

**NOTES FOR THE READER**

*Included with this "Newsletter" are illustrations to describe how exploration has progressed at Clunes.*

*The information about gold presented in these pages would have been welcome news to those who lived in Clunes in 1886. The technical language would have been familiar to them, as were the mines of the time. For today's shareholders living in different places, and 120 years later, these pages provide an insight (by hindsight) into earlier stages in the exploration of Clunes, before bringing us all to the present.*

*Most people are also unfamiliar with the real history of gold in Victoria. There is, however, an excellent well-described history of the mine of interest to us – the Port Phillip, at Clunes. The details of many operating years, up to the year 2001, are to be found in John Woodland's readable book Sixteen Tons of Gold – those interested in a copy could write to the Company.*

*The main period of gold production from the Port Phillip ceased about 1888. To place this time in context, this is a year which follows on from one of the most momentous years in gold mining activity in Central Victoria. In April 1886, discoveries took place underground at Ballarat West, which led to so much excitement at Ballarat West, along the line of the Guiding Star lode. Substantial investment money flowed to those Ballarat West ventures. At the end (30 years later) the best of those Ballarat discoveries did not exceed the richness or the profitability of the two main mines at Clunes.*

*The whole of the hard-rock gold production from Ballarat West (to date) is only about half that at Clunes. Yet such is the draw of the name "Ballarat" that investors favoured mines there above those at Clunes where by 1888, investor interest had dwindled.*

*In modern times, substantial companies tried to capture through exploratory drilling the mining opportunity still believed to exist at Clunes. The accompanying sheets are an attempt to summarily convey those efforts by others.*

*On **Sheet 4** is one diagram (after Woodland, J., 2001) which shows historic gold production from various sources. The gold from pyrite on this graph is in aggregate about 23,000 oz. That is, the graph confirms that gold within pyrite recovered from the treatment of traditional quartz veins is normal as a source of gold.*

*On this same **Sheet 4** is illustrated – in several ways – the gold intersected deep in Mount Rommel hole CD06-2 (in churned-up slates). This gold-pyrite association occurs in visually different material, not at all similar to the traditional quartz vein. It was found by sampling, as part of the systematic program of investigation. The numerous check analyses carried out on this material confirm that the gold is distributed in a relatively even manner, giving assay consistency – a characteristic valued by the Company.*

*Today, holes CD06-2 and CD07-4 are providing evidence of a host structure for a new kind of gold resource within MIN 5391.*

*Eleven (11) diamond drill holes have been drilled by the Company since September 2006. An earlier hole (CD04-1) and two holes by earlier explorers (MCR-1 and CP128), combined with those of the Company, produce results which are indicative of commercial gold.*

*In all probability, another 25 or 30 holes would be needed to provide sufficient data for a proper evaluation from surface of this historic mine area. The cost (and still risk) attached to that drilling Directors felt should not be borne by shareholders. Yet there is too great a value to dilute the interests of the Company. For that reason Directors seek to recover gold – sufficient to pay for drilling – by retreating the waste sands of Glenfine.*

*Patience is in everyone's best interests.*

FLH

# NEWSLETTER



28 Lawson Crescent, Thomastown, Vic. 3074

P.O. Box 80, Bundoora, Vic. 3083

Telephone: (03) 9462 0739

Facsimile: (03) 9462 0494

Email: [info@mountrommel.com](mailto:info@mountrommel.com)

WEBSITE: [www.mountrommel.com](http://www.mountrommel.com)

August, 2008

To Shareholders and investors –

## THE AIMS, YEAR 2008/2009:

- Pour gold from Glenfine.
- Expand the drilled resource at Clunes.
- Open up the prospectivity at Allendale.

## TO BEGIN:

This Company has set out to make its business the reopening of the old Port Phillip mine at Clunes. Many of its shareholders also hold an interest in the freehold on which the mine exists. The pace of progress is tempered by the manner in which Government in Victoria controls action.

Names on the shareholder list of this Company will each have their own story as to how they became supporters of what will become a substantial project.

The four enclosed illustrations summarise the past work of others (at costs by 1996 exceeding \$2 million), altogether producing the data enabling the launch of the Mount Rommel program, and record the successes of the Company. At this stage –

- Directors believe the rights to gold granted for Clunes and at Glenfine should be regarded as valuable, and
- there is a Plan to continue through winning gold at Glenfine, at the rate of progress permitted.

## CLUNES (MIN 5391):

As far back as 1869, and to the end of the working life of mines at Clunes, there was no proven line of connection between the wonderfully rich Port Phillip mine, and its neighbouring mines. Later drilling confirms this point - see accompanying illustrations.

For any sensible explanation of the outcomes of extensive drilling at Clunes by WMC and MIM, there had to be an alternative to the commonly understood ore structure – that of only north-south trending quartz veins.

Mount Rommel began its drilling at Clunes with the benefit of fortunate insights available through the application of PIMA (the portable infra-red mineral analyser) in the skilled hands of Nick Merry, coupled with the structural reinterpretation of the late Dr. Alaster Edwards, together with quite detailed ground gravity and other geophysics.

Alaster recognised why there was no proven line of connection. Here are his words –

*“The whole of Clunes gold field can be divided into three segments. If these segments acted as rigid blocks, then the Port Phillip must have rotated in a clockwise direction. If you imagine these blocks as rectangular, then after rotation, there must have been some accommodation structures, particularly in the areas of maximum compression. The Western vein in the Port Phillip mine developed in exactly that position ....”*

The commercial value of such a concept was that, if proven correct, it presented the possibility of an unseen ore-bearing structure oblique to the pattern of quartz veins, right beneath the basalt in MIN 5391. The factual indication of just such a structure is noted on the old mine maps of the Port Phillip mine, and could be implied from the geological log uncertainties, hole MRC-1 of MIM (January 1996).

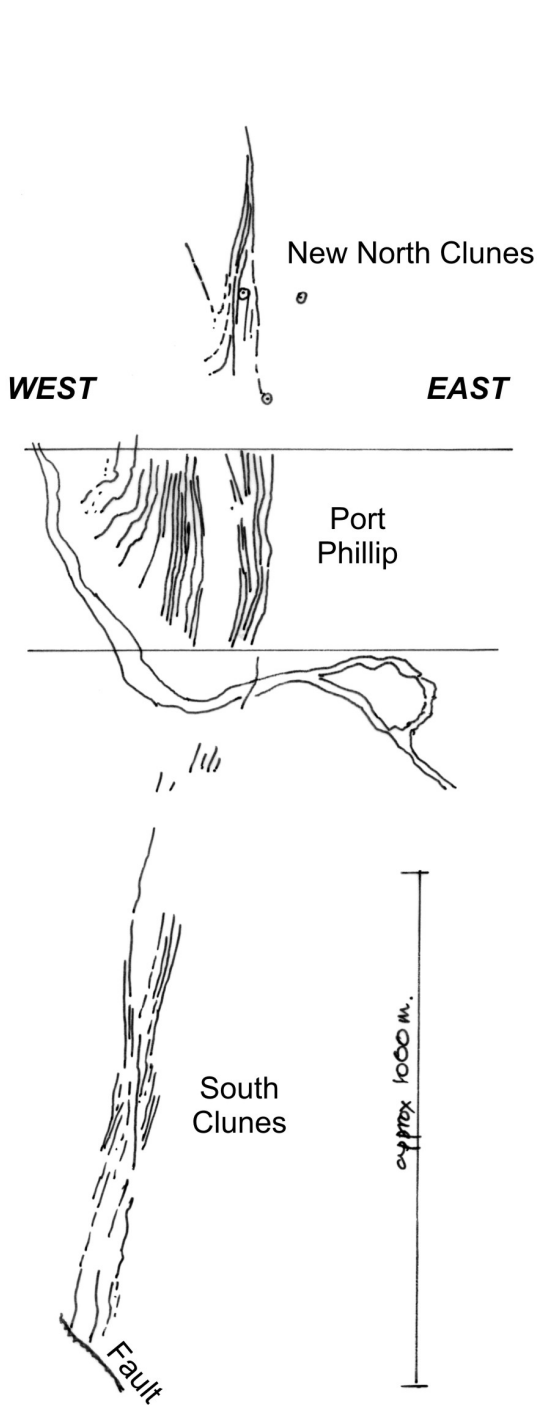
The other prospective aspect is that a new interpretation as to why this historic mine produced so much gold (16 tonnes) within a framework of Victoria's fourth largest gold field was itself good reason for investigative drilling.

This particular reinterpretation – see over page – meant that new gold would most likely be found to occur within MIN 5391, and not north of it. Facts can now be applied to these concepts.

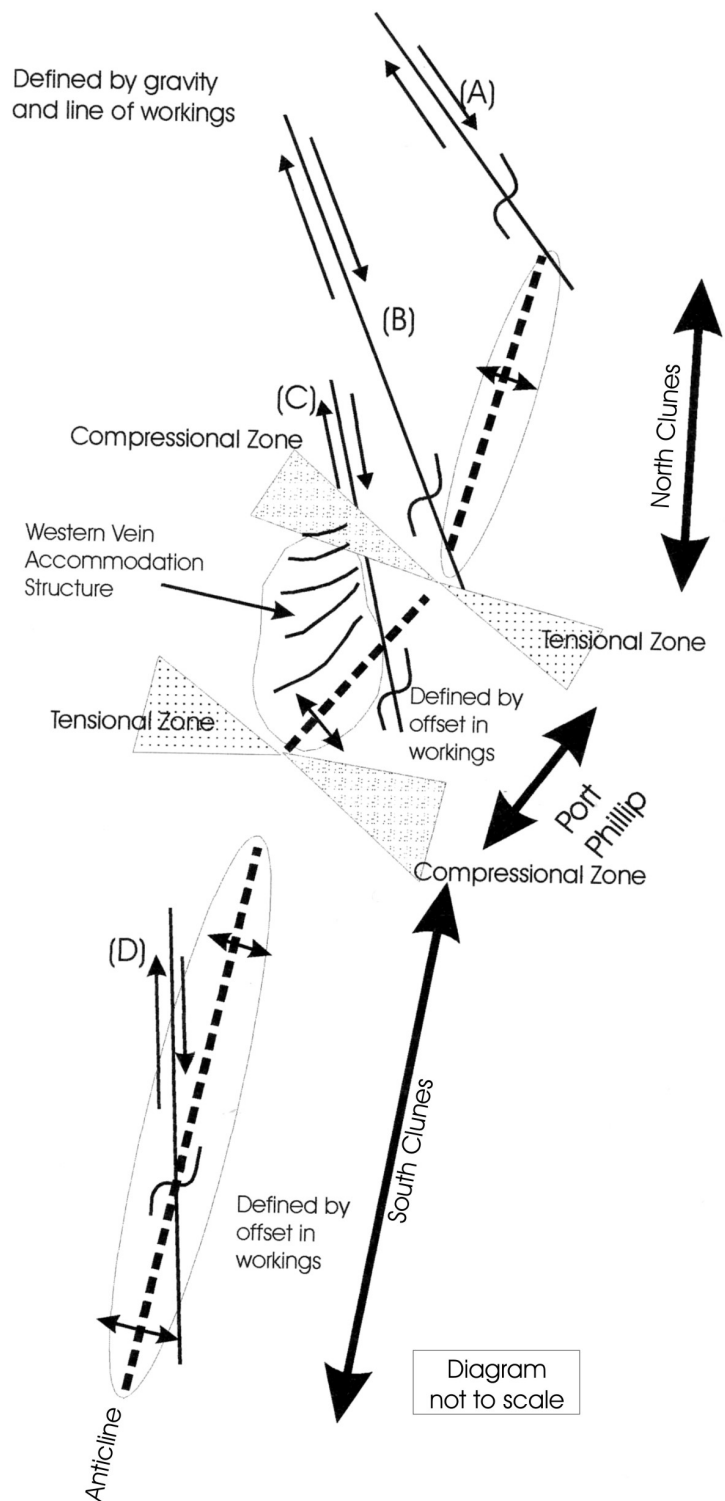
The immediate relevance of the alternative structural reinterpretation was discovered when hole CD06-2 at depths 179 metres to 187 metres passed through a shear zone (accommodation structure) which

- is visually different – gold “seen” only by assay, and by the petrologist;
- is enriched in gold and associated minerals;
- is open-ended in the direction of its orientation, in every way;
- is probably the reason for the bonanza gold intersection of MIM hole MCR-1 some 75 metres nearer to surface (as recognised by N. Merry); and
- was apparently (as it exists) unrecognised as a gold source of significance.

## THE ALTERNATIVE INTERPRETATION



Pattern of veins as plotted from  
existing plans of mine workings.  
CLUNES GOLDFIELD  
(circa 1890)



A. Edwards observed that zones which had potential to meet Company exploration criteria for "Targets" may have developed in the accommodation structures (tensional and compressional zones) as proposed in this "Structural Model" (pers.com to FLH 8Sept.2000)

From the point of view of worth today, the combination of drill intercepts with elevated gold values about the north end of MIN 5391 shows why it is that the whole of the old Port Phillip mine environs continues as a place enriched in gold – an opinion strengthened by the results of subsequent drilling near the old Port Phillip South Shaft.

The Reports of assays proving the Clunes intersections of Mount Rommel as valuable (Reports to NSX of 27<sup>th</sup> October and 13<sup>th</sup> November, 2006) were not then accompanied by statements about *structure or vein character*. Subsequently (Pontifex Report, 21<sup>st</sup> April, 2008) petrology has linked the type of gold mineralisation found in hole CD06-2 at depth (in the shear zone) to that in the shear zones carrying gold in CD07-4 – almost the last core-drilled hole. The distance between holes CD06-2 and CD07-4 is about 150 metres. There is no core drilling between those hole sites on the east side of MIN 5391.

It has become increasingly apparent that there are two (2) distinctly different gold-bearing types of materials – the historically understood quartz veins, and the churned-up zones lacking quartz and of quite different orientation. The different geometry and attitude of these intercepts means the assay data cannot at present be quantified to construct a resource number. In addition, the margins of other poor-quartz zones have been found to carry good values in gold (Hole CD04-01 assays illustrate this case).

The Directors include with this correspondence illustrations to demonstrate why Mount Rommel has been successful at Clunes, where others have not.

It is the view of Directors that the consistency of eleven (11) more or less successful holes in sequence in this location since September 2006 provides sufficient evidence for development drilling as one of the next activities. Step-out holes here could significantly expand the worth of MIN 5391, building the dimensions of what carries gold, be it quartz veins or shear zones.

It is also the present view of Directors that the funds for proposals of developmental drilling should come from the profits of mining the surface sands at Glenfine for residual gold. Therefore work at Clunes may not recommence for some time.

In the 12 months to 30<sup>th</sup> June, 2008, the Company drilled seven (7) vertical RAB holes along the east margin of MIN 5391, to ensure no gold mineralisation existed in the ground likely to become sterilised for mining purposes in the course of construction activity. An additional large diameter (10") bore was completed for ground water control purposes.

The Company is now positioned to proceed within the bounds of the freehold owned by certain of its shareholders, and undertake development, subject to the usual regulatory approvals.

## **GLENFINE (MIN 5492, 80% OWNED):**

The Company has confirmed that a small workable gold resource exists within an area of about 1.5 hectares of tailings sands, also carrying substantially elevated levels of arsenic. These sands require remediation.

A change of land ownership has resulted in the necessity to seek a negotiated settlement for compensation prior to access. At the time of writing, the Mining Warden is directing parties to follow the statutory process.

## **ALLENDALE (EL 3821):**

Here the Company has recently completed five (5) probe holes for investigative purposes. This program, in an area where there are no old workings, identified a topographic ridge below thin (8 metres) lava cover, and gold-bearing quartz within the bedrock of that ridge. One of these holes (H5, an RAB hole to depth 48.5 metres) intersected anomalous gold, warranting a series of sampling and analytical checks.

Analyses confirm gold is present at several depths in the bedrock, at values sufficient to justify follow-up by a number of similar shallow holes. Best value was 0.84 g/t gold over 1 metre at depth 27 metres.

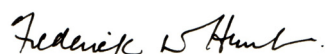
## **THE YEAR AHEAD:**

The Directors would like to build on the results of progressive activities during the two preceding years. Listed below are the intended developments, anticipated to consolidate shareholder value in this Company.

1. **Clunes** (a) The logical extension to the work of waters assessment already completed is to now proceed to demonstrate that the standing mine water is capable of treatment, such that discharge to the environment will be seen as desirable by the broader community.  
(b) Drilling for development of resources, when timely.
2. **Glenfine** Seek to mine, and treat these surface sands, as soon as practicable – subject to the required authorisations.
3. **Allendale** Once the cash demands of both Glenfine and Clunes are met, continue to probe the prospective site on Stag Road, with shallow RAB drilling.

We trust those holding shares and 2008 Options will find much to interest them in the documents forwarded by mail.

On behalf of your Directors –



F.L. HUNT  
Chairman



**TODAY.....**

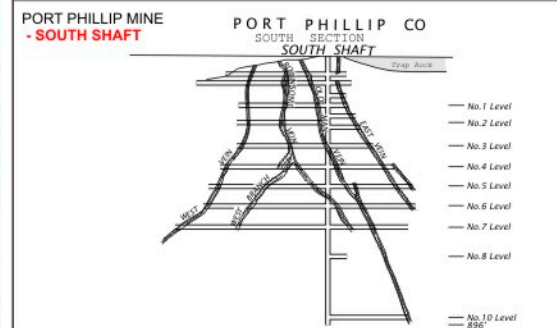
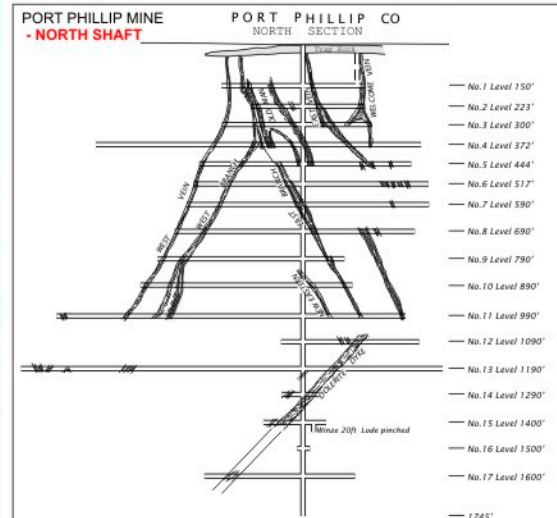
North

Collar position  
Holes CD06-1,2,3

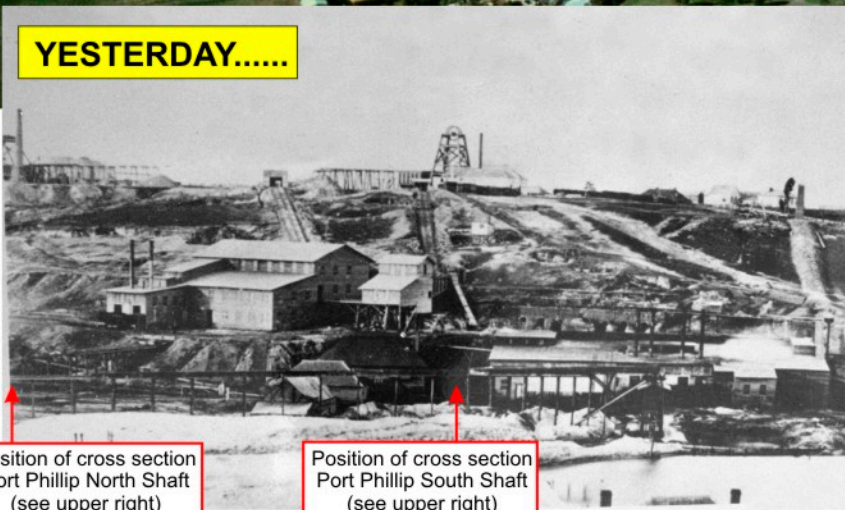
North  
Shaft

South  
Shaft

South



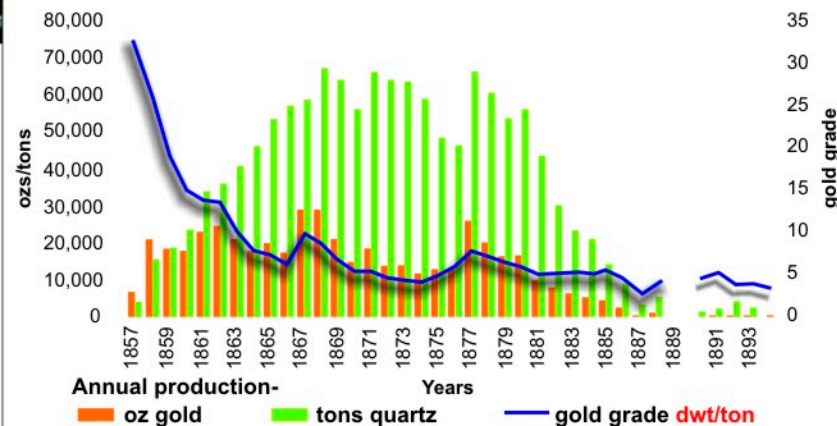
**YESTERDAY.....**



Position of cross section  
Port Phillip North Shaft  
(see upper right)

Position of cross section  
Port Phillip South Shaft  
(see upper right)

### Quartz Crushing Summary



Data from Woodland J. - "Sixteen tons of Clunes gold" (2001)

Illustrations above show the widely recognised pattern of vein systems - the extensions to which were sought by WMC and later explorers

These graphs show what gold came from the widely understood quartz vein systems.

**The conclusion:** had the positions of the gold bearing zones intersected by the eleven (11) holes by Mount Rommel been known in the past, the old miners would have seen to their removal - and the graph would be different to that shown here.







# MORE RECENT INVESTIGATION..

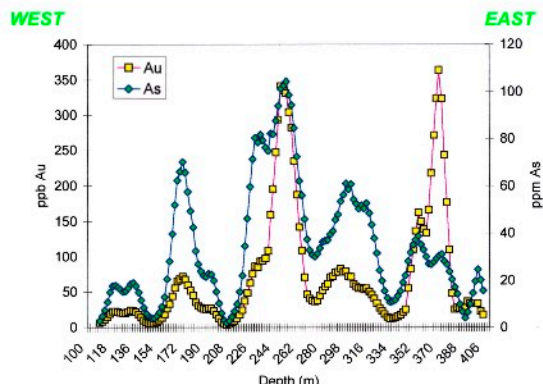


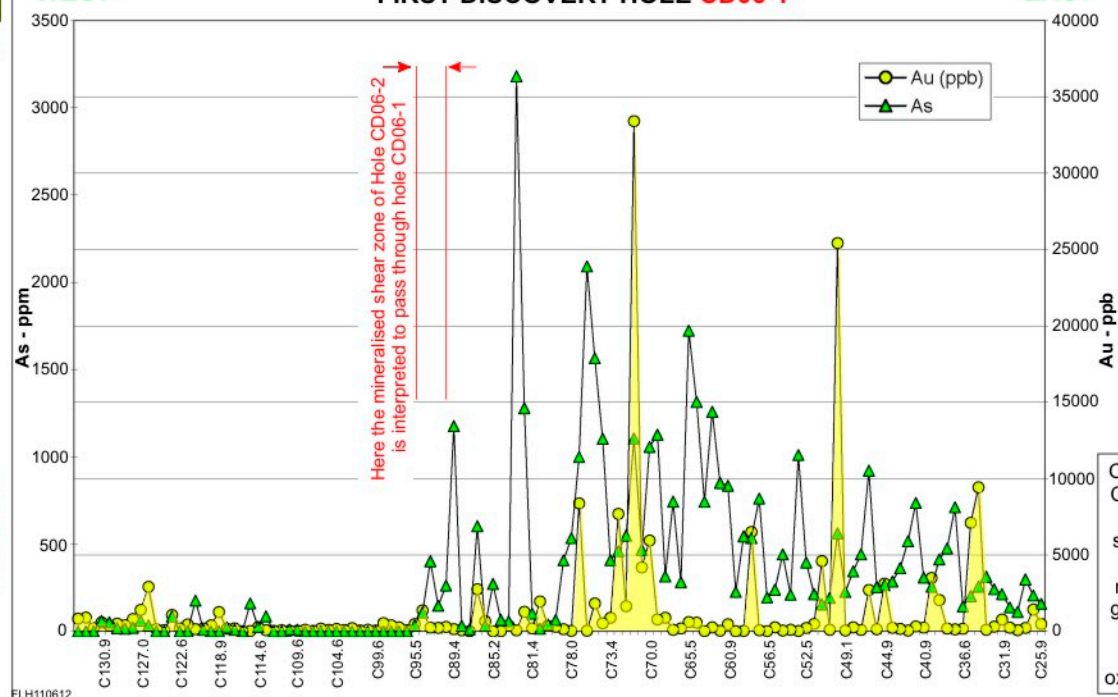
FIG 3: DOWNHOLE VARIATION IN AU AND AS CONTENTS, CD44  
PONTIFEX REPORT NO. 8015 (AUGUST 2000)

The location and position in plan of WMC hole CD44 is shown on the inset diagram maps, Sheet 2. Hole CD 44 is about 50m north of the north boundary, MIN 5391. The above graph shows similarity with the down hole graphs shown here for CD06-1 and CD06-2 - geology, geochemistry, but in the WMC hole, uncommercial gold.

WEST

## FIRST DISCOVERY HOLE CD06-1

EAST



This hole finds evidence of remnant gold, and that more of the historic vein type exists at quite shallow depths. - consequence of no drilling capability at time of mine closure.

Example of analyses as in graph:

CD06-1	Interval	Au (grams/t)
	68.5 - 69.0	0.89
	69.0 - 70.0	0.78
	70.0 - 71.0	5.95
	71.0 - 71.4	4.19
	71.4 - 72.0	33.40
	72.0 - 72.8	1.65
	72.8 - 73.4	7.69
	73.4 - 74.4	0.89
	74.4 - 75.4	0.53
	75.4 - 76.4	1.83
	76.4 - 77.0	0.04
	77.0 - 78.0	8.38

Of core trays CD06-1, this interval showing the above mineralised gold-bearing ground is within the oxidised zone



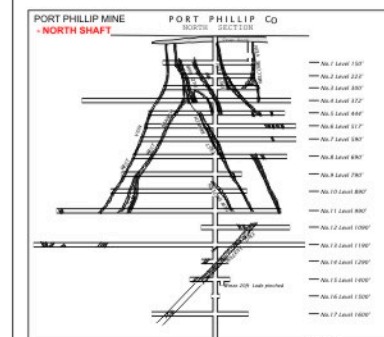
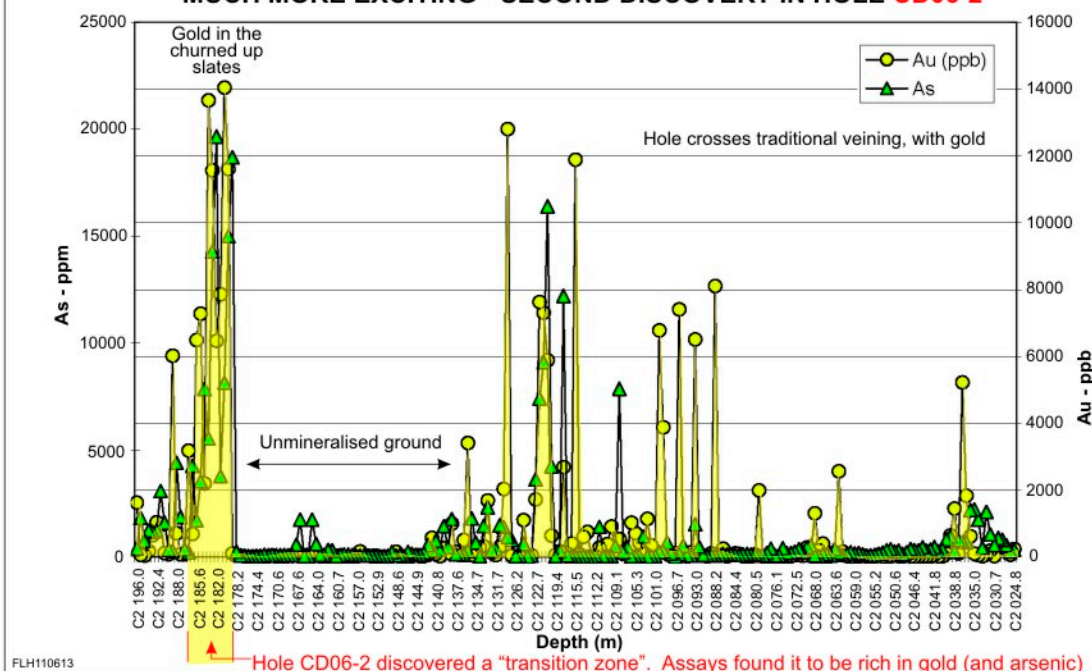
Hole CD06-2 intersected the typical veins, and then significantly different gold mineralisation - see photos, Sheet 4. This significance will have a bearing on the future of mine development. Commercial gold values are present. Adjacent to the widely recognised historic veining system another type of gold mineralisation appears in churned up slates. The core drilling program also shows how close the historic workings came to, but did not find, this type of gold mineralisation. The photo below of the core tray shows how the hole CD06-2 passed through the gold bearing zone 179 to 187m (see graph) into backfill sands which exist in the workings underneath. This evidence, and the data from MIM hole MCR-1, all point to a lack of prior recognition that gold ore of a different character may be present in the Port Phillip mine environs.



WEST

## MUCH MORE EXCITING - SECOND DISCOVERY IN HOLE CD06-2

EAST



Hole CD06-1, 2 and 3 were positioned to investigate the Port Phillip mine environs 70 metres north of this shaft section.

These holes were testing an interpretation that the richness of the Port Phillip was due to this mine being central to a site of geological transition. The vein pattern seen above appear as the after effects of rotation - the quartz penetrating zones of weakness created during torsion



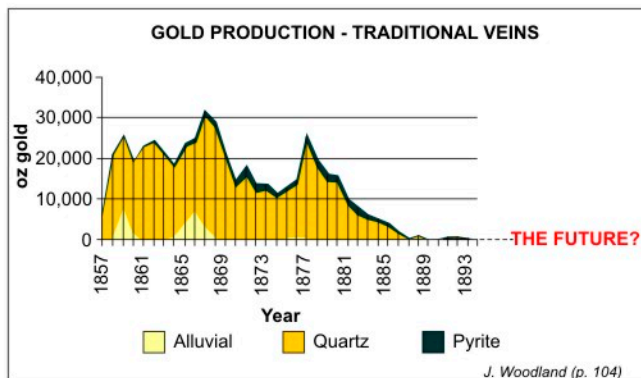
# ILLUSTRATIONS RELATING TO GOLD AT CLUNES

ALSO VISIT [www.mountrommel.com](http://www.mountrommel.com)

## THE PAST -

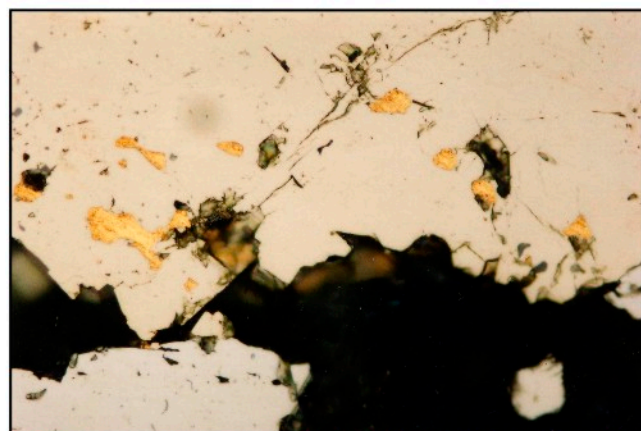
Production data of long-time manager R.H. Bland for the British-owned Port Phillip Company, from beginnings in year 1857 to the initial suspension of mining in July 1888 indicated that 1,306,745 tons of quartz were crushed to produce 480,813 oz 3 dwt 10 gr of gold (including gold won from pyrites).

In his book *Sixteen Tons of Clunes Gold*, J. Woodland (p.104) graphically illustrates the annual gold production.



It is important to understand that neither core drilling from surface or underground diamond drilling was applied here prior to mine closure, circa 1890.

Discoveries by investigative drilling Clunes Min 5391 - years 2006 and 2007 should be expanded by step-out drilling.



CD06-2 at depth 179.8m  
Original area covered by the micro-photo size - 0.6mm x 0.4mm  
Numerous gold inclusions in pyrite, mostly 10 to 40 micron in size

FLH070810

## THE MOUNT ROMMEL MINING LTD PROGRAM

### 1 PRIOR TO DRILLING

The drill core from the extensive programs by WMC was available for detailed investigation (PIMA and petrology). Three (3) periods of deformation were recognised through petrology.

These new insights guided on-going structural considerations.

### 2 MRM DRILLING

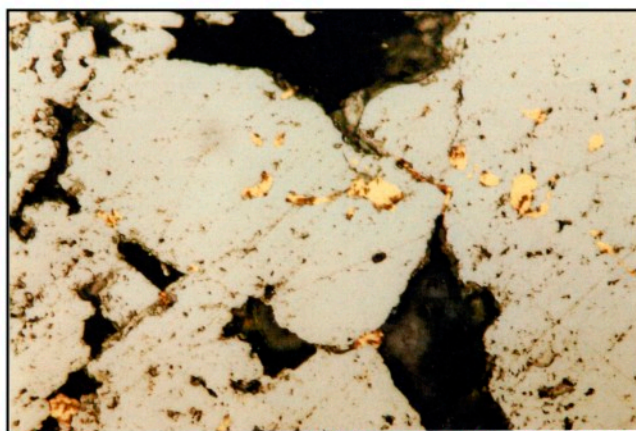
The photographs illustrate the manner of gold occurrence still present in this Port Phillip mine-environs. Gold "seen" by assay, is also confirmed by the petrological work, as in these photos.

### 3 NEW TYPE OF OCCURRENCE FOUND

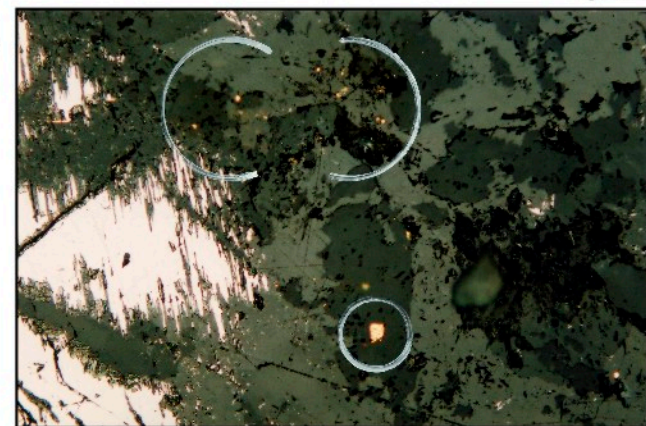
CD06-2 @ depths 179.8m

The overwhelming, dominant, mode of occurrence of gold is as grains size 2 to 75 micron within pyrite which, together with arsenopyrite, is carried by hydrothermal vein quartz intrusive into and through disrupted sericitic slate.

This occurrence, as mineralised churned-up slates, carries significant gold values down hole from 179.9 to 186.7 metres. The intercept is open to expansion in various directions.



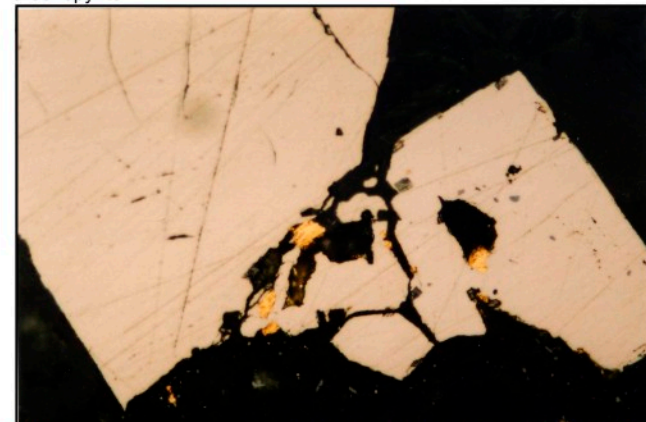
CD07-4 at depth 156.9m  
Original area covered by the micro-photo size - 0.27mm x 0.18mm  
Detail of abundant gold inclusions in coarser pyrite crystals



CD06-2 at depth 118m  
Original area covered by the micro-photo size - 0.6mm x 0.4mm  
One grain of gold about 20 micron size in quartz; numerous much smaller grains scattered in carbonate



CD06-2 at depth 118m  
Original area covered by the micro-photo size - 0.6mm x 0.4mm  
Four gold grains up to 20 micron size, here within a quartz veinlet between arsenopyrite



CD06-2 at depth 122m  
Original area covered by the micro-photo size - 0.27mm x 0.18mm  
Gold occurrence grains 2 to 20 micron, on margins of pyrite