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18 June 2012

GENERAL ANNOUNCEMENT
CURRENT ACTIVITIES

The Company continues active at Glenfine, and in relation to its exploration licence at Allendale. The field activities at Allendale are intended to conclude in June, as attention increasingly is given to Glenfine.

State of Progress - Glenfine.

Over the past two weeks sand processing trials have been undertaken, to gain necessary knowledge about the operational parameters of each pachuca under load, and under varied feed arrangements.

These investigative tests were carried out under changing but controlled levels of pH - see photos below - up to the required operational level of pH 11 plus.

No cyanide chemicals have yet been applied to stockpile material used in these assessment trials.

Given continued satisfactory test-work, the last of these material through-put tests should conclude in the week ahead. The intention is then to move directly to processing.

Performance rates for the loading in and discharge of the stockpiled material have been addressed during the current tests. However, note that the total rate/ time of process through a pachuca requires a process residence period, under select aeration conditions. No "tests" for this time period (at full plant scale) have been undertaken as yet.

Controlled aeration conditions at reasonably vigorous levels can be seen in the three following photographs, taken recently at Glenfine.

On discharge from a pachuca, the aerated sands do consolidate rapidly. Substantial settlement is achievable within 24 hours. This should ensure good environmental control at site.

On the feed side, the stockpile continues to show evidence of progressive sulphide oxidation, even after 110 years -- see photo below.

The primary stockpile now consists of reworked sands. Various assays during the reworking stages have reported contained gold values consistent with those established during the original sample work in years 2008 / '09. The three-times larger secondary stockpile has not been similarly investigated or reworked. Observation indicates there may be fewer relict sulphides in the secondary stockpile.

Allendale.

Various geophysical methods have been used within the area of EL 3821, Allendale, in the search for a comprehensive geophysical response, one sufficient to warrant serious investigation.

An indication that the modern form of the CSAMT method may prove useful in this regard became evident in December 2010, on traverse Line 3000, by Stag Road.

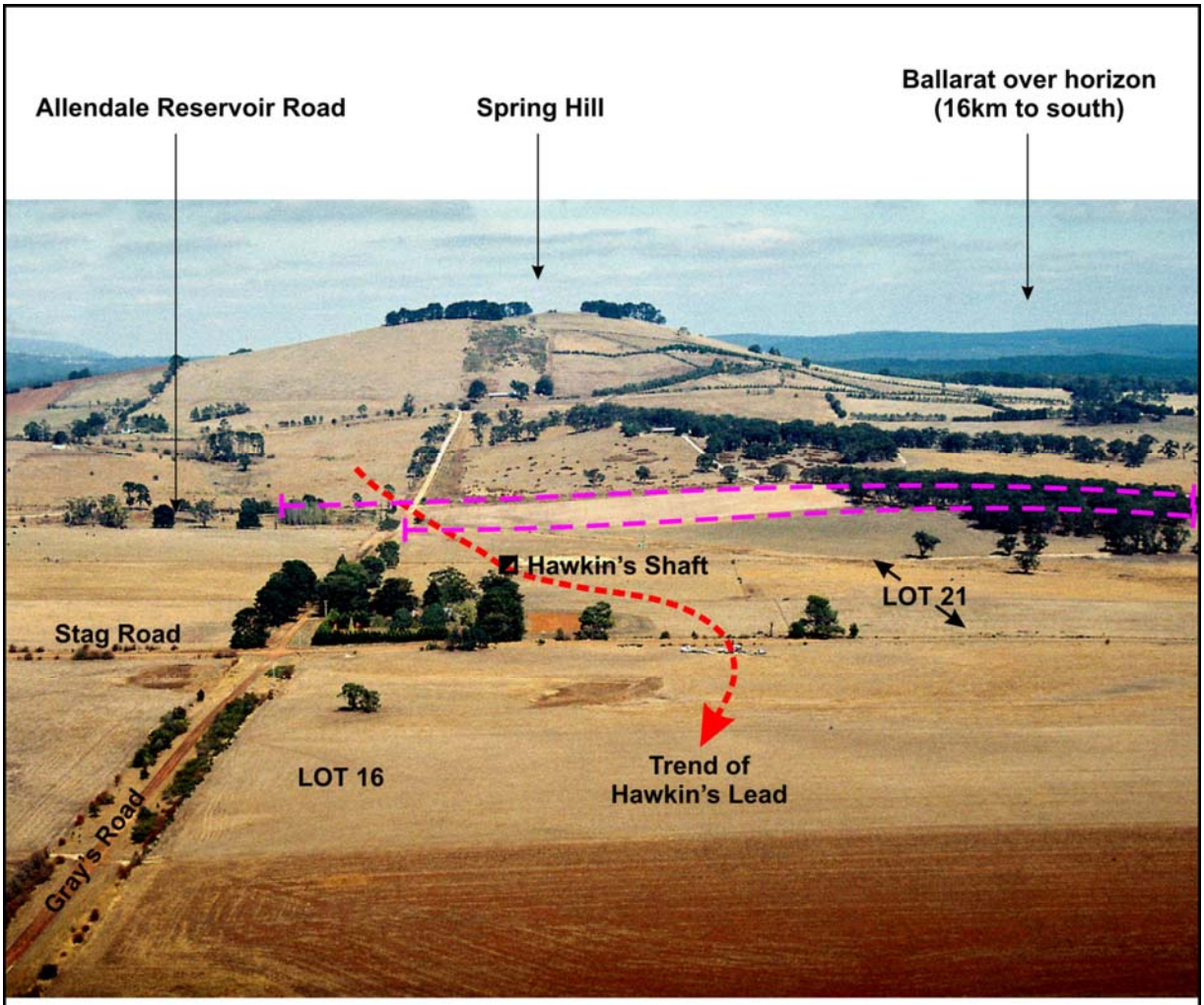
In the conventional search for gold (the experience of hundreds of years) the "prospector" knows what he seeks. A succinct summary of that historic knowledge is given in the opening part of an article in the Mining & Scientific Press introducing the up-coming change envisaged in Year 1892 (See Attachment 1) and an American case history of that field procedure is given in a letter published in Engineering & Mining Journal in December of the following year. (See Attachment 2)

The above American case history could be readily replicated for some of the important goldfields of Victoria. However - over half the produced gold of Victoria came from alluvials and deep leads. The important deep leads, with few exceptions, were found "top-down" - by finding gold in the upper drainage first, then following that drainage beneath the basalt lava cover.

Using geophysics, it is best to revert to the conventional approach: although the gravels are not visible beneath the lava, mine records guide the work in EL 3821. Working backwards up the drainage with CSAMT took place in April, 2012, with very satisfactory results.

The appropriate follow-up step is to carry out selected traverses (limited CSAMT) so as to correlate current exploration data with the outcomes of past drilling in the present area of EL 3821 (completed by others).

Two of the intended new traverses are positioned where the dashed lines appear on the photo below.



The other intended traverses are well to the north of Stag Road, testing across the old Ristori channel. It is well to remember that the old Ristori deep lead mine paid remarkable dividends. Over about 6 years the Ristori paid aggregate dividends of Stirling 231,650, all from gold won from gravels buried under the lava.

It is easy to understand the preference of miners and Victorian investors for these deep lead operations when a comparison is made with the dividends from a reasonably successful quartz mine of the same era. For example, the Victoria United mine located at the north end of the Ballarat East gold field produced steady dividends after year 1896. In 12 years those steady dividends amounted to Stirling 51,000. While the difference in dividend between the two types of Victorian mines are substantial, analysis shows they reflect the benefit of knowing where the best gold is to be won at least cost, and thus less outlays to recover that gold. This fact applies no matter at what place gold occurs, or when found.

F.L.Hunt
Chairman.

ATTACHMENT 1

Mining and Scientific Press
26 March, 1892

THE CYANIDE PROCESS

THE MACARTHUR-FORREST SYSTEM OF GOLD EXTRACTION

In order to understand the present systems of gold extraction, to properly appreciate the work already done, and to gauge the difficulties to be surmounted, it is necessary for us to look back and trace the connection between the known forms of gold as found in nature and the methods used to separate it from its base environments.

In the earliest ages gold would naturally only be found in nuggets and grains (our word caret is derived from a Persian word meaning a grain), which required no means of separation beyond picking up – happy age when gold had only to be picked up!

From grains the ancient would come down to gold dust, and this was no doubt separated from the sand or earthy matter with which it was associated, by the skilful use of air currents which were caused to blow away the sand, leaving the precious metallic dust. This method is still practiced in Arabia and the East. Wherever water was plentiful it was found that it did the required separation better and more economically than air, a method of separation which has been and still is in use everywhere all over the world. The prospector, digger, explorer, and even the tourist nowadays provides himself with a "pan" in which to wash a sample of "dirt" at the nearest stream. From the pan comes the "cradle", "long tom", and the innumerable mechanical arrangements for the separation of gold from earthy matters. Up to this point we have only mechanical means of separation which depend on the high specific gravity of gold compared with sand, clay, etc., but at this stage in the evolution of gold extraction we find the first move made toward a chemical method. When there was a lot of rich dirt in his pan the digger found it very difficult to wash away the last of the sand without losing a large proportion of the finely divided gold, so he it on the expedient of pouring in a little mercury, which formed a heavy, massive, though fluid alloy with the gold, making the separation of the last portions of the light granular sand a very easy matter. This plan is still in world-wide use alike by the solitary digger who lives in a lonely canyon, and by the well-organized company that "hydraulics" 1,000 tons of "pay dirt" per day. Let us now look at the

PRESENT STATE OF THE GOLD INDUSTRY.

Let us imagine a digger who has exhausted all the gravel and pay dirt in the canyon or gully; he travels up the gully looking to the right hand and to the left for traces of the precious metal; occasionally he finds a piece of gold-bearing rock and is led on

and on till he finds the source of these auriferous stones to be a reef. Now begins gold-mining proper. A shaft is sunk on the reef or a tunnel driven into it and great masses of rock are brought to the surface, and naturally the miner is led to imitate nature by crushing this rock to a fine sand and then he modifies the treatment, formerly given to alluvial deposits, to adapt it to the new circumstances. The ore, immediately on being crushed to powder (which is generally done by huge gravitation stamps), is carried over an amalgamated copper plate by a stream of water. In passing over the amalgamated plate of gold is caught by the mercury, while the sand, now called tailings, is washed off. The gold is recovered by scraping the amalgam off the copper plate at stated intervals, generally one a month, when by distillation the mercury is recovered as well as the gold separated. If all the gold the ore contained existed in a heavy metallic form, the recovery by this method would be complete and the loss *nil*; but the tailings are frequently found to contain a little gold, and on close examination particles of pyrites and sulphides of the various base metals are found diffused through the mass. When these metalliferous particles are separated from the mass of tailings, it is found that they principally contain the gold, so that it is now usual in practice to pass the tailings through some form of concentrating machinery, of which the well-known Frue vanner is a good example, whereby the pyrites and other sulphides are retained in virtue of their higher specific gravity and the sand washed away. The rich proportion now called “concentrates” may contain up to 20 ounces of gold per ton, though four or five ounces is much nearer the average figure.

IF THE CONCENTRATES ARE EXAMINED

Closely, even microscopically, no free gold can be distinguished.

ATTACHMENT 2

The Engineering and Mining Journal
30 December, 1893

Source of Los Canyon Gold

EDITOR ENGINEERING AND MINING JOURNAL:

Sir: Cache Creek and Los Canyon placers are located in Chaffee County, Colo., three to four miles south of Twin Lakes and about 20 miles south of Leadville. These placers were discovered in 1860, and have been worked continuously, ever since, during the summer months, the aggregate yield in gold having been large. The mystery has always been, however, "Where did the gold come from?"

To give an idea of the lay of the district, I may say that Los Canyon and Cache Creek are one and the gulch a placer. Los Canyon heads about a mile above timber line on Boswell Mountain, its course from thence being in an easterly direction down the mountain at a steep grade four miles to Cache Creek, from which point in the Arkansas River (about two miles) the placer is rather flat, or of fair working grade for flumes and hydraulics. At Cache Creek, the bulk of the gold is not very coarse, probably owing to its long journey down the mountain from the head of Los Canyon, where the gold ledges crop boldly. At and near the head of the canyon the gold is nearly all coarse, mainly nuggets, and rough, or, as one miner expressed it, "It looks just as though it had been melted and dropped in cold water" – a good description, for many of the nuggets of gold have an odd appearance, in fact are in every imaginable shape.

The gold ledges of Los Canyon have been searched for the past 33 years, and why the prospectors failed to find them is past comprehension. It was reserved for a lad of 20 to make the discovery of gold-bearing quartz ledges in the region, early this season, and the 10-ft. location shafts on a dozen claims have shown 6 in. to 20 in. of quartz and hematite which steadily widens where any sinking has been attempted, assays from average samples showing well in gold and silver, while specimen assays give fabulous returns. This boy, along with his father, two brothers and a friend, began locating and working their showings. At the present time, with their limited development, they do not complain. In fact, a good number of us prospectors can say the same, as the veins or lodes are numerous, and many claims have been taken up.

So the mystery of years is about solved, and while very coarse free gold is panned from the pulverized quartz, the chutes on

the veins bearing the big nuggets we have not yet got at. The veins are fissures in granite generally, with dykes of porphyry near; some of the lodes show one wall of granite, the other porphyry, while great dykes of porphyry course through the district mainly with a north-easterly and south-westerly trend. On close examination, the mineral belt (about to by four miles) shows a network of veins crossing each other at all angles.

Evidently nature made Los Canyon in a hurry, not taking time to arrange things in a very orderly way.

LEADVILLE, Colo., Dec. 11, 1893 C. W. Derry