

128m

146m

155m

179.9m

186.7m

196m

Disseminated sulphides in sandstone (trace only gold)

Auriferous sandstone/slate in shear structure

No development at north end

No development at north end below 6L

Position of Robinson's or Old Man Vein 50 m N of drill section

25 Metres

FLH050508V3

27/10/2006

# NEWSLETTER



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27<sup>th</sup> October, 2006

During the financial year ended 30<sup>th</sup> June, 2006, the Company raised funds and listed on NSX to position itself to carry out a diamond drilling program in the current year. The drilling program comprises a series of comparatively short holes, and for that reason a modest fundraising of just over \$500,000 was regarded as sufficient.

That diamond drilling program has been in progress at Clunes since 11<sup>th</sup> September, 2006. Drill core is cut and sampled at Allendale, then bagged up and periodically freighted to the laboratory at Bendigo. The samples are individually processed as follows—

- crush to 2.5mm sizing (one pass)
- pulverise to dust
- split, to provide a 50 gm proportionate “sample” for analysis
- reject held for second split and in occasional cases
- second split, to provide the 100 gm (2 x 50 gm) “sample” for each screen fire assay, when those are requested by the Company.

The results of first analyses (hole CD06-1) were reported (emailed) to the Company on 2<sup>nd</sup> October, 2006. There were 80 samples in this batch, of which 61 were strongly anomalous for gold. Screen fire assay of 20 samples providing checks on selected higher and lower values became available from the laboratory on 9<sup>th</sup> October, 2006.

Subsequently, a Public Report was prepared and released to NSX. A copy of that release dated 17<sup>th</sup> October, 2006, is attached.

Assays of samples from the first hole drilled at Clunes confirmed that gold does remain in the generally unworked central section, the old Port Phillip mine, at its north end. Before any meaningful statements can be made as to the significance of this drilling, the results from the completed drill holes require further assessment in conjunction with additional results from the remaining holes being drilled. There was no visible gold from the samples in the first hole.

The completed second hole (CD06-2) passed intermittently through lode rock which was at times strongly mineralised with observable pyrite and arsenopyrite. The results of analyses of this second hole at Clunes are appended, together with a cross-section at the first drill site location.

A third hole (hole CD06-3) from same collar site was completed on 25<sup>th</sup> October, 2006. This hole passes through the oxidised zone where all “sulphides” are oxidised, and again it is only by analyses that any gold content can be determined.

The plan for drilling at Clunes, as proposed in the recent Prospectus, is being followed, with drilling location and the timing of each drill hole taking into account the time lapse before analyses become available to the Company.

The next drill hole (the fourth) is sited nearer the south end of MIN 5391.

The identification (by drilling) of a prime mineralised lode structure at the north end of MIN 5391, east of the centrally positioned brecciated quartz, has provided very good reason to drill a similar position about 200 metres south of the first drill hole site. It is anticipated that drilling at the south end of MIN 5391 will be well advanced by the date of the Annual General Meeting.

The core shed at Allendale will be open for shareholders’ inspection from 2.30 p.m. on the afternoon of the AGM. A Notice of Meeting will be despatched shortly, giving shareholders instructions as to the date of the forthcoming AGM.

Clearly, there remains much to be learnt about the structure at Clunes, despite 30 years of quartz mining – 1857–1888.

F.L. HUNT  
Director