

**MINERAL RESOURCES (SUSTAINABLE DEVELOPMENT) ACT 1990**

**APPROVED WORK PLAN VARIATION (SECTION 41 - MRSDA)**

LICENCE TYPE	Mining Licence
LICENCE NUMBER	5391
NAME/S OF LICENSEE/S	Mount Rommel Mining Ltd
ADDRESS/ES OF LICENSEE/S	C/ Leydin Freyer & Associates Suite 304, 22 St Kilda Road, St Kilda, Victoria 3182
CURRENT AREA	Area of Work Plan
NATURE OF WORK	As described in the work plan approved on 6 August 2010 outlining a drilling program of 7 holes as shown on attached plans
DATE OF WORK PLAN VARIATION APPROVAL	6 August 2010
CONDITIONS	In accordance with licence conditions and Schedule of Conditions.
STRATUM OF LAND	Not applicable

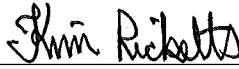
**CONDITIONS**

Prior consent from the Crown land manager must be obtained before any work on **restricted Crown land** can occur (s44).

All necessary consents required under s45 must be obtained in writing and in the prescribed form (if any) prior to commencing work.

You or your field representative must notify the regional Mines Inspector 7 days before the work herein approved is commenced.

You or your field representative must give 7 days notice to the responsible Crown land manager if the work is on Crown land (s43).

Date of Registration
<u>10 / 08 / 2010</u>
Time of Registration
<u>2 : 02</u> <del>am</del> / pm

TENEMENTS REGISTRATION OFFICER MRSDA 1990 (Section 69)

# MINING LICENCE 5391 – CLUNES (4.8 hectares)

## APPLICATION FOR WORK PLAN VARIATION - 2010

### SUMMARY STATEMENT

This Work Plan Variation seeks approval for the following activity within MIN 5391 –

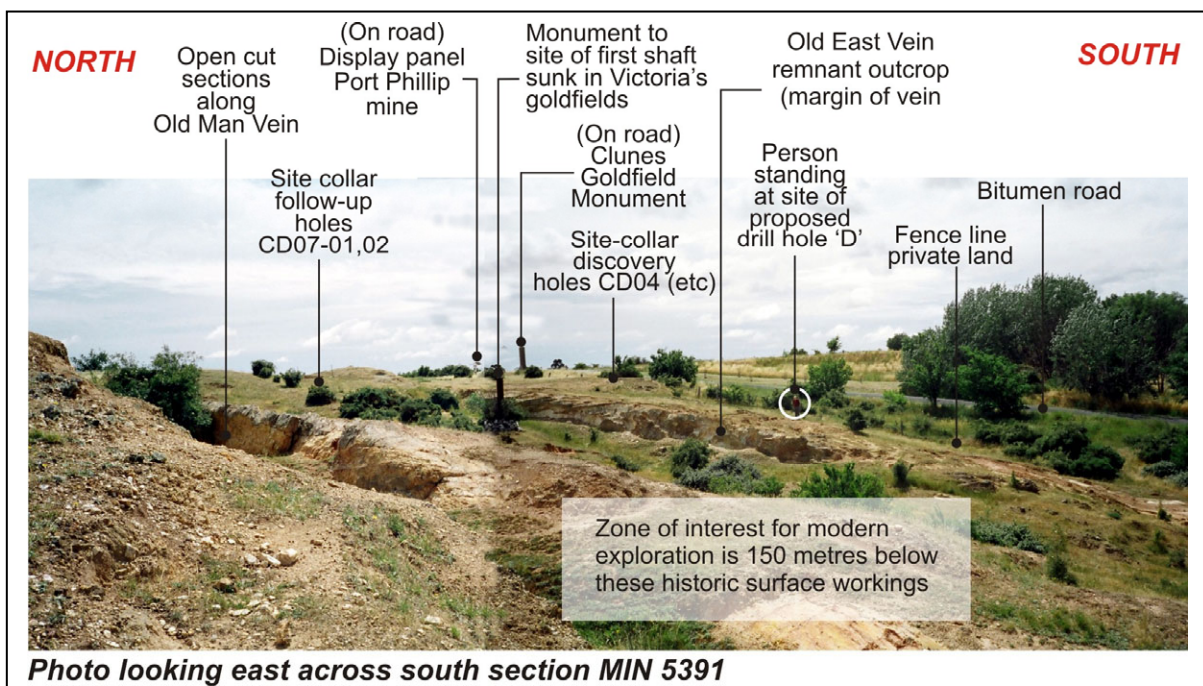
1. New drilling for the purpose of delineating the extent of geologically defined resources, and for the recovery of drill core to assess whether or not sufficient gold occurs to warrant ongoing development, all to occur at the seven (7) drill sites marked on Figure 3 (attached), and
2. The re-establishment of any of the existing sites occupied for drilling as marked on Figure 3 (attached), and within MIN 5391, for use in delineation of extensions to identified gold-bearing structures.

### SITES FOR NEW DRILLING

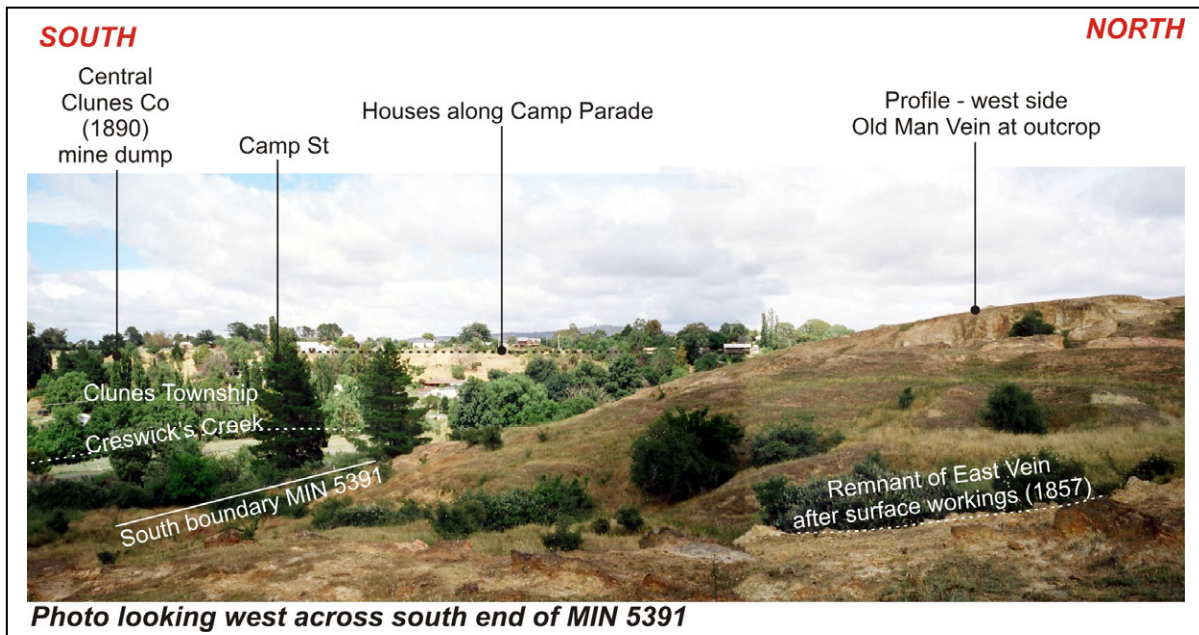
The renewal of term for MIN 5391 is under consideration by the Earth Resources Division, Department of Primary Industries. An advanced development drilling program is more than justified by the results from drilling in 2006/2007, and has been put forward as the rationale for renewal.

#### *The new drill site*

Approximately 100 metres of untested ground exists inside MIN 5391 and south of the two targets illustrated on Figure 5 – see attachment. To test mid-way between the south boundary, and the drill data of 2006/2007 requires a drill site be located (Site D) at a difficult surface location. The first photograph illustrates those ground conditions at the south end of MIN 5391, looking to the east.



In an extraordinary coincidence, Site D is positioned just above the discovery workings of year 1851 (James Esmond), and near to the old monument recording the site of the first shaft ever sunk in any gold field in Victoria. The second photograph also shows site conditions near Site D, this aspect looking west across the southern part of MIN 5391.

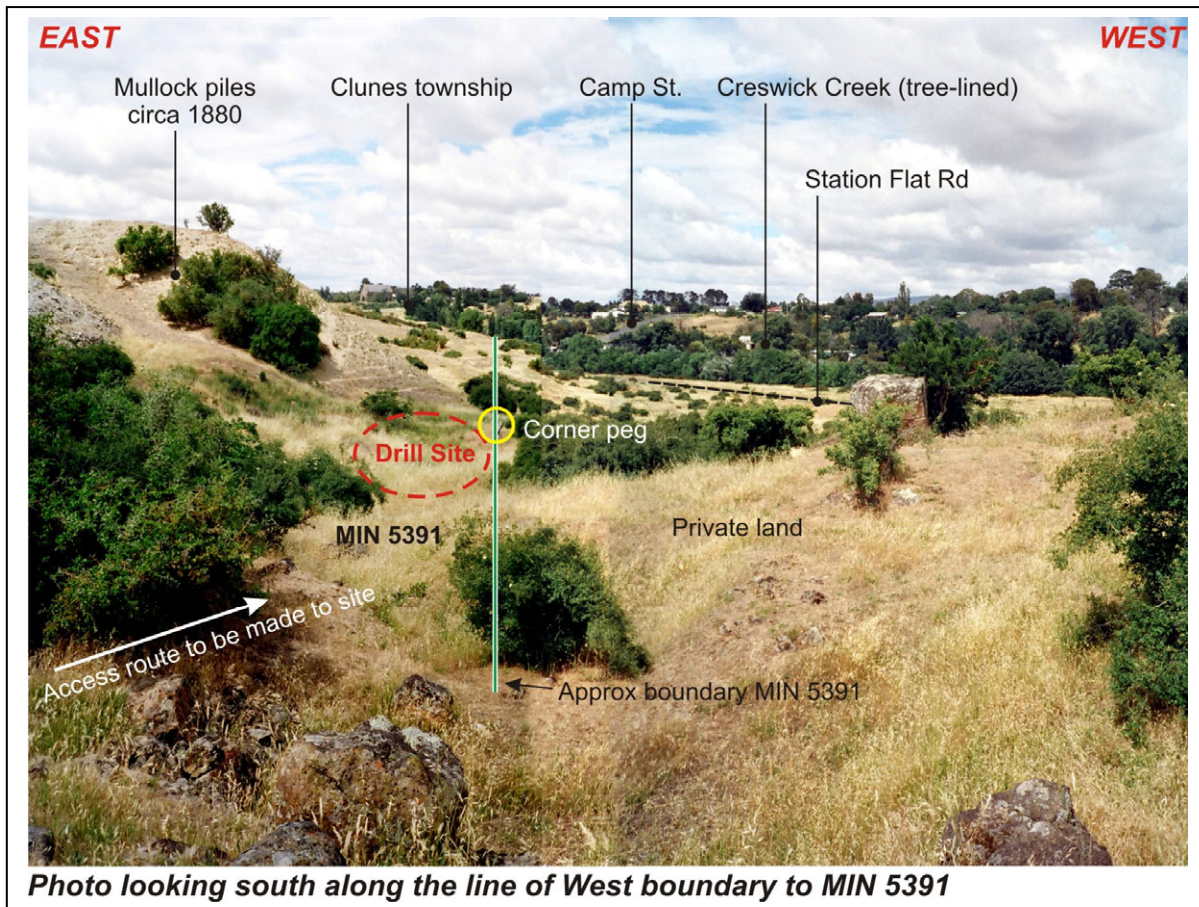


#### *Other drill sites*

The drilling completed by Mount Rommel, in hole-after-hole, demonstrated those early workers missed other gold-bearing veins. The natural reason these veins were missed is because of the branching pattern to vein development, and no drilling equipment available to miners in the years the old Port Phillip mine was operational.

The investigation of branching veins, offset by faulting before and after several mineralising events, demands diamond drilling. The first stage of work is of an infill nature, as is being proposed at three (3) additional sites within MIN 5391, along its east margin. Following successful completion of that first stage, drilling is planned for three (3) other sites near the north-west portion of the licence. All proposed hole locations are shown on the site plan - Figure 3. A photograph to illustrate ground conditions, Site E, is as follows:-





The Company proposes to fund the intended new drilling (late 2010) from profits out of operations treating the gold-bearing sands, Glenfine.

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**INFORMATION REQUIRED UNDER SCHEDULE 13****1. A general description of test work undertaken on the licence**

The Company has completed 1 diamond drill hole and 2 short percussion drill holes (2004) and later 11 diamond drill holes (2006/2007), and has analysed the core from all those holes for gold and related elements. The results of analyses regarded as “commercial” are published on NSX. A number of petrological studies have been carried out on core selected from these holes. These studies (not published) indicate that gold almost certainly entered these formations **after** at least two tectonic (deformation) episodes, and also **after** formation of several shear/breccia zones (observable in core). Vein quartz is seen as intrusive into already disrupted zones, within carbonaceous slates. In the interval in hole CD06-02, at depth 179.8m, petrology confirms that the dominant mode of occurrence of gold is as grains located within pyrite – almost exclusively, for reasons not clear. Sulphides are scattered through slate (and not in the quartz). Over a 6.8 metre down hole interval at this position, the value for gold averaged across that interval is 7.87 g/t.

Other styles of gold mineralisation are present: those seen in the holes CD06-02 and CD07-04 (some 140 metres apart) at much the same depth (120 metres) are similar, and so unusual as to give rise to petrological comment. This style of mineralisation has not been seen in petrology from gold-bearing intersections in holes drilled 110 metres south of hole CD07-04, data from which is described in more detail in the following paragraphs.

The southern-most drilling in MIN 5391 comprised 5 holes, 3 holes from one collar position, and 2 from an adjacent position, some 15 metres to the west. These 5 holes collectively demonstrated that two fracture planes within the central core zone remain in their pristine condition (not worked) and both are gold-bearing at levels which may warrant underground development – and certainly require confirmation by drilling from surface prior to resource assessment.

The lower fracture is about the position anticipated for the former Robinson’s Vein – at its upper location being 60 metres west of the east boundary of MIN 5391. Although narrow, this fracture is gold-rich, extends for at least 100 vertical metres, and by additional drilling, a 20 metre strike extent may be indicated to contain over 5,000 oz gold – see fact data in the following table. While 5,000 oz is a small amount of gold, in this context it represents some degree of certainty attached to recovery of future shaft expense.

The 2006/2007 drilling intersected this lower narrow fracture at four (4) points – one in each of holes CD06-04, CD07-02, CD06-05 and CD06-06, these points being about 40 metres apart in elevation. This fracture plane dips 72° east, and is positioned parallel and 70 metres west of the Old Man Vein at this location, and well inside MIN 5391.

The analytical data relevant to this one fracture plane is as follows:-

		Gold Analyses (ppm)			Arsenic (ppm)
		1	2	3	
CD06-04	131.2	Probable hanging wall to fracture			
CD06-04	133.2 – 133.7	0.66			very weak arsenic values
	133.7 – 134.3	8.09	18.26	7.02	
	134.3 – 135.0	0.48			
CD07-02	157.0 – 157.7	0.28	Hanging wall		2,620
	157.7 – 158.3	0.78			4,600
	158.3 – 158.8	16.93	–	18.04	1,260
	158.8 – 159.5	0.53			640
	159.5 – 160.0	0.35			412
	160.0 – 160.6	1.27	Footwall		35
CD06-05	n.a.				
	201.9 – 202.3	93.47	–	85.92	711
	202.3 – 205.1	0.19	–	–	135
CD06-06	251.2	Hanging wall defined by arsenic enrichment			
	253.3 – 254.0	1.64	–	1.63	96
	254.0 – 254.6	0.53			208
	254.6 – 255.0	0.61			209
	255.0 – 255.3	1.32			156
	255.3 – 255.9	4.37			443
	255.9 – 256.6	0.68			1,550
	256.6 – 257.1	0.32	Footwall to this mineralised fracture		1,059
	257.1 – 257.6	0.55			3,034
	257.6 – 258.4	0.04	unmineralised		79

The reference *Gold and Mineral Deposits of Victoria* (1869), page 293, gives a description of the character of the veins then mined within the Port Phillip mine workings. This description states that “... the quartz occurs in these veins in large shoots, dipping (plunging) north and south in opposite directions from the summit of the hill. These shoots of quartz are in some places thirty feet wide, while the continuation of the vein immediately above and below them is small ...”. Similar descriptions are to be found in *Dicker’s Mining Record*, 22<sup>nd</sup> May, 1869 – the report of John Usher, C.E., pages 252, 253.

The intercepts above define an east-dipping fracture plane, narrow in gold, but a wider structure, as evidenced by the zone in which elevated values of arsenic exist. **The gold can be high grade.**

The gold values above are consistent enough to indicate these holes have probably located a faulted extension to the south of the Robinson's Vein, still existing between the old 4 and 9 Levels, the Port Phillip mine, and south of the old South Shaft. **Additional drilling from proposed Site D** would develop and give resource value to this single structure. Site D at surface presents access and public exposure difficulties for which no resolution has been attempted as yet.

The hypothesis of Mount Rommel was that in a system of multiple "parallel" veins sufficient to enable historic production of an initial 500,000 oz gold from this small location –

- (a) other "parallel" veins would be located – the evidence for one such vein being detailed above, and
- (b) other patterns of fractures may be found in the 50 to 100 metre wide central zone, between Robinson's and Old Man veins.

This latter case has been proven also, by the gold-bearing intercepts shown below – which indicate the presence of a quite new and important prospect for south-end re-development of the Robinson's East Branch, viz:-

		Au (ppm)	Au (R) (ppm)	As (ppm)
<b>CD07-02</b>	126.7 – 127.0	3.86	–	9,950
	127.0 – 127.5	9.52	14.21	4,670
	127.5 – 127.9	19.10	21.42	1,570
	127.9 – 128.5	0.44	0.36	672
	128.5 – 129.1	2.92	–	183
<b>CD06-05</b>	(20 metres to E, 10 metres lower than above)			
	138.4 – 139.0	5.57	5.97	22,461
	139.0 – 139.8	1.62	1.81	4,013
	139.8 – 140.2	7.28	8.63	5,026
	140.2 – 140.6	23.08	18.93	8,149
	140.6 – 141.4	1.62	1.47	9,895
<b>CD06-06</b>	(25 metres further E, 12m lower – see Figure 5)			
	154.0 – 154.7	2.44	2.59	2,375
	154.7 – 155.2	11.07	5.03	17,892
	155.2 – 155.7	1.46	-	8,682
	155.7 – 156.3	5.54	4.55	1,525
	156.3 – 156.9	0.08	-	420

For its development, the above structure would require access to about 160 metres vertically below present surface, and therefore shaft expense.

The gold-mineralised structure indicated by the analyses in the above table is positioned above the previously described narrow “Robinson’s” fracture, apparently dips at 40 degrees to the east, has an east-west width of at least 50 metres, and plunge unknown. In this spatial position, the mineralisation is postulated to be an extension of the Robinson’s East Branch Vein.

The variations in styles of gold mineralisation, and of veining intersected by drilling, supports the concept/hypothesis of structural controls creating discrete zones favourable to cross-structure development, as illustrated by the plan, Figure 6. **All drilling completed to date confirms these new gold occurrences are entirely within MIN 5391.** However, the extension of the mineralization ascribed to Robinson’s East Branch by successful drilling, Site D, would generate a target at the South Boundary MIN 5391, estimated depth 90 meters below road surface.

For further geological information, see Appendices to this Work Plan.

In addition to drilling, and drill core analysis of various kinds, preliminary metallurgical tests have been carried out (bench scale). Those tests did establish that the gold-mineralised intervals were amenable to treatment and recovery by the normal procedures known to Industry.

Other recent work carried out includes –

- (i) a Heritage Feature Survey (Kaufman, July 2007);
- (ii) surface and groundwater quality surveys (3);
- (iii) ground water monitoring bores (3) positioned
  - all the foregoing indicative of a Company intending to progress its operations at Clunes
- (d) check analyses at Bequeral labs, in Canada (twice) for confirming purposes.

2. **General location plan, scale 1:100,000**

See Appendices – Figure 1

3. **A plan of the licence area at appropriate scale – Figure 2**

Detailed ground surveys for Heritage purposes, across the entire Port Phillip site are available in Kaufman (2007). The Heritage Survey work is based on AGD datum references for location control purposes. The availability of this work is included here for the purposes of record.

Detail ground surveys, GDA 94 grid scale 1:2000 are available for this site, and provide the basis for data included in the appended drawings – Figure 2.

At this Work Plan stage, no buildings or facilities are proposed on site. The existing surface access is adequate for 5 of the 7 intended sites. The site plan provides contours and indicates the natural drainage of the present land surface. No tailings dams are proposed by this Work Plan. No open-cut excavation is proposed by this Work Plan.

Underground mining is intended, if new drilling permits development of resources around the initial gold-bearing intercepts.



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**4. A description of the proposed mineral recovery methods**

Not relevant at this stage of proposed activity.

**5. A description of rehabilitation proposals**

The present state of the ground within and surrounding MIN 5391 has been described in Kaufman (2007) – the Heritage Survey.

Much of this area has been either stripped bare and left exposed, or covered with mullock dumps – both areas of which are subject to heritage overlay controls, and landscape preservation constraints under provisions of the local planning scheme. Accordingly, the only rehabilitation proposals pertaining to the intended activities are to make good any on-site excavations or ground disturbances local to drill-sites, on completion of each hole.

All equipment utilised will be removed from site on completion of the proposed drilling activity.

**6. Occupational Health and Safety Plan**

The Company, through its Directors, seeks to ensure that the work practice is by design and by operation as far as is reasonably practicable, safe and without undue risk to health or wellbeing of those on the job.

Refer to previous plan as attached to this Variation Application.

**7. Community Engagement Plan**

The Company Directors have over 5 years consistently operated MIN 5391 on the basis of public disclosure to the townsfolk of Clunes, on a periodic basis, and at the beginning of each phase of drilling activity.

As the site of operations is generally visible from various streets on the southern and western sides of Creswick's Creek, public curiosity is natural.

The Plan adopted by the Company is to conduct its engagement in association with meetings either of the Tourism Development Committee, or as open community meetings arranged by either that body, or by the local representative, the Council, Shire of Hepburn.

On one occasion, residents of Albert Street sought their own on-site meeting with Directors of the Company, which took place as arranged. It was explained to those nearby residents that expanded operations on site would likely involve excavations to lower the present surface (considerably) at the north end of MIN 5391.

The feedback to the Company in the first instance is made evident at the meetings described above. These meetings can be robust, and quite noisy, while each person makes known the argument to themselves.

The means to contact the Company are known to the community of Clunes, some of whom choose to directly email the Company, and others choose to contact the Company through a representative Councillor. Engagement in this periodic manner has continued for some years, and appears adequate for the community for the present.

The complaint handling procedure of the Company is at all times prompt, direct, and personal. On being made aware of the complaint, a Director investigates its basis, to establish whether or not corrective action is the appropriate response.

In the case of this Work Plan (for development drilling) the Company is aware that the arrival on site of a drilling rig for further work close to sites where drilling took place before (as apparent in Figure 3) means there will be speculation among community members as to its purpose. The Directors of the Company will use the same public meeting procedures to explain that this Work Plan activity is no guarantee that new gold mining will occur, but does have for its objective the intent to locate sufficient gold mineralisation to warrant the cost of investigative underground mine development.

## 8. References

- (1) GSV Report of Progress, Vol. IV (1878-1880), pages 67-70, for the statistics, the Port Phillip gold mine, and especially for the drawings (1 plate) by R. H. Bland, May 1879, on which the names and positions of various veins are permanently recorded.
- (2) Ballarat *Star*, 12 July, 1859 – contemporary report describing operations at Port Phillip mine two years after commencement, in which “*the (gold) bearing channels*” – or shoots – of these reefs are described in some detail.
- (3) Stevenson, James, Mining Surveyor, Report on Mining Surveyors Reports, August 1859 – these mine-by-mine reports for Clunes include observations of the effect on the character of veins dislocated by (described) faulting.
- (4) Allan, R., in Report on Clunes Goldfield, published in Reports and Statistics, Mines Department, Victoria, September 1891 – with two black and white plates.

Submitted  
F. L. HUNT  
20<sup>th</sup> July 2010

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## APPENDICES

### ILLUSTRATIONS

- |          |                                                                                                                                                                                                                                                                                                           |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Figure 1 | General location plan, scale 1:100,000                                                                                                                                                                                                                                                                    |
| Figure 2 | Reduction of detailed site control plan<br>(original, Macey at scale 1:2,000)                                                                                                                                                                                                                             |
| Figure 3 | Plan to show location of proposed drill sites (7)                                                                                                                                                                                                                                                         |
| Figure 4 | Allan, R. (1891) Plate II, annotated.                                                                                                                                                                                                                                                                     |
| Figure 5 | An illustration of one alternative interpretation, at Section “D”,<br>is a composite illustration holes CD06-04, 05, 06 and CD07-<br>01, 02, showing the projected positions of Robinson’s Vein,<br>and shear link structure thought to be the displaced southern<br>extension of Robinson’s East Branch. |
| Figure 6 | A plan, describing the working hypothesis (structural)                                                                                                                                                                                                                                                    |



