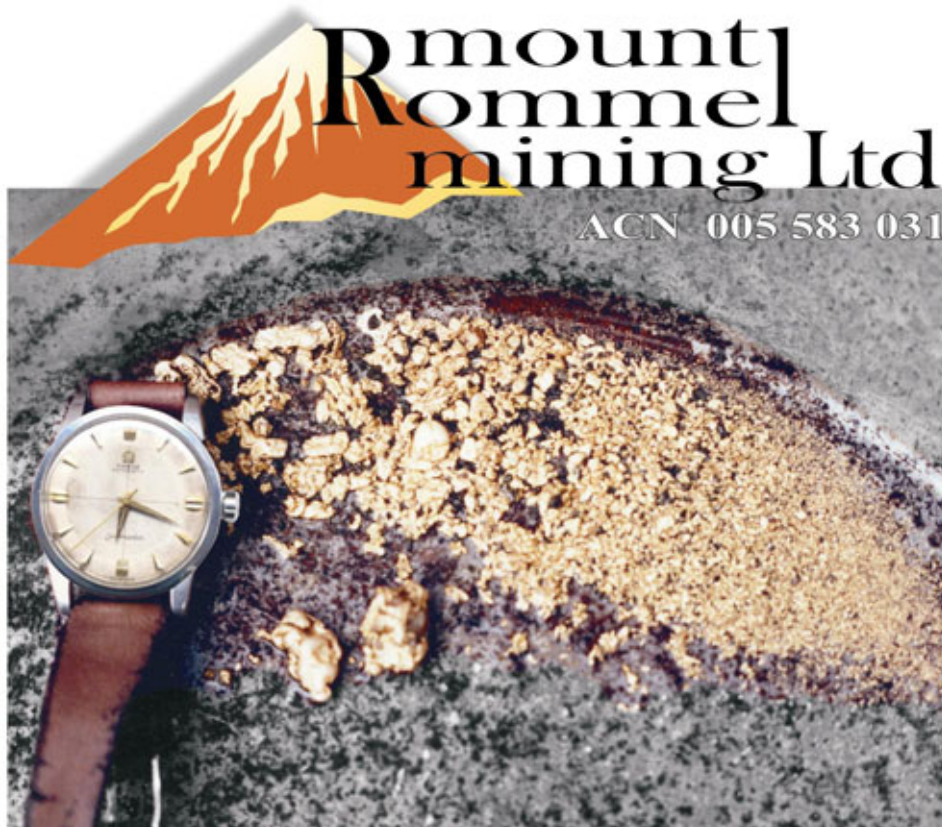


THIS DOCUMENT IS IMPORTANT



## **PROSPECTUS**

**FOR VARIOUS OFFERS OF SECURITIES INCLUDING A GENERAL OFFER OF 10,000,000 ORDINARY NEW SHARES AT AN ISSUE PRICE OF \$0.10 TO RAISE \$1,000,000 TOGETHER WITH THE RIGHT TO ACCEPT OVER-SUBSCRIPTIONS FOR A FURTHER 2,000,000 SHARES TO RAISE A FURTHER \$200,000**

**FOR EVERY TWO NEW SHARES SUBSCRIBED FOR AN APPLICANT WILL BE ENTITLED TO APPLY FOR TWO OPTIONS TO ACQUIRE AN ORDINARY SHARE – THE ISSUE PRICE OF EACH OPTION WILL BE \$0.01 (1 CENT) THIS OFFER BEING OPEN TO EXISTING MEMBERS OF THE COMPANY.**

**BROKER TO THE ISSUE**

**PRITCHARD & PARTNERS PTY LTD  
(ABN 84 073 393 049 – AFSL 246712)**

**THE ISSUE IS NOT UNDERWRITTEN**

**ANY INVESTMENT IN THE COMPANY'S SECURITIES SHOULD BE CONSIDERED SPECULATIVE**

This Prospectus is an important document and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered for subscription under the Prospectus then you should consult your professional advisor.

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### PREFACE: STATEMENT BY DIRECTORS

*This Prospectus focuses on gold development prospects at **Clunes, Tourello and Allendale**.*

#### *At **Clunes**:*

*The Company owns 100% of MIN 5391 - the 4.8 hectare central section of the Clunes Goldfield. This location was regarded by former Mining Surveyor Robert Allan (Sept. 1891) as.... "the oldest and probably the best, quartz mining gold-field in Victoria"....*

*At the Port Phillip mine (1857 to 1891) when all known and indicated ore approached exhaustion; there was encouragement for further exploration work. The company directors of the day chose to spend the limited available funds deep sinking one shaft, the Port Phillip North shaft, without meeting the then anticipated new zone of mineralisation. The record of work in the closing stages shows that at the time of closure, the structural geology of this now famous Victorian gold mine had not been solved; and no drilling had occurred on this property.*

*No diamond drilling within the productive upper workings took place until August 2004, when gold was intersected in hole DD 0401 within MIN 5391, at places previously unexamined.*

*The Directors believe that the drill intercepts set out in this Prospectus give compelling reason to continue diamond drilling on MIN 5391 at Clunes.*

*The prospectivity of **Tourello** and its program, and that of **Allendale**, is also set out in this Prospectus.*

## **MOUNT ROMMEL MINING LTD.**

### **INTRODUCTION AND SUMMARY**

---

#### **THE COMPANY**

Mount Rommel Mining is a Company involved in gold exploration in that part of Victoria which has dominated gold production in Eastern Australia. Its main interests are the central part of the goldfield of Clunes (a mining licence) and on two exploration tenements – at Allendale, and at Tourello.

#### **THE ISSUE TO MEMBERS, AND TO THE PUBLIC**

The Company proposes to issue up to 14,189,000 shares and 28,171,400 options pursuant to the various offers being made under this prospectus, including over subscriptions if achieved. The General Offer is of 10,000,000 shares at 10 cents each together with associated options with the options being granted at an issue price of 1 cent. Subscriptions are invited for those shares, payable either in full on application, or by payments on specified dates. Under the General Offer Applicants can apply for 1 short term option and 1 longer term option for every 2 shares applied for. Details are set out in Section 2 of the prospectus.

#### **THE PURPOSE OF THE ISSUE**

The Company has two primary objectives in its search for gold –

- Development : to work within MIN 5391 at Clunes, to define or outline a gold resource by continued drilling from surface, and
- Exploration : to re-invigorate activities at those locations with encouraging gold prospects at Allendale and Tourello.

The Issue is intended to raise funds for drilling, and related administration.

#### **TIMETABLE OF THE ISSUE**

The Issue will open at 12.00 noon Eastern Standard Time on 16 February 2006, and may close at 5.00 pm EST on 24 March 2006, or at the discretion of Directors. The Directors expressly reserve the right to extend the Closing Date or to close the Issue at an earlier date.

#### **ACCEPTANCES**

Acceptances of Shares and/or Options offered pursuant to this Prospectus must be made on an Application Form which is either attached to and forms part of this Prospectus or which accompanies this prospectus, as specified in this Prospectus.

#### **THE MINIMUM SUBSCRIPTION**

The minimum subscription amount to be raised by this issue is \$500,000.

#### **RIGHTS ATTACHING TO THE SHARES**

The Shares the subject of the Issue will rank equally in all respects with the Company's existing shares on issue.

#### **NOT UNDERWRITTEN**

Investors are advised this Issue is not underwritten.

## **CORPORATE DIRECTORY**

---

### **DIRECTORS**

F. L. Hunt (Chairman)  
J. L. Venter  
H. Hunt

### **COMPANY SECRETARY**

N. J. Storer

### **PRINCIPAL OFFICE**

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)

### **REGISTERED OFFICE**

c/- Bentleys MRI  
64 Greenhill Road  
Wayville SA 5034  
Telephone: (08) 8373 1266  
Facsimile: (08) 8373 0228

### **AUDITOR**

Moore Stephens  
Chartered Accountants and Business Advisors  
47 Greenhill Road  
Wayville SA 5034  
Telephone: (08) 8291 2500  
Facsimile: (08) 8291 2550

### **SHARE REGISTRY**

Link Market Services Limited  
Level 4  
333 Collins Street  
Melbourne Vic 3000

### **INDEPENDENT CONSULTING GEOLOGIST**

L. V. Gentle  
RMB 125 Nundle Road  
Tamworth NSW 2340

### **INDEPENDENT CONSULTING GEOPHYSICIST**

H. Rutter  
Flagstaff GeoConsultants Pty Ltd  
337a Lennox Street  
Richmond Vic 3121

### **INDEPENDENT SOLICITOR**

Mr. P. Rainey  
Lawyer & Consultant  
Level 35  
600 Bourke Street  
Melbourne Vic 3000  
Telephone: (03) 9672 3368  
Facsimile: (03) 9818 8917

### **INDEPENDENT ACCOUNTANT**

Moore Stephens Adelaide Pty Ltd  
Chartered Accountants and Business Advisors  
47 Greenhill Road  
Wayville SA 5034  
Telephone: (08) 8291 2500  
Facsimile: (08) 8291 2550

### **SPONSORING BROKER AND NOMINATED ADVISOR**

Pritchard & Partners Pty Limited  
(AFS) Licence Number 246712  
10 Murray Street  
Hamilton NSW 2303  
Telephone: (02) 4920 2877  
Facsimile: (02) 4920 2878

## IMPORTANT INFORMATION

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### INDICATIVE KEY DATES

Prospectus lodged with ASIC	9 February 2006
Opening Date	20 February 2006
<b>Closing Date</b>	<b>24 March 2006</b>
Expected date for dispatch of Transaction confirmation Statements	31 March 2006
Expected date for the quotation of the Company's securities on NSX	7 April 2006

The Directors expressly reserve the right to vary the Closing Date by extending the Issue or by closing it at an earlier date.

The above dates are indicative only.

### ALLOTMENT OF SECURITIES

No securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus. A copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("ASIC") on 9 February 2006. ASIC takes no responsibility for the contents of this Prospectus.

### APPLICATION FOR LISTING

Application will be made for the Listing of all securities offered pursuant to the Share & Option Offer and the Options Offer under this Prospectus on the Stock Exchange of Newcastle Limited ("NSX").

**The fact that the Stock Exchange of Newcastle Limited may list these securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities.**

**The Stock Exchange of Newcastle Limited takes no responsibility for the contents of the Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of the Prospectus.**

### FORWARD LOOKING STATEMENTS

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed herein.

### DATE OF PROSPECTUS

This Prospectus is dated 9 February 2006.

### SUITABILITY OF INVESTMENT AND RISK FACTORS

Before deciding to invest in Mount Rommel Mining Limited ("Mount Rommel" or the "Company"), potential Investors should read the entire Prospectus, and in particular the technical information and the risk factors that could affect the future operations and activities of the Company. They should carefully consider these factors in the light of their personal circumstances (including, financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding to invest in any securities the subject of this Prospectus. They should understand that exploration for minerals is both speculative and subject to a wide range of risks and that, unless the Company makes a commercial discovery, they may lose the entire value of their investment. Potential Investors should consider these matters in light of their personal circumstances (including matters related to their financial capacity and position, taxation affairs and their investment and risk profile) and as appropriate seek appropriate independent professional advice before making any decision on investment.

## **INFORMATION**

No person is authorized to give any information or to make any representation in connection with the Offer of Shares described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorized by Mount Rommel in connection with this Offer.

## **JURISDICTION**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

## **EXPOSURE PERIOD**

In accordance with Chapter 6D of the Act this Prospectus is subject to an Exposure Period of seven days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, applications received during the Exposure Period will be dealt with in accordance with section 724 of the Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on applications received during the Exposure Period and all applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

## **ELECTRONIC PROSPECTUS**

This Prospectus will be issued in paper form and as an Electronic Prospectus, which may be viewed online at the Company's website [www.mountrommel.com](http://www.mountrommel.com). The Offer is available to persons receiving an electronic version of this Prospectus in Australia. The Act prohibits any person from passing the Application Form on to another person, unless it is attached to, or accompanied by, a complete and unaltered version of this Prospectus together with a complete and unaltered copy of any supplementary prospectus, if any, which may be issued by the Company. During the Offer period any person may obtain a hard copy of this Prospectus by contacting the Company by telephone on (03) 9462 0739 (Mr Fred Hunt) or by email at [info@mountrommel.com](mailto:info@mountrommel.com) or by telephoning the Sponsoring Broker (Mr Steven Pritchard) on (02) 4920 2877.

## **PROPERTY OF THE COMPANY**

Unless otherwise stated assets and property portrayed in photographs in this Prospectus are not owned by the Company.

## THE CHAIRMAN'S INVITATION

---

9 February 2006

Dear Investor –

Mount Rommel has been actively carrying out exploration in Central Victoria for a number of years. These investigations advanced the state of knowledge about the projects set out in this prospectus and the development of the exploration methods described in reports by Mr Hugh Rutter and Mr Lindsay Gentle set out herein. Considerable effort has been made to clearly set out how Mount Rommel is conducting its exploration activities for gold. Its present focus on 3 primary areas has evolved since January 2002, and accelerated after discovery of "Ballarat-Style" mineralised black slates at the centre of EL3821, north of Allendale, by drilling carried out in January 2003.

The Directors recognise two opportunities. First, the Company seeks to outline a gold resource at Clunes sufficient to justify reopening of the once-famous English-owned Port Phillip gold mine – one of Victoria's premier historic mines. Secondly, the Company is seeking to locate and develop new gold fields at Allendale or Tourello, through its growth in knowledge about gold deposits in the Ballarat District. The application and use of detailed gravity as an exploration method has not, within Mount Rommel's knowledge, been applied in like manner by any other Central Victorian gold exploration company.

Mount Rommel has a clearly defined and specific set of goals. It should also be recognised by investors that the gold production history of Central Victoria dominates that for the whole of Eastern Australia – see over page. The knowledge gained from the exploration programs of this Company have an application far beyond that applicable to its present tenements, representing as it does a change in methodology for exploration for gold in Central Victoria. Mount Rommel's prior exploration activity on its tenements is set out in detail. The Company has selected places for new testing. Further work programs have been approved by government, enabling the proposed activities set out in this Prospectus.

The terms of the Issue provide investors with an opportunity to choose between subscribing for all of their investment upfront at the time of the issue, or to stagger their chosen investment over a period of time, by subscribing for partly paid shares. The timing of that payment may provide a level of gearing to those electing to pay by instalments. The amount to be raised by the Issue is \$1,261,714 (excluding oversubscriptions). Details of the proposed use of funds are set out on page 23.

The Directors believe that the Company's gold prospects and exploration proposals are well-positioned, and of considerable merit. The existing shareholders of this Company have continued to provide good support for its activities. The General Offer is being made both to existing members and generally to those members of the public who would like to join with the Company in the next expansionary stage of its work. The other Offers are to certain members of the Company and the previous joint venture participants.

Please turn the pages to read about Mount Rommel and to review the Offer. The Directors invite you to subscribe for both Shares and for the separately-priced attaching Options, to enable you to participate in this Company as it constructs its foundation for the future. However, before you make your investment decision I ask you to read carefully this Prospectus in its entirety and seek financial advice if required.

Yours faithfully



**Fred L Hunt**  
Chairman

## A BETTER SEARCH METHOD FOR VICTORIAN GOLD

Rocks of particular ages are not equally represented as host rocks for gold mineralisation. Less gold has been found in rocks of Proterozoic age compared to Archaean, Palaeozoic and Tertiary-Recent rocks which have yielded approximately equal amounts of gold, as the diagram shows.

### ARCHAEAN DEPOSITS

Most Australian rocks of Archaean age occur in the Yilgarn Block in southern Western Australia, about half the gold coming from Kalgoorlie – an area of 4 km x 1.2 km.

### PROTEROZOIC DEPOSITS

The production of gold in Australia from rocks of Proterozoic age is low, as the graph at right shows.

### PALAEOZOIC DEPOSITS

Rocks of Palaeozoic age are mainly confined to the eastern part of Australia. There are many different styles of deposit. More than half of the gold produced from Australian Palaeozoic rocks has come from the Ballarat Trough in Victoria, and one field, the Bendigo field, has produced a major part of this gold. This concentration of mineable gold from the restricted area of the Bendigo field is similar to the concentration at Kalgoorlie, W.A.

#### *Bendigo (Vic)*

The Bendigo field produced 696 tonnes of alluvial and primary gold from an area only 8 km by 5 km.

#### *Ballarat district (Vic)*

This district producing 630 tonnes gold from a large number of separate goldfields, each with recorded gold production from numbers of mines. Clunes Goldfield is one of those goldfields with a 30 year production history (to 1887) amounting to 37.3 tonnes of gold (1.2 million oz) from primary sources.

### TERTIARY AND RECENT DEPOSITS

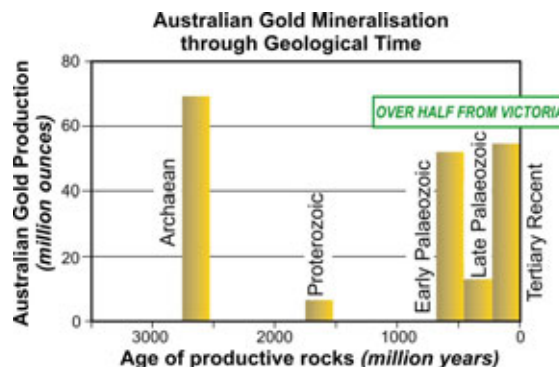
Alluvial gold deposits in Tertiary and Recent river gravels have yielded about one third of Australia's gold and the discovery of this gold led to the great 1850's gold rushes. The main deposits occur in south-eastern Australia and most of the gold was probably derived from lode gold in Palaeozoic rocks. Much of the alluvial gold was deposited during the Miocene and Pliocene when climatic conditions were favourable for the accumulation of detrital gold in washdirt.

Tertiary river gravels were reworked in ancient rivers to produce alluvial deposits. Some of the old alluvial gold deposits were buried by basaltic lava flows and became "deep leads". Weekly production statistics for leads such as the Golden Point Lead at Redan (Ballarat) and the Ristori – Lone Hand – Madame Berry (Allendale) leads record exceptionally consistent gold content.

#### *Ballarat (Vic)*

The eastern part of the Ballarat field produced 373 tonnes of gold and was famous for its incredibly rich and shallow alluvials. Ballarat's deep leads were followed westward to depths of 150 metres beneath two, four and five separate lava flows, at Redan and Sebastopol.

*Allendale (Vic)* and nearby *Creswick (Vic)* together produced 84 tonnes of gold (2.7 million oz) from deep leads mostly under basalt cover.



### GROUND GRAVITY GEOPHYSICS: A PATHFINDER TO GOLD IN THE BALLARAT DISTRICT

*The Clunes project is at a stage where it is ready to drill, to provide in-fill data which, with existing data may enable resource assessment. It needs no pathfinder technology.*

*A different type of exploration activity is in progress within the Tourello and Allendale ELs, where the Company seeks to discover a major new gold deposit.*

*In those licence areas, the Company believes any deposit will have similar characteristics to the Clunes Goldfield, described as within a linear mass of lesser density in which quartz veins occur, some carrying gold – even abundant gold.*

*An adaption or modification of the use of an existing geophysical technique (ground gravity) has been shown effective in the search for a comparable low density linear mass, because this tool could repeatedly distinguish measurable physical differences between large rock "bodies", even when concealed by basalt. The Directors believe that drilling near Allendale in January 2003 shows this to be the case.*

*The search method involves a collection of gravity data and a compilation of pertinent facts – including the co-ordinated assembling of other people's data – to augment the knowledge acquired through the personal experience of the individuals associated with the Company.*

*In the end, interpretable patterns in the gravity data emerge from which prediction becomes possible. Drilling at Clunes in August 2004 produced good results for gold (as set out herein), which could be linked to earlier good drilling results (also set out herein), all apparently associated with low density rock bodies.*

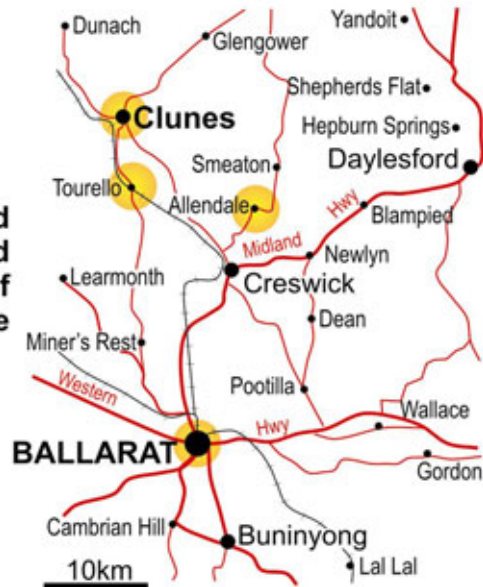
*In this Prospectus, the assembled patterns are published as maps. The potential of this co-ordinated approach is disclosed, showing why Directors believe there is now as equal a likelihood of the uncovering of a major goldfield under the basalts of Central Victoria in year 2006 as there was when the Gold Rush commenced at Clunes in June of 1851.*



**Clunes**

Gold yield exceeds 1.2 million oz. Over 500,000 oz were produced from the Golden Paddock, now covered by MIN 5391. Drilling targets have been outlined, ready to proceed.

By April 2005, Mount Rommel had completed comprehensive ground gravity surveys across the majority of the 42km x 55km map area shown on the right.



**Tourello**

Found in 1967,68 by the drilling of IP anomalies. No bedrock drilling since. Diamond drilling recommended here.

**Allendale**

So far, no hard rock source for 1.7 million oz mined from deep and shallow leads. Given a major exploration effort 1996 - 2000 by prior tenure holders. New targets recognised.....



Monument by road at Broomfield celebrates gold in abundance



Ballarat brokers at the "corner", 1880



Mechanics Institute and "corner" Sturt St. Ballarat

**Ballarat:** the reason why Mount Rommel has formed a new approach to gold exploration.

## SECTION 1

### 1. PROJECT OVERVIEW AND INVESTMENT FEATURES

---

#### OBJECTIVES

At Allendale, Clunes and similar historic places, mines have been worked to produce gold. These historic mines were not large in areal extent, but made great profits due to the localised abundance of gold. This Company is working either within such a localised area (Clunes MIN 5391) or in that kind of environment, searching for gold to be mined.

#### CLUNES

In support of the figure of 500,000 oz produced from the former Port Phillip gold mine, there are two authoritative texts late in the life of the Port Phillip mine (T. Hewitson, 3 May 1888, and R. Allan, Sept 1891) which confirm the nature and extent of operations. Subsequent careful compilation of statistics by John Woodland (2001) as part of his published study of the Port Phillip Mining Company confirm that mine gold production exceeded 500,000 oz, and operations returned good profits.

The Directors of the Company believe that an area which has already produced over 500,000 oz of gold without any means of geological investigation outside the wall limits in underground exposures – the case at Clunes – is likely to contain within its environs significant additional gold, both in veins and reefs unknown to the early miners, and in residual deposits; and especially in the upper levels. Director's consider discovery of 50,000 oz of gold from MIN 5391 to be a realistic exploration objective for the Company.

#### THE DEVELOPMENT OBJECTIVE (MIN 5391)

As to evidence of potential to host further gold, the Directors refer to the Independent Geologist's Report in this Prospectus. That Report covers the central section of the Clunes goldfield, and the area of the mining licence owned 100% by the Company.

In the Report of Mr. L.V. Gentle in this Prospectus there are 5 diagrams which set out the previous drilling locations within or near-to MIN 5391. Interpreted or recorded vein locations are shown on four of these diagrams. Table 1 lists the facts about a number of drill intercepts, with the position and the gold analyses for each listed intercept. This information supports the Directors belief that continued drilling is warranted, anticipating that a workable resource may be outlined by drilling from surface.

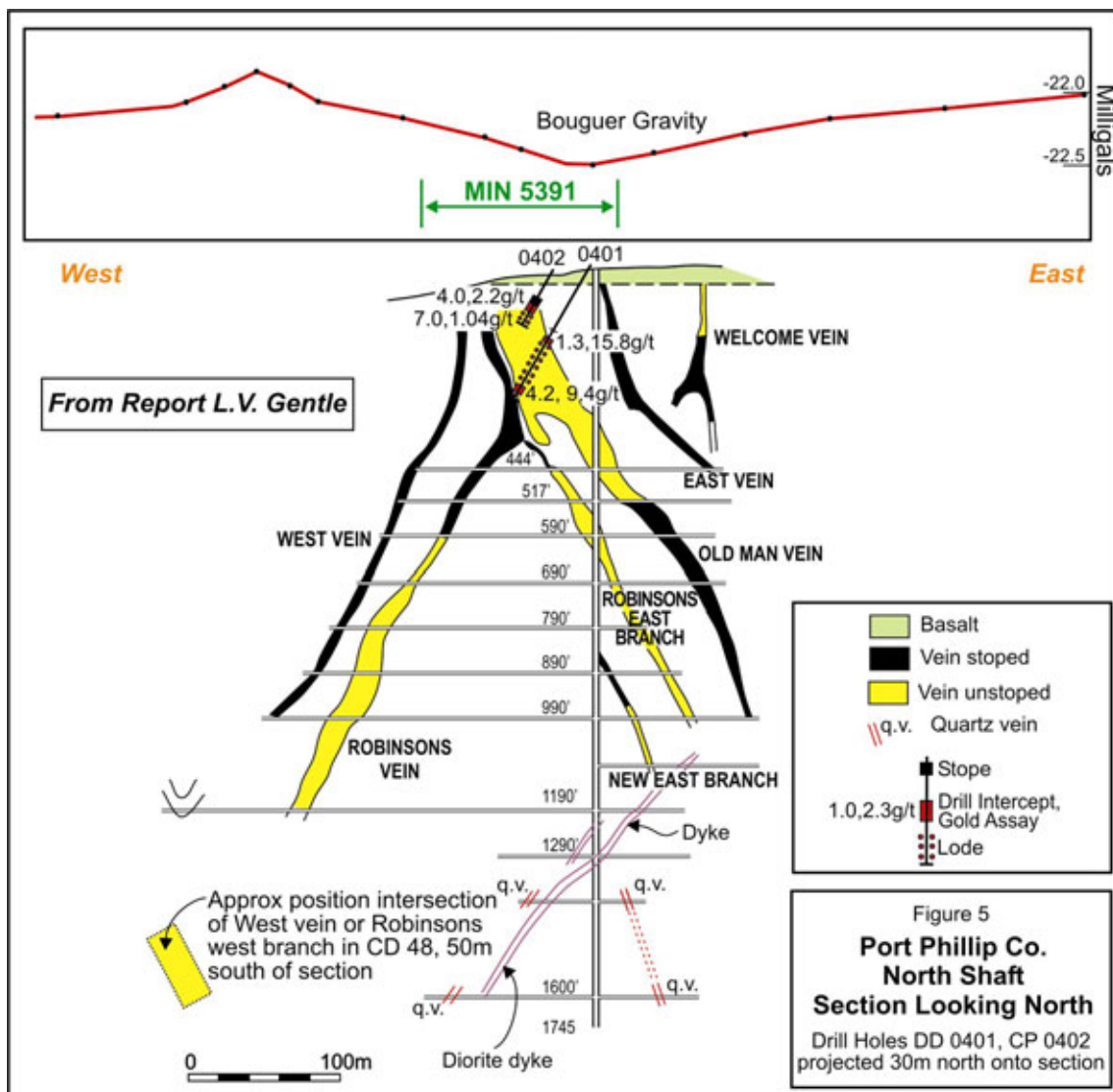
Because of their location within MIN 5391, the Directors regard the most significant of known drill hole intersections as being:

- In MCR-1 where 34m @ 1.33 g/t gold **incl. 4m @ 4.61 g/t** at depth 108 to 112m, and **2m @ 4.36 g/t** at a depth of between 90m and 124m in the hanging wall of the stope. The hole also included **8m @ 20.28 g/t, two metres into the footwall rocks beyond the stope boundary**, an intersection incorporating 4m @ 31.8 g/t gold; and,
- DD0401 which included **1.3m @ 15.8 g/t** at a depth of between 58.9m – 60.2m in the hanging wall margin of the undeveloped mineralised zone and **4.2m @ 9.44 g/t gold** in the footwall margin of the undeveloped mineralised zone, at hole depth 93.7 to 97.9m an intersection including 1m @ 32.1g/t gold.

Within the area covered by MIN 5391 five veins or vein systems were identified during early mining operations. From east to west these were the Welcome vein, the East vein, the Old Man vein, Robinson's vein and the West vein. These reefs or veins are shown in *Figure 5* in Mr Gentle's report which, for convenience, is reproduced on the following page. Because drilling in MIN5391 has been minimal for a project of this quality, other veins or reefs may be discovered.

Referring again to *Figure 5*, it can be seen that the known veins dip in both directions, and do extend to positions well outside the east-west boundary positions of MIN 5391 (also shown). Investors should note that the Directors of the Company, when making application for MIN 5391, placed the eastern boundary at the position shown because –

- It was known that veins dipping to east or west beyond the bounds of MIN 5391 were already mined out, and
- It was, and is, believed that the greatest potential for new gold lay within the Old Man Vein structure, and repetitions of the anticlinal fracturing at points vertically beneath the axial developments of the Robinson's – Old Man vein junction, all within MIN 5391.



Other significant intersections in drilling which focussed attention on the Old Man Reef included:

- CP 128 which included 1m @ 13.9g/t at a depth of 111 to 112 m in Stope fill in the East vein together with 1m @ 15.54 at a depth of 180 – 181m in what is regarded as the hangingwall selvedge to Old Man vein;
- CP0402 which included 4m @ 2.22 in the hangingwall margin of the Old Man vein;
- MCR-3 which included 2m @ 2.85 at the east margin of the Old Man vein;
- MCR-4 which included 6m @ 3.2 at the interpreted east margin, the Old Man vein;
- MCR-5 which included 2m @ 2.52 in the footwall of East vein – hangingwall of Old Man vein;
- MCR-11 which included 2m @ 4.13 in the footwall of East vein, together with a further 10m @ 0.64 incl. 2m @ 1.32 in the Old Man vein and a further 8m @ 1.89 in the Robinsons east branch.

Detailed results are set out in Table 1 in Mr Gentle's report. Results like those of hole CP128 target a position for drill hole extension, as this hole ended in what the Directors regard as a significant intersection in modern terms, within MIN 5391.

Approximately 50m south of the southern boundary of MIN 5391 WMC hole CP116 intersected 7m @ 3.45g/t Au including 1m @ 17.1g/t in the hangingwall of Robinsons vein and 12m @ 2.04g/t including 2m of high grade stope fill in the interpreted footwall of Robinsons vein. These holes may be indicative of the upper end of a mineralised zone plunging north into the mid-section of MIN 5391, offering scope for structure repetition.

## PROPOSED EXPLORATION

Reference to *Figure 5* in Mr Gentle's report shows that at the Port Phillip north shaft section the Old Man and Robinson's veins are almost contiguous. However, north and south of this shaft and down dip these two veins diverge and mineralized quartz carrying high grade sections are developed between the two veins, within the wide quartz zone of the Old Man vein and in the hanging wall of the Old Man vein.

A program of diamond drilling is planned to further evaluate the resource potential of the Old Man-Robinson vein system above the 135m level. Initially six holes are proposed to follow up the rich DD0401-MCR1 intersections. The DD0401 hole intersected an estimated true width of 32m of mineralized lode, which included 1.3m at 15.8 g/t and 1m at 32.1 g/t. The MCR1 hole intersected 8m @ 20.3g/t. A further five holes are planned in the southern half of MIN 5391.

## THE WORK SITE (MIN 5391)

To enable an appreciation of the surface conditions of a place once known as "The Golden Paddock" (all private land) a plan and 3 photographs are included here. The points on ground from which two of the photographs were taken, and the direction, are shown on the plan. Locations noted are referred to in the report of both the Independent Geologist (Mr. Gentle) and the Consulting Geophysicist (Mr. Rutter).

The third photograph, an oblique photo from the air, becomes self explanatory. From this photo it can be seen that two of the most profitable and productive of Victoria's historic quartz gold mines (two of the twelve most productive quartz mines) were adjacent along strike, providing evidence of a very localised abundance of gold not matched elsewhere in the Ballarat District. This fact represents a further incentive for additional drilling within MIN 5391.

Completed operations so far comprise:

- reassessment of the geochemical analyses carried out by Golden Heritage prior to April 2000, with encouragement from re-sampling MIM holes MCR4, MCR5 and MCR11 (all north the old Port Phillip south shaft) and especially hole MCR 1 (further north).
- completion of two detailed gravity surveys at Clunes, one in August 2004, and the other in March 2005, making a total of five (5) gravity surveys at Clunes since 1997.
- completion of extensive site survey work to establish in detail the relative positions of physical features, to provide the basis for Work Plan approval compliance procedures, and applications for consent to Heritage Victoria.
- achievement of council support for an adjustment of the boundaries to the heritage overlay of the Shire of Hepburn Planning Scheme, to more accurately reflect boundaries of former mining leases, the effect being that of consistency in the characteristics of the heritage overlay across all of MIN 5391 and immediate vicinity.
- completion of one diamond hole (105 metres) in August 2004, to confirm the character of the Old Man lode, and revealing the positions of unmined lode carrying gold at commercially interesting levels, plus two percussion holes to provide samples for determination of gold and geochemistry in adjacent ground. Of note is the presence of visible gold in some of the cuttings.
- design of new holes for the ongoing program, and to test for the presence of repeat vein structures in the core anticline position, south of the old Port Phillip south shaft.

In its approach to redevelopment at Clunes of the upper levels of the former Port Phillip mine area, the Company is utilising the archives which were established between January 1864 and 1869 which recorded the experience of the New North Clunes discovery. In that period both the branching nature characteristic of these lodes, and the plunge reversal for the cap of the lode, were known from description. These facts give support to a belief in the ongoing prospectivity within the area of MIN 5391.

PHOTOGRAPHS 1, 2 & 3

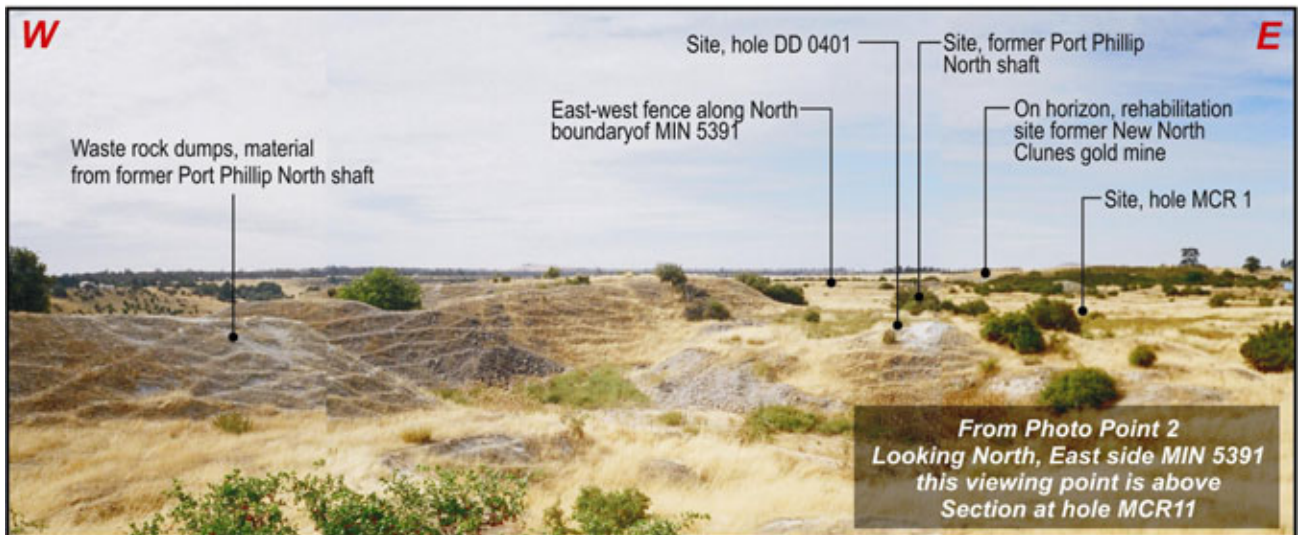
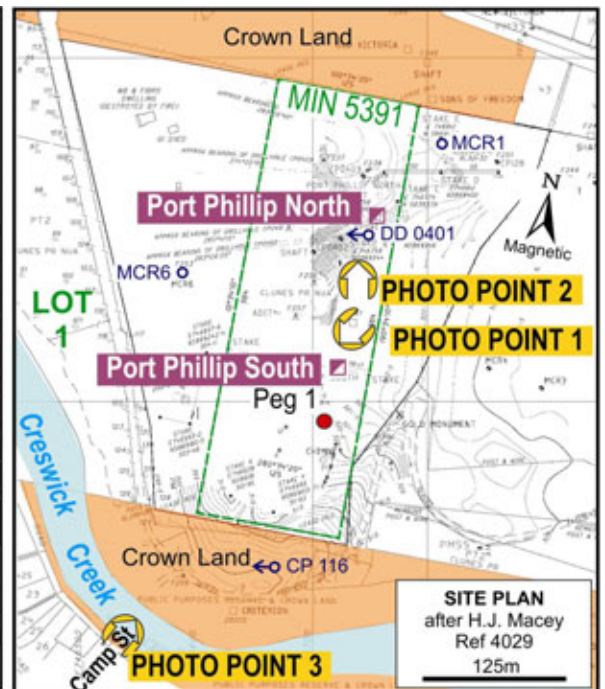
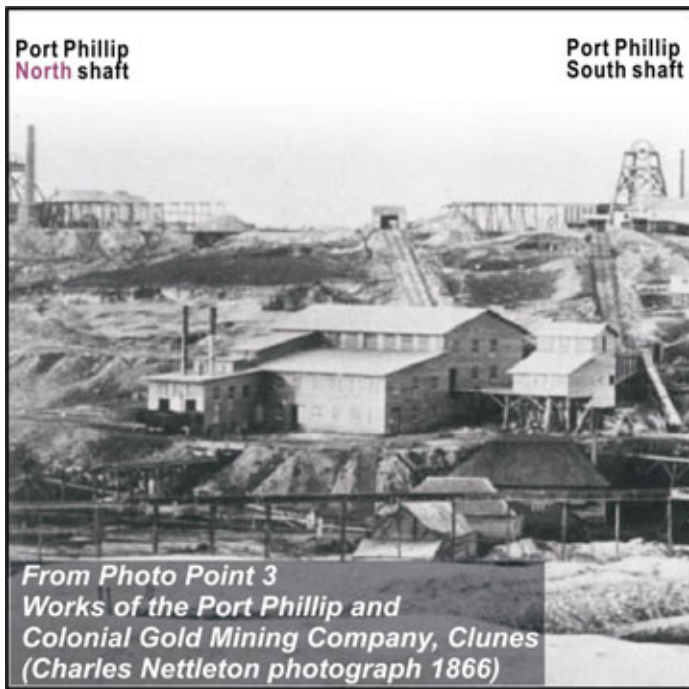
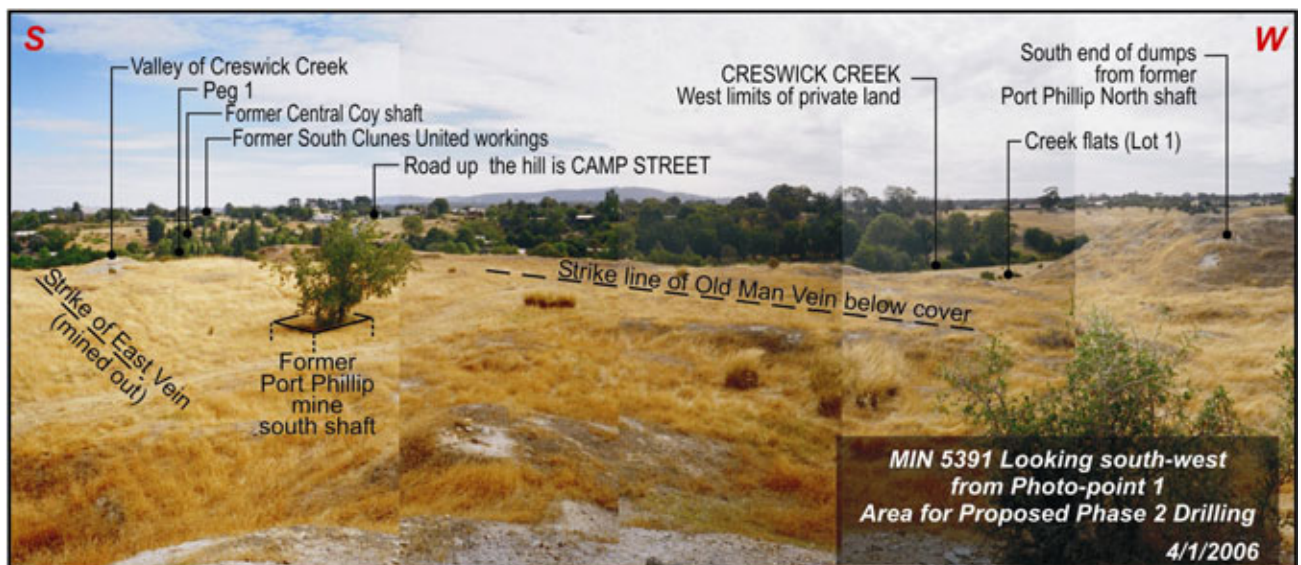


Photo above is looking towards position of Hole DD 0401 (photo point within MIN 5391)



#### PHOTOGRAPH 4



Based on the history of the field and the results of recent exploration, Mr Gentle concludes in his report

***“that potential exists in MIN 5391 for the delineation of high grade mineralisation of the type and tenor of historical production. This potential exists essentially in the unworked sections of the Old Man vein.***

***There is, however, additional prospectivity associated with lower grade, relatively larger tonnage, mineralisation occurring between the historically worked Old Man and Robinsons veins. Drill logs of both WMC and MIM also indicate the possibility of high grade stope fill or collapsed stope walls providing a potential ore source”.***

However, Mr Gentle also notes that:

***“In common with other central Victorian slate belt deposits, drilling alone is insufficient to define the resource. Following encouraging results from drilling, underground exploratory development is required to delineate resources. Given the target of Mt Rommel’s programme in MIN 5391, this would involve relatively shallow development at approximately the 50m level beneath surface.”***

#### ALLENDALE

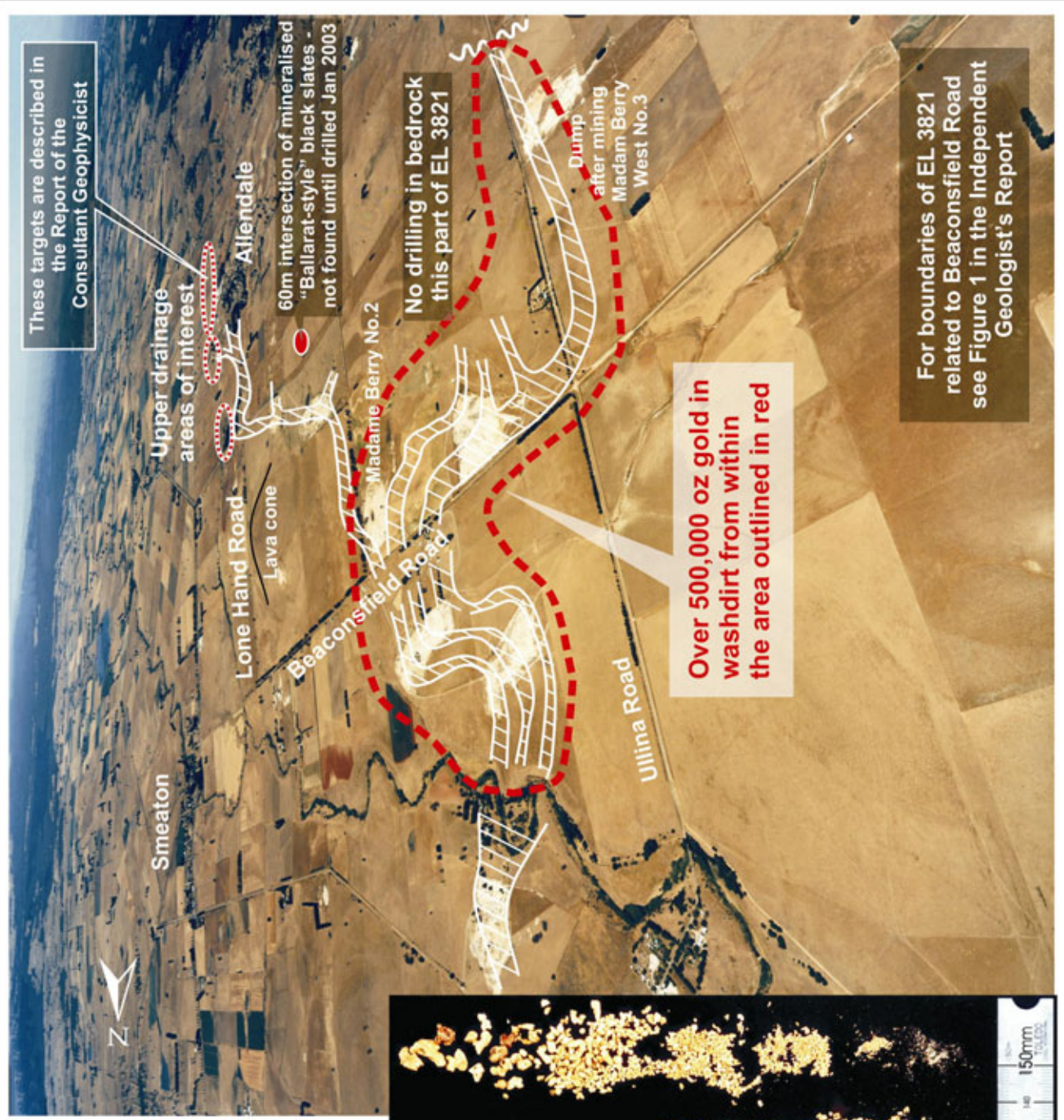
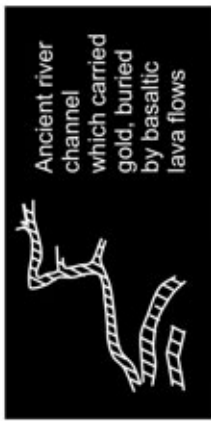
The Allendale project is covered by EL 3821 which lies 5km north of the township of Creswick and 24km north of the city of Ballarat in central Victoria. It is owned 100% by Mt Rommel, and covers 49 sq km.

EL 3821 covers much of a once very productive and rich Tertiary deep lead alluvial gold system including the former Madame Berry, Madame Berry West, West Berry Consols, Australasian, Ristori, Loughlin and de Murska deep lead mines. In aggregate, in this licence area, these mines produced in excess of 1.5 million ounces of gold from washdirt recovered from deep lead mining between discovery in 1872 and closing in about 1909.

At Allendale, a major vein system has not yet been found that explains the source for gold in the deep leads. There is, however, considerable evidence of mineralisation, including gold, on the east side of EL 3821. And, in the Independent Geologist’s Report Mr. L.V. Gentle has provided an Exploration Summary Plan *Figure 9*, which can be correlated with places marked on the oblique photograph on page 13

Extensive drilling programs (1996 – 2000) have shown that, due to the blanket cover of basalt, geochemistry is, in the opinion of Director’s, of limited use as an exploration guide in the first instance.

**Looking Southeast over Allendale and across EL 3821**



It is common for gold mineralisation to be more closely associated with silicification (quartz) than other rock types. Altered rocks surrounding quartz may not be carrying metals in geochemically anomalous abundance, but may be the reason for physical rock changes that can be detected by a gravity survey. Where altered rocks and gold-bearing quartz veins are, for geologically prolonged periods, exposed to the weather, the mineralised environs acts to enhance physical differences measurable today by ground gravity surveys.

The two positions, Ballarat and Allendale are both gold-abundant locations, with recognisably similar features in the VIMP regional gravity data. For these reasons, geological characteristics at Ballarat (known) may be also present at Allendale (unknown).

The rocks of Ballarat East were subjected to the processes of deep weathering (supergene oxidation) which followed the formation of gold deposits. Erosion later stripped off the weathered surface to produce one of the world's richest alluvial gold fields. Subsequent mine development showed a significant proportion of the Ballarat East field existed below the erosion surface. Work with gravity shows this tool has the capacity to delineate the outline of the fractured ground at Ballarat providing an exploration guide – as is demonstrated in the Consultant Geophysicist's Report.

Also at Ballarat East, the workings as they developed became famous for Indicator rocks associated with large nuggets of gold. Here the Indicator rocks were often seen as "black slates", very narrow in themselves and recognisable from mine to mine, being used as a guide to locations for gold.

At Allendale, a total of 71 holes were drilled across EL 3821 between 1996 and year 2000, none of which encountered black slates or Indicator-type rocks. For the foregoing reasons, it appeared important to the on-going exploration of EL 3821 to locate the black slate environment.

Privately sponsored drilling in 2002/2003 in Dridan's Paddock (within EL 3821) was undertaken to test an intense local gravity low positioned to the south of Madame Berry No1 shaft at a place which corresponds with a gap in the Aberfoyle traverse RP02. These holes intersected a west-dipping 60m of intensely sheared pyritic carbonaceous black slates and grey slates, which are in sharp contrast to the thick turbidite sequences encountered in all previous drill holes. This zone lies close to the projected position of the axis of the Ballarat Anticlinorium. This outcome resulted in the re-assessment of earlier results to the east of Lone Hand Road.

Most gold deposits in Central Victoria show evidence of pre-existing high angle reverse faults, and associated fractures as the major controlling features of mineralisation. Most known faulting is associated with the quartz along the linear north-south axes of folds. On the east side of EL 3821, arsenic antimony copper and lead occur as geochemically anomalous values. It is probable that this mineralisation is controlled by related fractures, including those associated with folding.

The gravity features (anomalies) drilled in January 2003 (at Allendale) and in August 2004 (at Clunes) both intersected composite veining (evidence of numerous silicification events) microfractured ground and a microporous rock mass. It is thought that the two anomalous gravity features near the former Ristori deep lead gold mine may be similar because of characteristics referred to in the report by the Consultant Geophysicist, Mr. Rutter. These two features are described in Mr. Rutter's Report, with illustrations.

Whatever the dimensions of the deposit originally existing at Allendale, erosion has demonstrated an abundant source of gold. Investors should take note that a deposit of one million oz (Central Victorian Goldfields style) is typically a linear mass less than 100 metres wide. The strike extent of such a linear mass may be as limited as 750 metres, as at Clunes. Directors believe that ground gravity surveys have identified zones of this order for renewed investigation by drilling at Allendale, within EL 3821.

Investors must understand that the Company has at present no mineralised area within EL 3821 of that potential quantity or quality. The target of such a deposit is conceptual only, and there has been insufficient exploration within EL 3821 to outline any such deposit. No certainty can exist that further exploration will result in the establishment of a mineral resource within the meaning of the JORC Code.

## TOURELLO

In the Independent Geologist's report, attention is drawn to the commonly held view that there should be another goldfield "concealed under the younger basalt cover". This view is in accord with those published in 1999 – see GSV Report 117 "Creswick" p.92. In this context, the level of the ancient surface (below basalt) is important. Rich gold deposits at Redan, Ballarat generally, and at Allendale occur on the ancient surface, and similar deposits on that surface may be present at Tourello.

The comparative heights of the ancient surface above sea level are –

Ballarat West	400m	(on drainage divide)
Allendale/Ristori	400m	(drains to north)
Clunes	323m	(77m lower than Ballarat)
Tourello	est.300m	

Directors have noted these levels. The initial drilling will take the form of vertical percussion holes to investigate the extent of this mineralised occurrence at Tourello, as well as the follow up recommendations in the reports by Mr. L. V. Gentle and Mr. H. Rutter. These two reports provide considerable encouragement, with Mr. Gentle concluding that:

***"Tourello presents the very attractive potential of a virgin deposit in a world class gold province."***

Importantly it should be noted that the 6 of 7 deeper holes which discovered this mineralised area in 1966/67 were drilled in a very small section of the Tourello project area. See the report by Mr Gentle. In the opinion of the Directors, the occurrence of the local gravity low, which has a similar characteristic to that recognised over fractured and altered quartz-bearing ground at Ballarat and Clunes, provides additional prospectivity to EL 4609.

## EXPLORATION METHODOLOGY

Approximately 60% of one of the world's major gold provinces - the Central Victorian goldfields - are covered by basalt. This presented a serious impediment to *past* exploration activity in these areas. The significance of production (so far) of 629 tons of gold from the greater Mining District of Ballarat shows that this region is a major gold province, and warrants modern exploration.

In the past, brilliant success has come from extended efforts of prospecting by underground development at Ballarat. A key example is the discovery of the Consols No. 1 Lode by finding golden quartz west of the Band and Albion Consols Company No. 6 shaft. This discovery was the means of directing attention to other prospects, and in turn led to the discovery of the Guiding Star Lode, again through underground development. The timing of those discoveries occurred when the deep lead mines were opening up the Allendale area.

The style of underground exploration of the 1880s would be difficult to finance today. A surface exploration technique is required, which could short-circuit expense through the application of modern tools.

The exploration objective in using gravity as a major exploration tool is to recreate the success of the Consols/Guiding Star discoveries at much lesser cost. Field scale trials of techniques have taken place over those once-famous areas at Ballarat, and within the area of the Allendale Exploration Tenements, and at Clunes.

Thus, the Company has for some time been evolving a method of search which would enable it to confine its drilling expense to within areas most favourable for mineralisation. This involves the use of gravity stations spaced at progressively closer intervals, by design. The Company has utilised ground gravity geophysics and has established a high density gravity station network throughout the Gordon – Ballarat – Clunes – Daylesford area. This is an area of approximately 42 kms by 55 kms. The method evolved to the point where Mt Rommel has now acquired in excess of 10,000 gravity stations in its search for a major gold deposit.

In commenting on the Company's use of Gravity in his report, Mr Hugh Rutter states:

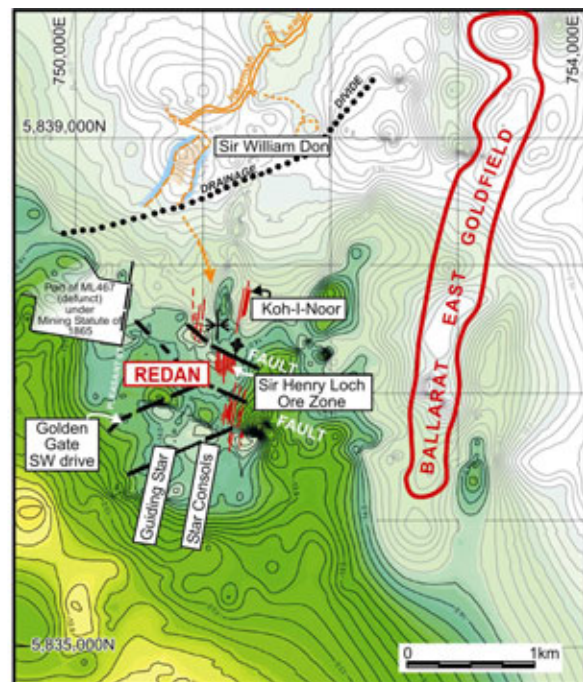
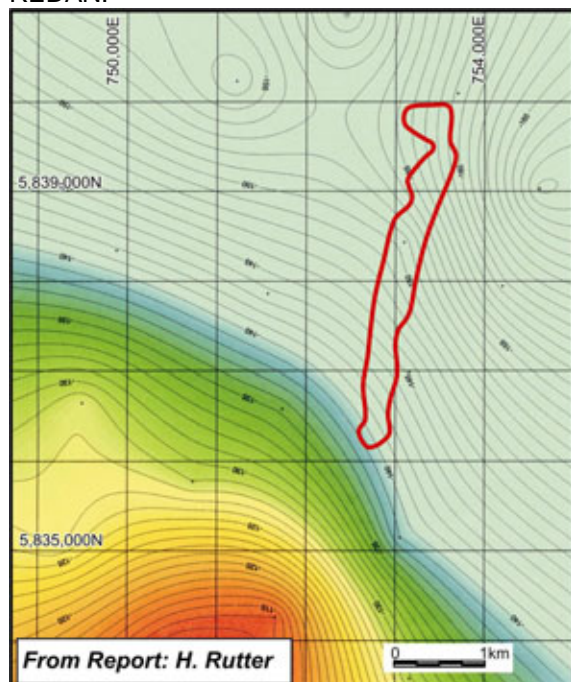
*"Much of the area considered to be prospective for gold bearing quartz reefs in the Ballarat - Tourello - Clunes - Allendale area is covered by Tertiary basalts. The basalts effectively mask the Ordovician bedrock which host these deposits. Geophysical methods have the potential to identify and define structures and lithologies that may provide the exploration direction that will lead to a major discovery."* (emphasis added)

Apart from having obtained title to 3 areas which the directors consider to be highly prospective for gold discoveries, the Company seeks to continue to explore for gold in areas of the Central Victorian goldfields which are covered by basalt and which have, historically, been regarded as having limited exploration prospectivity. Detailed gravity enables both regional and, more importantly, local structure to be interpreted.

The establishment of any exploratory technology needs to be demonstrated and the prospectivity of the work carried out by Mount Rommel is demonstrated in the accompanying report by Mr Hugh Rutter. However, and illustrative of the effect of that focus on gravity, 2 diagrams reproduced from the report of Mr. Rutter are set out for convenience below. They are from the same area of Ballarat.

The diagram on the left contains only (but all) the VIMP data over Ballarat available from the Victorian Government. This comprises gravity data from 18 gravity stations. In the figure at the left, minimal structure and no goldfield is apparent at that data density, as the overlay shows. The Ballarat East goldfield would be positioned about the location with the outline marked in red.

The diagram on the right contains Mount Rommel's data over the same area developed from in excess of 2,300 collected gravity stations: the results could not be more apparent. The extent and position of the Ballarat East Goldfield is again outlined in red. What is not shown is the position of the Ballarat West Goldfield, but the location is evident in the gravity response, for part of the illustration marked REDAN.



**The Goldfield of Ballarat**

The application of ground gravity at this level of density correlated with mine records represents a powerful exploration tool. Mount Rommel believes in the use of this tool in conjunction with historical data and other exploration tools in its target definition and in the selection of its tenements.

The use of such detailed gravity is, however, not limited to areas under basalt cover and has been applied to the Company's areas at Clunes with a view to assisting in defining drilling targets.

The Company explores significantly underdeveloped and under-explored areas in the Central Victorian Gold Province, by using what is a standard and proved technology in a new manner. The Directors believe progress will be achieved by collecting gravity data from the close positioning of gravity stations as and where appropriate, so as to build up a very detailed geophysical analysis of local structure, which is aimed at enabling significantly more accurate and careful target selection in advance of drilling.

## WORK COMMITMENTS AND COMMENTARY

The licence information relevant to this Prospectus is set out below:

**Clunes** – Grant of licence 19th March, 2004 (for mining purposes, gold).

Licence	Area	Term of Registration	Expenditure	Bond	Comments
<b>MIN 5391</b>	4.8 ha  All private land	19 March 04 + 5 years	Y1 \$15,000  Y2 \$15,000	\$5,000 set	<ul style="list-style-type: none"> <li>▪ Work Plan approved and registered 8 Sept. 2005.</li> <li>▪ Compensation to private landowners satisfied by completed issue of fully-paid shares.</li> </ul>

**ALLENDALE** – Grant of licence 19<sup>th</sup> February, 1996. This Exploration Licence was granted during the Validated Intermediate Period with respect to the *Native Title Act*, and is not subject to it.

Licence	Area	Term	Expenditure	Bond	Comments
<b>EL 3821</b>	Excludes MIN 5434 of 5 ha.  65 grats. (approx. 49 sq.km)  GDA 94 Datum	Current To 26 Feb. 06  Application for renewal lodged 16 January 2006	\$29,700	\$5,000  Held by NAB on behalf of Minister for Resources	<p>Area contains historic sites subject to normal statutory controls. There is no current activity which is restricted, nor is any area of proposed activity restricted. There are no caveats.</p> <p>Subject to landowner access agreements, work on private land may proceed. The Company holds a number of current registered Work Plans. Last drilling in 2003 found a 60 metre zone of pyritic black slates.</p> <p>Most recent Work Plan for drilling registered 29 Dec. 2005.</p>
<p><i>Within the boundaries of this licence area are seven (7) Work Authorities applied for or granted under the Victorian Extractive Industries Act. These are small areas held by others for surface activity, to recover quartzite and gravel.</i></p>					

**TOURELLO** – Grant of licence 10 December, 2001, for private land, roads and road reserves. It is held in the names of Sinclair Exploration Pty. Ltd. and Skye Chemicals Pty. Ltd., and is not subject to *Native Title*. Report to 30<sup>th</sup> Sept., 2005 completed, lodged for compliance purposes.

Licence	Area	Term	Expenditure	Bond	Comments
<b>EL 4609</b>	11 grats. (approx. 11 sq.km.)  GDA 94 Datum	5 years to 9 Dec. 2006	Y4 \$17,600  Y5 \$18,000	\$5,000 bond  Held by NAB on behalf of Minister for Resources	Area of interest wholly basalt covered open agricultural land, actively being cropped. Geophysics (detail) completed over one-third the area of present interest. Work Plan registered 15.12.2005.

## SECTION 2

### 2. OFFER AND KEY DATES

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#### THE ISSUE

The Issue comprises a series of Offers. These Offers are as follows.

#### GENERAL OFFER ("Share & Option Offer")

The primary Offer is an Offer of 10,000,000 ordinary new shares offered for subscription at an issue price of \$0.10 on the basis that for every two shares subscribed for, an Applicant will be entitled to apply for two Options to acquire an ordinary share. One option must be a short term option and the other a longer term option. See below. The Issue price of each Option will be \$0.01 (1 cent). No obligation exists on the part of any Applicant to apply for options of either class.

In addition the Company reserves the right to accept oversubscriptions for a further 2,000,000 shares (and associated Options) to raise a further \$200,000 (from shares) and \$20,000 (from options).

The Options will comprise:

- first, a short-term Option exercisable at \$0.10 by Wednesday, 28 February 2007,
- secondly, a longer term Option exercisable at \$0.20 by Thursday, 28 February 2008.

The full terms and conditions of the Options are set out below.

Applicants under the Share & Option Offer may pay up the full amount of the subscription moneys on application or they may elect to subscribe for the shares forming part of the Share & Option Offer on the instalment basis set out below.

Where an Applicant wishes to pay for his or her shares on an instalments basis the subscription moneys payable on subscription will become payable:

- (a) as to \$0.05 (5 cents) per share and \$0.01 per option on application;
- (b) with a further \$0.025 (2.5 cents) per share being payable on 1 August 2006;
- (c) and with the balance of \$0.025 (2.5 cents) per share being payable on 28 February 2007.

Whichever basis of subscription is chosen for subscription, the Applicant's entitlement to apply for Options will be unchanged.

Applicants may consider that the capacity to subscribe for the shares as partly paid shares without this effecting their entitlement to apply for options on the same basis as those Applicants who pay for shares in full on subscription, may represent a gearing benefit.

The Application Form for the Share & Options Offer will provide for each alternative method of subscription.

Applicants should note that if they elect to take up the issue by subscribing for the new shares on a partly-paid basis, then they will have a legal liability to pay the instalments and, if they fail to pay the instalments, the Company can forfeit the shares against them and resell the shares to recover the outstanding monies. If there is a shortfall in the amount recovered from sale, then the shareholder will be liable to pay to the Company the amount of the shortfall. However, the total liability of the shareholder will not exceed the issue price of the shares (\$0.10), and thus the obligation will be understood beforehand. Also, Applicants should understand that if the Company is placed in liquidation prior to all calls being paid up on partly paid shares they hold or may have held within a period of 1 year from when they ceased to be a member of the Company, members who so hold or held partly paid shares prior to commencement of the liquidation may be liable as contributories. See Business and Investment Risks in Section 10.

Consequently all persons subscribing for partly paid shares should have regard to the provisions of the Constitution of the Company set out in Clause 2 in Section 11 hereof and should also seek professional advice as to their rights and liabilities before so subscribing.

### **OPTIONS OFFER TO EXISTING MEMBERS (“Options Offer”)**

The second Offer contained in the Prospectus is an entitlements offer of options to existing members in order that they may maintain their prospective equity in the Company (“Options Offer”). The Options Offer likewise comprises two Options for every two shares held as at the record date to determine members’ entitlements to the Offer. The application form for members contains details of the members’ entitlement. The Options offered to members will be the same classes of Options offered for subscription to new Applicants for shares.

Each Option offered for subscription pursuant to the Options Offer will be issued at an issue price of \$0.01 (1 cent) and the Options issued to existing members will rank equally with the Options to be issued to Applicants under the Share & Option Offer.

### **TERMS AND CONDITIONS OF OPTIONS OFFERED FOR SUBSCRIPTION PURSUANT TO THE SHARE & OPTION OFFER AND THE OPTIONS OFFER**

Under both the Share & Option Offer and the Options Offer the Company is offering 2 classes of options for subscription. These are options expiring 28 February 2007 exercisable at A\$0.10 (10 cents) and options expiring 28 February 2008 exercisable at A\$0.20 (20 cents). The terms of these options are set out below.

The terms and conditions of the options expiring on 28 February 2007 are as follows: namely the Optionholder will be entitled to subscribe for and be allotted an Ordinary Share on the following terms:

- The option shall expire at 5.00pm (AEST) on 28 February 2007 (“Expiry Date”).
- The option shall entitle the Optionholder to subscribe for an ordinary share in the capital of the Company. A share issued on the exercise of the option will be a fully paid ordinary share and will rank equally in all respects with the then existing issued ordinary fully paid shares in the capital of the Company from the date of issue and will be subject to the provisions of the constitution of the Company.
- The option may be transferred at any time in accordance with the Corporations Act 2001, the ASTC Market Rules and the Listing Rules.
- The option shall be exercisable at 10 cents (“Exercise Price”).
- The Option may be exercisable at any time prior to the Expiry Date by notice of exercise in or to the effect of the form provided to the Optionholder by the Company at the time of grant of the Option or otherwise accompanied by payment of the Exercise Price.
- An Optionholder has no right to a change in the Exercise Price or to any change to the number of underlying securities over which the option can be exercised.
- An option shall not entitle the holder to participate in new issues of ordinary shares offered to members of the Company during the currency of the option.
- In the event of any reorganisation of the capital of the Company the options shall be treated in the manner required by the Listing Rules in force as at the date of any such reorganisation and as appropriate to the type of reorganisation proposed.

The terms and conditions of the Options expiring on 28 February 2008 are the same as those expiring on 28 February 2007 save that:

- the Exercise Price is A\$0.20 (20 cents); and
- the Expiry Date is 5.00pm (AEST) on 28 February 2008.

## **OFFER TO JOINT VENTURE PARTICIPANTS (“the JVP Offer”)**

The third Offer made under the Prospectus is an offer made to the participants in a series of joint ventures with the Company (“Joint Venture Participants”).

The Company has conditionally agreed to issue shares to the Joint Venture Participants in exchange for the whole of their right, title and interest in and to all future gold production from the area of MIN 5391 and all of their right, title and interest in and to data generated in exploration and work programs partially funded by them. The JVP Offer is not conditional upon the Company being admitted to the Official List of NSX. No statement in this Prospectus should be interpreted as meaning or inferring that the Shares issued under the JVP Offer will be able to be traded on a financial market (whether in Australia or elsewhere) or that they will be quoted on any such financial market.

A summary of the form of agreement between the Company and each Joint Venture Participant is set out in Clause 1.2 of Section 11 under the heading “Material Agreements”. Under those contracts the Company has conditionally agreed with the Joint Venture Participants to issue and allot each Joint Venture Participant 44,000 new shares in the capital of the Company each credited as fully-paid which will rank equally with all other shares on issue, subject only to those Joint Venture Participants making application therefore pursuant to this Prospectus. If the Joint Venture Participants do not apply for Shares in accordance with the provisions of their agreements, then the Company will treat any Joint Venture Participant not applying for shares as having waived its rights under that agreement.

All Joint Venture Participants who have interests as Joint Venture Participants in and to future gold production from the area of MIN 5391 and any right, title or interest in data generated in exploration and work programs partially funded by them have entered into such contracts under which they have the right to apply for shares in exchange for those rights.

The right of any Joint Venture Participant to apply for shares is dependent on that Joint Venture Participant having fully paid up his joint venture obligation prior to the issue of this Prospectus on the basis that any such Joint Venture Participant will only be entitled to be issued and allotted that pro rata amount of 44,000 new shares as the amount actually paid up by the Joint Venture Participant bears to the Joint Venture Participant’s liability. By way of example, if a Joint Venture Participant has paid up half the amount of his joint venture contribution, leaving half unpaid, then he/she will only be entitled to be issued half the shares to which he/she would otherwise be entitled: namely 22,000 new shares.

On the basis that each Joint Venture Participant has fully paid up his or her joint venture obligation, the total number of new shares to which Joint Venture Participants will be entitled is 2,189,000 shares.

Notwithstanding that the Company may not be admitted to the Official List of NSX, the Shares, the subject of the JVP Offer, will be issued and allotted as the JVP Offer is not conditional on admission of the Company to the Official List of NSX and the Company has not made any statement herein which states or implies that such shares are to be traded on or quoted on any financial market (whether in Australia or elsewhere) that would be the subject of either Section 711(5) or 723(3) of the Act. Joint Venture Participants are also referred to the “Minimum Subscription” clause on page 24 which does not make achievement of minimum subscription a condition to be fulfilled before Shares are issued under the JVP Offer. This means that the Joint Venture Participants may be issued and allotted shares in the Company notwithstanding that it fails to achieve Minimum Subscription with the result that the Company has minimal funds available to carry on operations which would likely adversely impact the value of the Shares issued and allotted to them.

## **GENERAL PRIORITY TO MEMBERS**

The Share & Options Offer will be subject to a general priority entitlement for a total of 7,000,000 shares and associated Options in favour of existing members.

Accordingly, applications from existing members will be accepted for applications for that total number of shares from existing members in priority to applications from members of the public generally. If existing members apply for more Shares and Options than are subject to this general priority entitlement, then the Directors will accept applications in their absolute discretion. In exercising that discretion, Directors will, insofar as reasonably practical, accept applications on a pro rata basis provided that no application which is accepted will be reduced below the \$2,000 minimum subscription amount.

All shares issued pursuant to this Prospectus will rank equally in all respects with each other and the existing issued shares and each fully paid Share entitles the holder to one vote on a poll at the general meetings of the Company. Under the Company's constitution partly paid Shares have pro rata voting rights based on the amount paid up as a proportion of the issue price of the Share.

The rights attaching to the Shares are summarised in clause 2 in Section 11.

Before making a decision to invest or subscribe for Shares and/or Options each Applicant should read this Prospectus in full having particular regard to the risk factors, consider his or her own investment parameters and needs, and as necessary, seek independent professional advice from appropriate advisors.

Application moneys are payable on application. The amount of the application monies payable will be:

- an amount of \$0.10 per share where the Share applied for is a fully paid Share together with the application monies for the Options being applied for. In this instance this will be an amount of \$0.10 per share and an amount of \$0.01 per Option applied for;
- an amount of \$0.05 per share where the Share being applied for is a partly paid Share together with the application monies for the Option being applied for. In this instance this will be an amount of \$0.05 per Share and an amount of \$0.01 per Option applied for.

Persons applying for partly paid Shares must understand that they will remain liable by the terms of issue thereof for the balance of the subscription monies payable on the Share in accordance with the terms of issue. These monies will be payable by 2 instalments of \$0.025 (2.5 cents) on each of 1<sup>st</sup> August 2006 and 28<sup>th</sup> February 2007. Applicants should refer to the terms of the General Offer above and to Section 10 which sets out those risks in more detail when deciding to apply for shares on a partly paid basis.

The Directors have the right to accept or reject each application in whole or in part.

### **Application For Securities**

Application for Securities can only be made by completing an Application Form in accordance with the instructions thereon.

Applications must be for not less than 20,000 Shares having an aggregate issue price of A\$2,000 and thereafter applications for Shares must be in multiples of 1,000 Shares (A\$100).

Application Forms must be completed as shown on the Application Form and forwarded with the Application Moneys to:

Link Market Services Limited  
Level 4  
333 Collins Street  
Melbourne Vic 3000

**Cheque details –cheques or bank drafts must be payable to “Mount Rommel Mining Share Account”**

### **Allotment**

Subject to NSX granting approval for the Company to be admitted to the Official List, the Directors will proceed to allotment of the Shares and Options to be issued and allotted or granted under each of the Share & Option Offer and the Options Offer as soon as possible after the Closing Date. The Directors reserve the right to reject any Application and/or to allot a lesser number of Shares and Options than applied for. If the number of Shares and/or Options allotted is less than the number applied for, the surplus Application Moneys will be refunded to the Applicant within 14 days of the Allotment Date. Interest will not be paid on any refunded Application Money. The Company will proceed to allotment of the Shares under the JVP Offer regardless of whether NSX grants approval for the Company to be admitted to the Official List of NSX in accordance with the terms of the JVP Offer.

It is the responsibility of Applicants to determine their allocation of Shares and Options prior to trading those shares. Any Applicants who sell shares or options before they receive their Transaction Confirmation Statements will do so at their own risk.

A completed and lodged Application Form, together with a cheque for the Application Money, constitutes a binding and irrevocable Application for the number of Shares specified in the Application Form or any lesser number allotted by the Company.

If the Application Form is not completed correctly, or the accompanying payment of the Application Money is for the wrong amount, it may still be treated as a valid Application. The Directors may complete any blanks or spaces left in any Application Form and the Applicant, by lodging the Application, appoints the Directors as its attorneys in this regard and authorises all such amendments. The Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However an Applicant will not be treated as having applied for more Shares or Options than can be subscribed for by the amount of the cheque for the Application Money.

## Capital Structure

The Company has on issue 16,171,400 fully-paid ordinary shares. There are no Options on issue. There were 199 members as at 31 December, 2005. The top 20 shareholders as at 31 December 2005 are listed on page 95.

Assuming that the Issue is fully subscribed the capital structure of the Company after the completion of the Offer will be as set out as follows:

<b>CAPITAL STRUCTURE ON COMPLETION OF THE ISSUE</b>	
<b>Amount to be raised</b>	<b>\$1,261,714</b>
Offer price per Share	<b>\$0.10</b>
Offer Price per Option	<b>\$0.01</b>
<b>Number of Existing Shares</b>	<b>16,171,400</b>
<b>Number of Shares being offered under this Prospectus:</b>	
Pursuant to the Share & Option Offer (excluding oversubscriptions)	<b>10,000,000</b>
Pursuant to the Joint Venture Participation Offer	<b>2,189,000</b>
<b>Total number of Shares immediately after allotment of new Shares under the Issue (Assuming full subscription)</b>	<b>28,360,400</b>
<b>Number of Options being offered under this Prospectus:</b>	
Pursuant to the Share & Option Offer (excluding oversubscriptions)	<b>10,000,000</b>
Pursuant to the Options Offer	<b>16,171,400</b>
<b>Total number of Options on issue immediately after allotment of Options under the Issue (Assuming full subscription)</b>	<b>26,171,400</b>
<b>Indicative market capitalisation on quotation of the Company at the Offer Price</b>	<b>\$2,836,040</b>

## Opening and Closing Dates

The Issue will open on 20 February 2006 ("the Opening Date") and will close on the Closing Date that is 5.00pm (AEST) on 24 March 2006. The Directors reserve the right to close the Issue early without prior warning or vary any of the important dates set out in this Prospectus, including by extending the Closing Date.

## Purpose of the Issue and Use of Funds Raised

After payment of costs of the Issue funds raised are to be applied for the following purposes:

- Complete a development drilling program of 6 diamond drill holes to seek to delineate high grade mineralisation in the unworked sections of the Old Man vein or reef as referred to in the report by Mr Lindsay Gentle. The initial 6 hole program is proposed to follow up the rich DD0401-MCR1 intersections which included grades of 8 metres at 20.28 g/t/au (including 4m @ 31.8 g/t/au) in MRC1 and 4.2m @ 9.44 g/t/au in DD0401. This initial program will be followed up by the drilling of a further 5 holes in the southern half of MIN5391 where Mr Gentle believes that the greatest potential for definition of a significant resource exists.
- Meet minimum compliance expenditure commitments on each of the Clunes, Tourello and Allendale tenements.
- Subject to the results of work carried out in relation to MIN 5391, and subject to the delineation of reserves within the area of MIN 5391, to prepare a preliminary feasibility study relating to the re-opening of the underground workings of the former Port Phillip gold mine;
- provide working capital for ongoing exploration by diamond drilling at the **Tourello** Gold prospect, initially testing the anomaly noted in Figure 8 in the report by Mr Gentle and as shown in the report of Mr Hugh Rutter;
- re-evaluate the Allendale data, in the light of the recommendations in the reports of the two Independent Consultants set out in this Prospectus;
- repay up to \$55,000 of the Company's short-term indebtedness to its directors and related parties inclusive of interest thereon.
- provide working capital generally.

Funds raised pursuant to the issue will be applied to project work on a priority basis with funding first being applied to the initial drilling program on MIN 5391.

The Directors are satisfied that with minimum subscription, and from application of existing funds, the Company will have sufficient working capital to meet its stated objectives for a period of at least 2 years and the Company will be able to meet its statutory minimum expenditure requirements for the tenements.

The following tables show the source and application of funds during that period:

<b>Source of Funds: assumes Full subscription (excluding oversubscriptions)</b>	<b>Available Funds (\$)</b>
Existing Funds as at 30 November 2005	20,000
Proceeds of the Issue	
Share & Option Offer	1,100,000
Options issue	161,714
<b>Total Funds Available</b>	<b>\$1,281,714</b>

<b>Use of Funds: Full Subscription</b>	<b>Total \$</b>	<b>To 31/12/06 \$</b>	<b>To 31/12/07 \$</b>
Costs of the Issue (excluding commission)	85,000	85,000	0
Commission (up to 5%)	50,000	50,000	0
Drilling (Clunes)	250,000	250,000	0
Tourello (Geological & Geophysical)	200,000	150,000	50,000
Allendale	80,000	15,000	50,000
Administration and Corporate	260,000	120,000	140,000
Working capital generally	346,714	-	-
	<b>1,271,714</b>	<b>670,000</b>	<b>240,000</b>

<b>Use of Funds: Minimum Subscription</b>	<b>Total \$</b>	<b>To 31/12/06 \$</b>	<b>To 31/12/07 \$</b>
Costs of the Issue (excluding commission)	80,000	80,000	0
Commission (up to 5%)	25,000	25,000	0
Drilling (Clunes)	200,000	150,000	50,000
Tourello (Geological & Geophysical)	42,000	20,000	22,000
Allendale	30,000	30,000	0
Administration and Corporate	140,000	70,000	70,000
Working capital generally	0	0	0
	<b>517,000</b>	<b>375,000</b>	<b>142,000</b>

The application of funds for minimum subscription assumes that all shares subscribed are subscribed as partly paid shares with a total of \$0.075 (7.5 cents) being subscribed for 4,545,545 shares by not later than 1 August 2006 on the terms that \$0.05 (5 cents) per share is subscribed on application, \$0.01 per option are paid on application and a further \$0.025 (2.5 cents) per share is paid on 1 August 2006 with \$386,363 being received by 1 August 2006 and the balance of by 28 February 2007.

Actual use of funds may differ from budgeted use of funds based on the outcomes from the Company's exploration activities in relation to any project, which may vary from present expectations, and the requirement to obtain various regulatory and other approvals in relation thereto.

It is difficult to budget exploration costs with certainty. The budget estimates for the period to 31 December 2006 are based upon estimates prepared by the Company and its consultants in relation to exploration plans. Project costs are sensitive to operational risks, as well as weather and environmental downtime.

Budgeted expenditures significantly exceed minimum expenditure requirements pursuant to the terms of the tenements held but it must be recognised that work programmes and expenditures are subject to change in line with emerging results, capital raising circumstances and opportunities which become available to the Company.

In the event of exploration success, or in the pursuit of new opportunities, the Company, in common with most exploration companies, may require further funds for its programmes. Any such additional funds would be raised in a manner deemed most expedient by the Board at the time, taking into account available working capital, exploration results, budgets, share market conditions and any interest by industry in co-participation in the Company's programmes.

### **Minimum Subscription**

The Minimum Subscription for the Issue under this Prospectus is \$500,000. This amount is sufficient to carry out the primary drilling program on the Old Man reef system as recommended by the consulting geologist, to meet minimum expenditure requirements on the Company's tenements during the 2 year period, to meet basic corporate administrative and operating expenses and to leave the Company in a position to seek additional capital based on any success in drilling at Clunes.

Other than Shares to be issued under the JVP Offer, which will be issued regardless of whether minimum subscription is achieved, no other Shares or Options will be issued under this Prospectus until or unless Minimum Subscription has been achieved. In the event that Minimum Subscription has not been achieved within three months after the date of issue of this Prospectus, the Company will refund all subscription moneys received under the Share & Option Offer and the Options Offer or otherwise comply with Section 724 of the Act.

### **NSX Listing**

The Company will apply to NSX within 7 business days of the date of this Prospectus for admission to the Official List of companies maintained by NSX.

If the Company has not been admitted to the Official List of NSX within three months of the date of issue of this Prospectus, then the Company will refund all Application Moneys received pursuant to the Share & Options Offer and the Options Offer in full. Interest will not be paid on Application Moneys refunded.

The Directors will not proceed to allotment of Shares and Options under the Share & Option Offer or the Options Offer unless and until NSX grants permission for the Shares and Options to be issued and allotted or granted thereunder to be listed for Official Quotation. The fact that NSX may admit the Company to its Official List is not to be taken in any way as an indication by NSX of the merits of the Company or the Shares and Options offered by this Prospectus. The JVP Offer is not conditional upon the Company being admitted to the Official List of NSX and no monies are being raised pursuant thereto: consequently there are no Application Moneys to be refunded in relation to the JVP Offer which is made to enable compliance with a series of contractual obligations and arrangements entered into as disclosed in Clause 1.2 of Section 11 under the heading "Material Agreements".

NSX takes no responsibility for the contents of this Prospectus, including any experts' reports contained therein.

Application Moneys will be held in a separate bank account in trust for the Applicants until allotment occurs.

It is expected that trading of the Shares and Options on the stock market conducted by NSX will commence as soon as practicable after allotment of the Shares and Options and dispatch of Transaction Confirmation Statements.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

### **Issue not Underwritten**

The Offer is not underwritten.

### **Applications outside Australia**

This Prospectus does not, and is not intended to constitute an Offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an Offer or issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Company has not taken any action to permit the offer of Shares and Options under this Prospectus in any jurisdiction other than Australia.

It is the responsibility of any Investor not resident in Australia to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all approvals have been obtained. Applicants who are nominees for persons proposing to act as nominees should seek independent advice as to how they should proceed.

### **CHESS**

The Company will apply to participate in the Clearing House Electronic Sub-register System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ("ASTC"), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and Shares Clearing House Business Rules.

On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of shares.

The Company will not issue certificates to Shareholders. Shareholders who elect to hold shares on the issuer-sponsored sub-register will be provided with a transaction confirmation statement (similar to a bank account statement), which sets out the number of Shares allotted to the Shareholder under this Prospectus. For Shareholders who elect to hold their Shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS, (acting on behalf) of the Company will provide shareholders with a holding statement that confirms the number of shares held.

The CHESS statement will set out the current number of Shares allotted to each holder under the Prospectus, give details of the Holder Identification Number and give the Participating Identification Number of the Sponsor. If you are registered on the Issuer Sponsored sub-register, your transaction confirmation statement will be despatched by the Share Registry and will contain the number of Shares allotted under the Prospectus and the Shareholders Reference Number.

A CHESS Statement or Issuer Sponsored holding statement will routinely be sent to holders at the end of any calendar month during which the balance of their holding changes. A shareholder may request a holding statement at any other time, however, a charge may be made by the registry for additional statements.

### **Restricted Securities**

As a condition of admitting the Company to the Official List, NSX may classify certain existing shares as restricted securities.

Prior to Quotation, it will be necessary for these parties to enter into restriction agreements with the Company. The effect of the restriction agreements will mean that the restricted securities cannot be dealt with for a period as determined by NSX.

### **Electronic Prospectus**

This Prospectus may be viewed and downloaded online at the web site [www.mountrommel.com](http://www.mountrommel.com)

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Act to allow distribution of an electronic prospectus on basis of a paper prospectus lodged with ASIC and the issue of Shares in response to electronic application form subject to compliance with certain provisions.

If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at [admin@mountrommel.com](mailto:admin@mountrommel.com) and the Company will send to you, free of charge, either a hard copy or a further electronic copy of the Prospectus or both.

The Application Form in a Prospectus may only be distributed attached to a complete and unaltered copy of the prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Prospectus or any relevant supplementary prospectus or replacement prospectus or any of these documents were incomplete or altered. In any such case the Application Moneys received will be dealt with in accordance with Section 722 of the Act.

While it is extremely unlikely that the electronic copy of the Prospectus will be tampered or altered in any way, the Company cannot give any absolute assurance that it will not be the case and any Applicant with doubt concerning the validity or integrity of an electronic copy of the Prospectus (or any supplementary or replacement prospectus) should immediately request a paper copy of the Prospectus directly from the Company or the Sponsoring Broker.

### **Rights & Liabilities attaching to Shares and Options**

The rights and liabilities attaching to Shares are detailed in Clause 2 in Section 11.

The terms of the Options to be granted pursuant hereto are set out in Clause 2 in Section 11.

## **Speculative Nature of Offer and Projects and relevant Risk Factors**

Applicants should have regard to the speculative nature of the tenements in which the Company has an interest and the risks discussed in Section 10.

Applicants should read this document carefully and in its entirety with emphasis on the risk factors detailed herein before deciding to invest in the Company.

Applicants should understand that exploration is both speculative and subject to a wide range of risks and that, unless the Company makes a commercial discovery they may lose the entire value of their investment.

Applicants should consider these matters in light of their personal circumstances (including financial and taxation affairs), their own risk profiles and investment parameters and, as necessary, seek professional advice from their accountant, lawyer or other professional adviser before deciding whether to apply for Shares.

## **Taxation and Tax File Numbers**

Applicants should seek their own independent advice in relation to taxation matters generally.

The Company is unable to give advice on any taxation matter as each applicant's position will relate to their own specific circumstances.

Applicants should satisfy themselves of the possible taxation consequences of purchases and sales of securities of the Company by consulting with their own professional tax advisers.

It is not necessary for Applicants to quote their tax file number.

## **Enquiries regarding the Issue**

If Applicants have any queries about terms of the Issue or of any Offer pursuant thereto in which you are entitled to participate, or, generally, how to apply for Shares you may contact the Company as set out below or otherwise you should contact your stockbroker, accountant, lawyer or other financial advisor.

**Mr Fred Hunt**  
**Mount Rommel Mining Limited**  
28 Lawson Crescent  
Thomastown Vic 3074  
Telephone: 613 9462 0739  
Facsimile: 613 9642 0494  
Email: [admin@mountrommel.com](mailto:admin@mountrommel.com)

The Company is unable to advise you on the suitability or otherwise of an investment in the Company, and for such advice you must contact your own independent professional advisers.

### **Action by Applicants**

Attached to and forming part of this Prospectus, or otherwise accompanying this Prospectus are Application Forms for use by Applicants in applying for Shares and Options.

Each Application Form provides detailed instructions as to how applications for Shares and Options should be made. Applications for Shares and Options will only be accepted on these forms.

The Application Form in a Prospectus may only be distributed attached to a complete and unaltered copy of the prospectus. Accordingly the Application Form must not be handed on unless it is attached to a complete and unaltered copy of the Prospectus.

Duly completed Application Forms, together with applicable subscription moneys, should be lodged with the Company's Share Registry at the address set out below and in the Application Form on or before the Closing Date.

Link Market Services Limited  
Level 4  
333 Collins Street  
Melbourne Vic 3000

**Cheque details** – make your cheque or bank draft payable to “Mount Rommel Mining Share Account”

## SECTION 3

### 3. DIRECTORS AND MANAGEMENT

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#### GENERAL

The Company is presently managed by its directors and the Company Secretary as set out below.

Operational management of the Company's projects is under the direct control of Mr Fred Hunt, as Executive Director, and Chairman.

Additionally, the Company has the availability of technical input and advice from its consultants.

#### DIRECTORS AND COMPANY SECRETARY

The current directors and management of Mount Rommel comprise:

**Frederick L. Hunt**

MIE Aust. CPEng., M.AusIMM  
Chairman/CEO

Fred Hunt has extensive experience in exploration, and is known for his work at Ballarat and within the Central Goldfields of Victoria. He has a growing interest in the ways in which the people behind the real history of gold discoveries in Central Victoria turned their knowledge into gold mines.

Appointed Director 8 November 1993, since October 2000 his principal interest has been the development of the Clunes-Tourello area as a stand-alone exploration precinct of significance within the gold fields of Victoria, and in better understanding of gold distribution under the basalt at Allendale.

Although Fred Hunt trained as a mining engineer, his career highlights demonstrate an ongoing involvement in mineral exploration. He either directed or was closely involved with the discovery of commercial mineralisation as follows –

- 1964, Great Adventure, North Queensland, high grade tin in sulphides (mined out).
- 1971, Queen Hill Extension, Tasmania, complex tin (unmined, multi Mt body).
- May 1974, Que River, Tasmania (mined out 2.5 Mt @ 13.6% Zn, 7.6% Pb, with Cu, Ag, Au).
- Sept., 1985, Ballarat East Goldfield, Victoria (gold in quartz).

He worked with others in 1971 to successfully restore ore resources at the former Cleveland Tin mine (SnCu) at Luina in Tasmania.

In August 1990, as an independent party, he developed a workable joint venture with a subsidiary of a major company, CRA Exploration Pty. Ltd. This initial step led to an extended series of exploration drilling programs with other companies, and now to knowledge of an advanced state of ground gravity geophysics over the Western Areas of Ballarat, as presented in this Prospectus.

He is a former Director of private and public companies, some unlisted (Clunes Gold Mines Ltd., 2000/2001) and some listed (Ballarat Goldfields NL) or formerly listed (Aloren NL, Western Gulf Mining Ltd., later Ballarat Consolidated Gold Ltd., and Golden Heritage Mining Ltd.) Since 23 January 2004 his only directorships are that for the Company and Bonshaw Gold Pty. Ltd.

Mr. Hunt is a former Executive Councillor of the Victorian Chamber of Mines. Between 1976 and 1981 he was the Mineral Industries Engineer for the then Victorian Mines Department. An Australian, his in-mine training took place in British Columbia and the North West Territories of Canada (1965-1967).

**Hamish Hunt**

B.Ap.Sc. Ap. Chem., C. Chem., MRACI  
Non-Executive Director, appointed 25 September 2003

Hamish Hunt is Managing Director, Financial Controller, and part-owner of the BHM Stainless Group Pty. Ltd. Hamish is an industrial chemist familiar on a day-to-day basis with a variety of large-scale commercial installations, and chemical industry plants. He has particular expertise in compliance procedures with respect to industries requiring the controlled use of chemical processes, both in Australia and the USA.

For the past ten years Hamish has headed Engineering / Construction compliance for the delivery of locally fabricated Stainless Steel Quality Assured equipment to USFDA, TGA (Aust), AS1210 C1, ASME IX/X & ANSI B31 levels for manufacturers of pharmaceutical products and high pressure petrochemical products in Australia. Compliance with these standards requires management of a technically skilled workforce coupled with the ability to deliver audit quality documentation that meets and/or exceeds the highest Global Bench Marks for construction.

In addition Hamish is an Internationally recognized Corrosion Control specialist and has worked extensively in the USA and Asia since 1990.

Hamish has been involved with the Mount Rommel project from inception and is committed to seeing the project grow from words on the page to a functional mine. With an extensive knowledge of chemical processes, understanding of high pressure construction environments – in particular confined space, and managing workforces operating in highly regulated environments he is well qualified to participate in the practical development Mount Rommel's projects.

**Johannes L. Venter**

Chartered Accountant (South Africa)  
Non-Executive Director, appointed 2 September 2004

Johannes Venter is a Manager in the Adelaide Office of Bentleys MRI. He has extensive experience in providing business, financial and taxation advice to private and public organisations.

His experience obtained on an international basis includes roles as an Auditor of listed companies, Financial Controller of large enterprises and business advisor to organisations. Johannes obtained some of his experience in Kalgoorlie, WA. He has also been involved in several successful "start-up" businesses and understand the issues that growing organisations face.

Since September 2003 he has been involved with the company and apart from his involvement with the strategic direction he has an in depth knowledge of the company's day to day activities and all the areas which influences the financial resources. He is well experienced in the relevant areas to assist the company to fulfil Statutory, Financial and Taxation compliance obligations.

**Company Secretary**

Nicholas J. Storer PNA  
Dip.Tech (Acc)

Nicholas Storer is a director of Bentleys MRI [SA] Chartered Accountants and specializes in taxation and business services for a broad range of clients in many industries including mining, manufacturing, wine and construction.

Nicholas is a member of the Institute of Chartered Accountants and the National Institute of Accountants. He is also the current National Chairman of the Management board of the Bentleys MRI National association having previously served for extended periods on many technical advisory committees and the national marketing group [chairman].

Nicholas has served on many boards as a director and company secretary and also on local government as a Burnside City Councillor. He was a director of the Australian Dance Theatre from 1993 to 1996.

He has acted as Company Secretary since 30 April 2002 and has over 30 years experience as a practicing accountant.

## SECTION 4

### 4. BUILDING A SEARCH METHOD: GROUND GRAVITY GEOPHYSICS

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As referred to in the report by Mr Hugh Rutter, approximately 60% of the area of the Central Victorian Goldfields is under cover of basalt which has made exploration for gold difficult in those areas.

In the 40 years to 1890, Victoria poured "...no less than £225,000,000 Sterling worth of golden treasure into the lap of an astonished Europe" - as quoted from "*Victoria's handbook to the International Exhibition*" London, 1890. From the Victorian Government pamphlet published in 2005 "*Rediscover Victoria*" we can observe that there have been no discoveries of new goldfield locations within the Central Victorian Goldfields in over 100 years. Basalt covers about half the areas with the most prospective potential.

In some places the basalt which overlays much of those goldfields was pierced to produce major finds, like the Consols and Guiding Star lodes of Redan. Today, these same locations can provide a testing ground for a new approach to gold exploration: namely the application of extensive ground gravity geophysics using spaced gravity stations accumulated to build up a detailed geophysical profile of local and regional structures. The most useful test sites for assessing the Company's exploration methods are those where the gravity data can be correlated with records of abundant gold, part exposed and part hidden by basalt. Good underground positioning of data from mine records is important; for these reasons the Company has drawn upon published knowledge of the gold fields of Ballarat and Clunes in the resolution of its test work.

**ILLUSTRATION ONE.** The montage in Illustration One shows that, at Ballarat, miners experienced in the deep leads of Redan later investigated the sub-surface. By January 1879 they found quartz rich enough in gold to, perhaps, explain yields from the gravels of The Golden Quarter Mile. The following comments are made in relation to Illustration One.

- The ground gravity geophysical expression of Redan is an anomalous part of an 8 kilometre gravity profile along the Midland Highway running north-south, as shown.
- The location of this gravity survey line is superimposed (as a red dotted line/red line) on Illustration Three and stretches from the Westcliffe Crescent area in the south to Norman Street in the north.
- The gravity low associated with Mair Street is beside gold enriched parts of deep leads.

The records in relation to Redan for 1864 to 1870 show that, from the basalt-covered "The Golden Quarter Mile" mine trucks of 7 cubic feet capacity in use at that time yielded on average 1.9 dwts gold, or nearly 3 grams gold per truck. The number of trucks handled *per week* dictated the gold output, and at one mine in Redan exceeded 9,000 trucks per week for many years – sometimes resulting in spectacular gold output, creating the legend of The Golden Quarter Mile. The intensity of quartz mine development after 1879 at Redan is graphically shown in the reproduction contained in Illustration One.

**ILLUSTRATION TWO.** In Illustration Two and Illustration Three, the blue and white coloured zones represent areas of lesser density. In Illustration Two and Illustration Three, these areas of lower density are pictorially correlated with the same places. In illustration Two the blue areas of lower density match the white areas of lower density shown on Illustration Three under the red lettering "Ballarat East Goldfield". See the treatment of extracts from these Illustrations in the Report by the Independent Consulting Geophysicist at page 57 of this Prospectus.

**ILLUSTRATION THREE.** In Illustration Three, colours are used in a conventional manner to show variance in gravity values. The colours are "standard" colours used to convey variations in the amplitude of reduced gravity. Here the scale of values (of gravity) is conveyed by a range of colour from yellow (**high values of gravity**) through green to blue and progressively to white (**low values of gravity**). The black contour lines are a conventional means to illustrate the joining of those places where gravity is of equal value. Within the area of Illustration Three:

- REDAN becomes a recognisable area of generally lower gravity values, within which there are places with even lower measurable gravity values (more white) shown in some locations to be coincident with red lines shown on Illustration Three which represent known places where gold was won from quartz, all below the basalt. At greater enlargement these coincidences become striking.
- The fine red dots between the blue boundaries marked on Illustration Three adjacent to the name "Sir William Don" represent that place where gold enrichment was found to occur on the ancient Ordovician surface below the basalt, the location also coincident with an unexplained gravity low on the north side of the ancient watershed or drainage divide.

**ILLUSTRATION ONE**



**THE VIGOROUS OPENING OF THE NORTHERN PART OF THE CONSOLS LINE OF LODE, BALLARAT WEST (NUMEROUS SHAFTS COMMENCED IN A TWELVE MONTH PERIOD)**

**The Golden Quarter Mile of Redan**

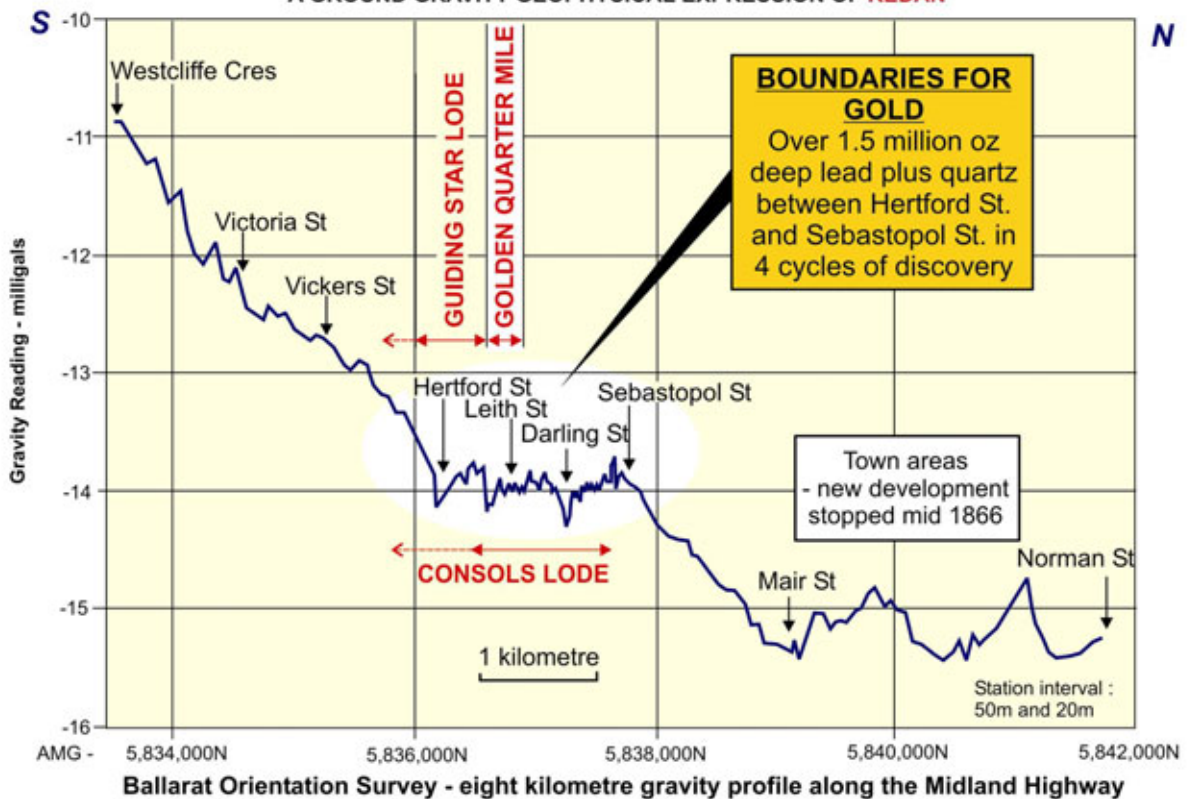
Became legendary after June 1864 for its wonderful output of gold from deep lead gravels. It is an area 500 yards long by 800 yards wide in Redan, north of the northern boundary, the former Borough of Sebastopol, which produced, in the old measures - **23 tons 2 quarters 14 lbs of gold.**

**The Mines in the pictures** are at work on gold-rich quartz reefs on the Consol's line found after 1878, not far from the deep lead gravels.

**All of Redan is under cover of basalt**

The Company has no tenements at Redan

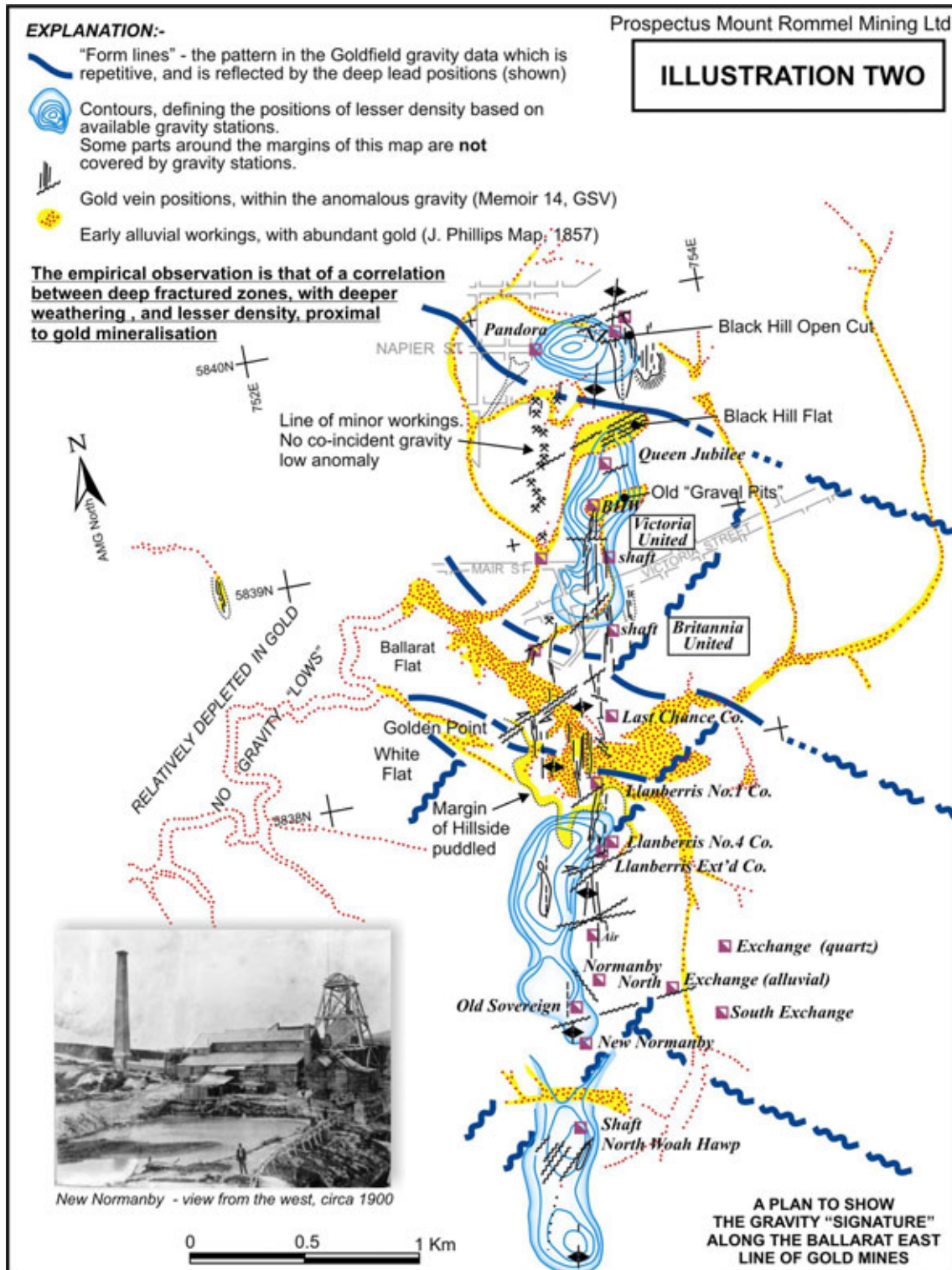
**A GROUND GRAVITY GEOPHYSICAL EXPRESSION OF REDAN**



**ILLUSTRATION TWO** is an overview of the Ballarat East Goldfield showing the imposition of gravity contours determined from data over much of the area. This data was acquired by purchase in January 2002. The area around the Exchange (quartz), the Exchange (alluvial) and the South Exchange mines has had insufficient work carried out on it by the Company to determine an adequate gravity profile or signature for that area.

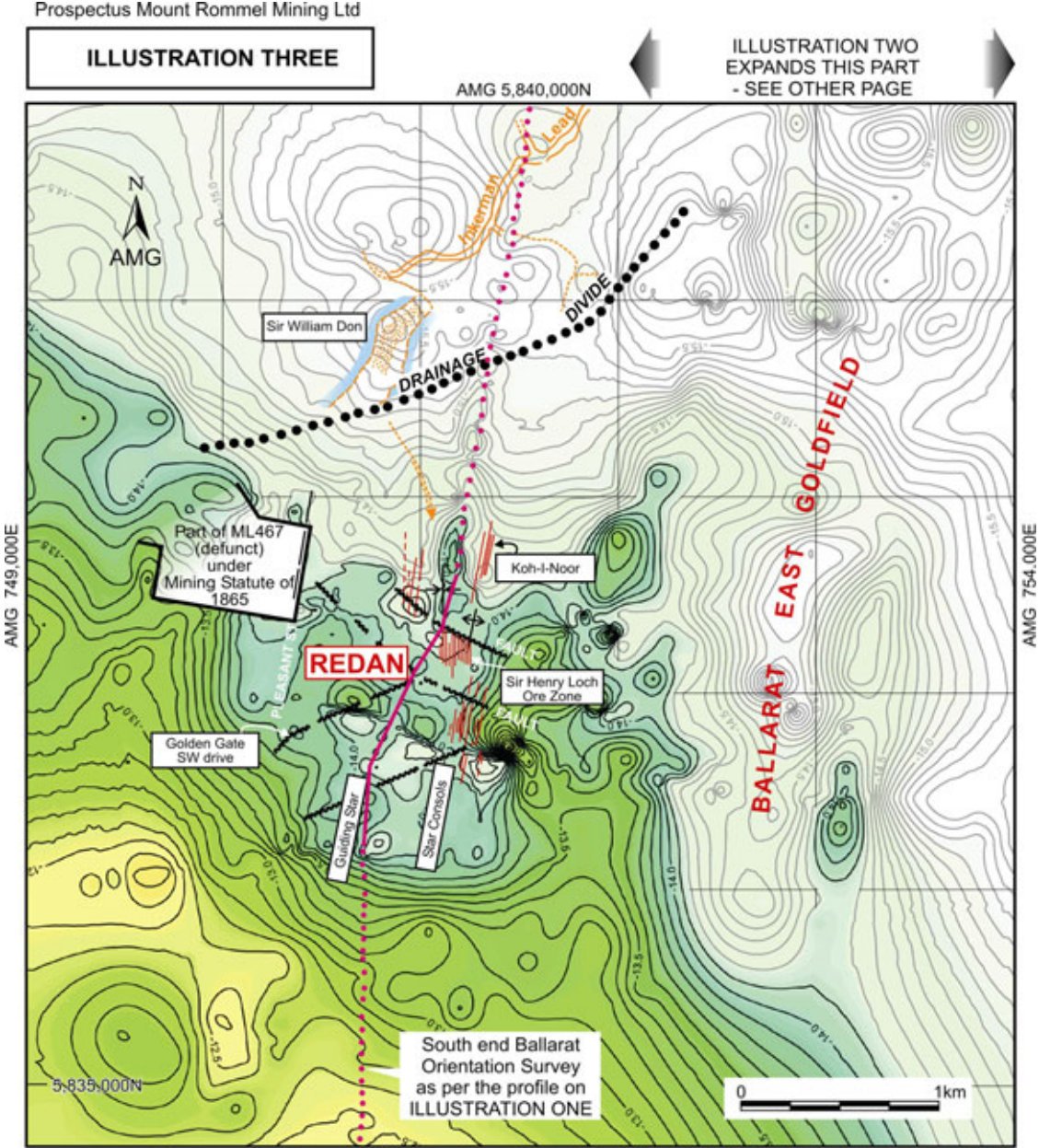
Generally speaking, the shafts for various mines are located on the eastern side of the gravity anomalies with the workings (as shown on the legend) being to the west. The bulk of the workings are directly below the gravity lows and are associated with those gravity lows. This coincidence shown here illustrates why an alternative approach to exploration at other places in the Ballarat District is warranted.

ILLUSTRATION TWO clearly shows a gravity contour pattern along the strike extent of the Ballarat East Goldfield. The association of the "low" contours with the deeper hard-rock workings is apparent. The channels, or deep lead gold, are distributed away from the defined gravity contours.



**ILLUSTRATION THREE** expands the gravity coverage to the whole of Ballarat, to the extent purchased or collected. **ILLUSTRATION THREE** should be read, in particular, in conjunction with **ILLUSTRATION ONE**. The location of the 8 kilometre gravity traverse shown in **ILLUSTRATION ONE** is shown on **ILLUSTRATION THREE** extending in a north-south manner through Redan.

The gravity data contained in **ILLUSTRATION THREE** has not previously been published. The correlation between the gravity low as shown in **ILLUSTRATION THREE** and as reflected in **ILLUSTRATION ONE** provides strong empirical evidence of the value of high density, closely spaced gravity to detect structure under basalt and indicates that gravity as an exploration tool, applied in a particular manner, has the capacity to outline zones of decomposing bedrock, known hosts to gold mineralisation. The strategy of this Company is to apply that knowledge to its selected work places – Allendale and Tourello.



**THE GOLDFIELD OF BALLARAT**

**REDAN**

Redan remains the place which holds the Victorian State records for gold production.

- best day 2832 oz gold
- best week 4668 oz gold
- shortest period to produce 1.1m oz: 48 months

The marked gravity variance (low) within the western zone of the goldfield of Ballarat is coincident with this place of record gold production.

**Ground Gravity Data**

By observation, the principal hard-rock gold mines occur within host rocks locally of lesser density. Similar correlation is observable at Clunes, where the Company has a mining licence.

The Company has no tenements at this time in Ballarat

**ILLUSTRATION FOUR** on page 36 combines data from 3 sources. These are based on very high quality (CSIRO) analyses for trace levels of gold in groundwater and arsenic in groundwater both of which reveal anomalies at Tourello. These anomalies are then associated with a gravity low fully defined by Mount Rommel, after repetition to **confirm by replication** indications by earlier workers (Metex, in 1995). This data is open file data at DPI published in relation to former EL 3406 over the same area.

The Tourello Project is located about 7 km south of Clunes. Mount Rommel Mining is entering this project at a stage when a major regional multi-element (including gold and arsenic) geochemical anomaly has been delineated beneath the cover of Tertiary basalts. Significant gold mineralisation has been intersected in a number of holes drilled by a previous explorer within the area of this anomaly, which, based on the existing drilling and geophysical results, may extend over a significant strike length.

As ILLUSTRATION FOUR shows, ground water geochemistry has defined both a gold-in-groundwater and a coincident arsenic-in-groundwater anomaly of regional significance in two locations, and for two related elements, viz :

- at Clunes, in the vicinity of known gold mine workings there; and,
- at Tourello, over an area where drilling to test an IP anomaly had intersected traces of gold mineralisation in three drill holes.

The ground water anomalism was developed by previous explorers working in this part of the Central Victorian Goldfields.

In 1997, Alliance Gold Mines undertook orientation studies using a number of geochemical techniques in an attempt to detect mineralisation beneath the basalt. Working in collaboration with the CSIRO Division of Exploration and Mining, Alliance collected and analyzed 150 ground water geochemical samples from existing water bores in the Creswick-Clunes area. These results outlined 'gold and arsenic-in-ground water' anomaly in the Tourello area which is considered significant on a regional scale.

Colour is used on ILLUSTRATION FOUR to show the relative aerial extent of ground water anomalism. Darkening of the same colour is a means of conveying numerically increasing amounts of either gold (in measurable parts per trillion in ground water) or arsenic (in measurable parts per billion in ground water).

In order to improve the density of the ground water samples, and to provide sub-basaltic regolith samples for partial leach geochemistry and infra-red spectral analysis, a series of RC holes were drilled through the basalt by Alliance. The results confirmed the presence of the 'arsenic-in-ground water' anomaly. Although the relationship between gold and arsenic is not mutually exclusive, arsenic is commonly present in association with gold. Furthermore, the Regoleach analyses indicate the presence of elevated gold in the bottom hole assays in the area of the Tourello arsenic-in-ground water anomaly.

The Joint Venture Group associated with Mount Rommel undertook the funding of a detailed gravity survey at Tourello over an area of about 750 metres (north-south) by 1300 metres (east-west), the field work being carried out in November 2004. Additional gravity survey work enabled the detailed work to be positioned within the ground gravity responses for the district generally. Some of this additional work took place in February and April 2005.

The resultant data as supplied by Contractors, Fugro, is shown on the inset map, bottom left of ILLUSTRATION FOUR. The colours on this inset illustration convey variations in the amplitude of reduced gravity – here red (high) – orange – yellow – green – blue (low). One gravity anomaly of interest is marked with a red circle. Another anomaly of interest is that pale blue coloured area to the left, which correlates with some of those holes drilled in 1996/1997 by WMC, as are discussed in the Report of the Independent Geologist, Mr. L. V. Gentle.

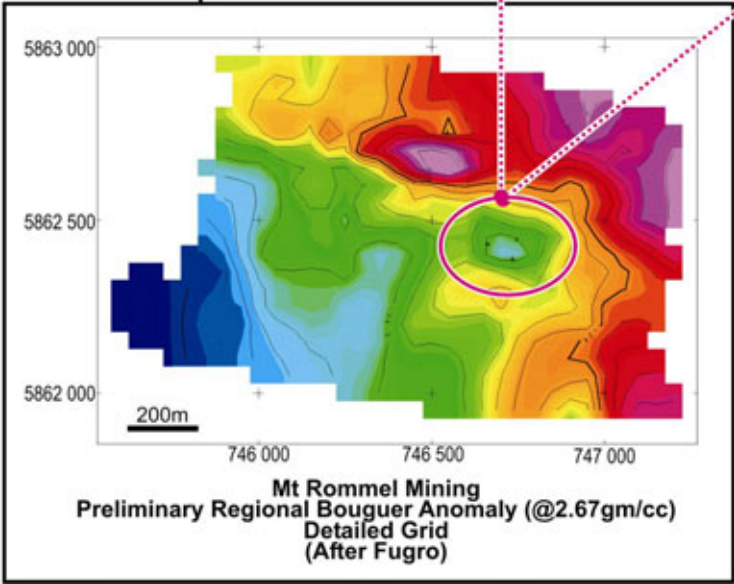
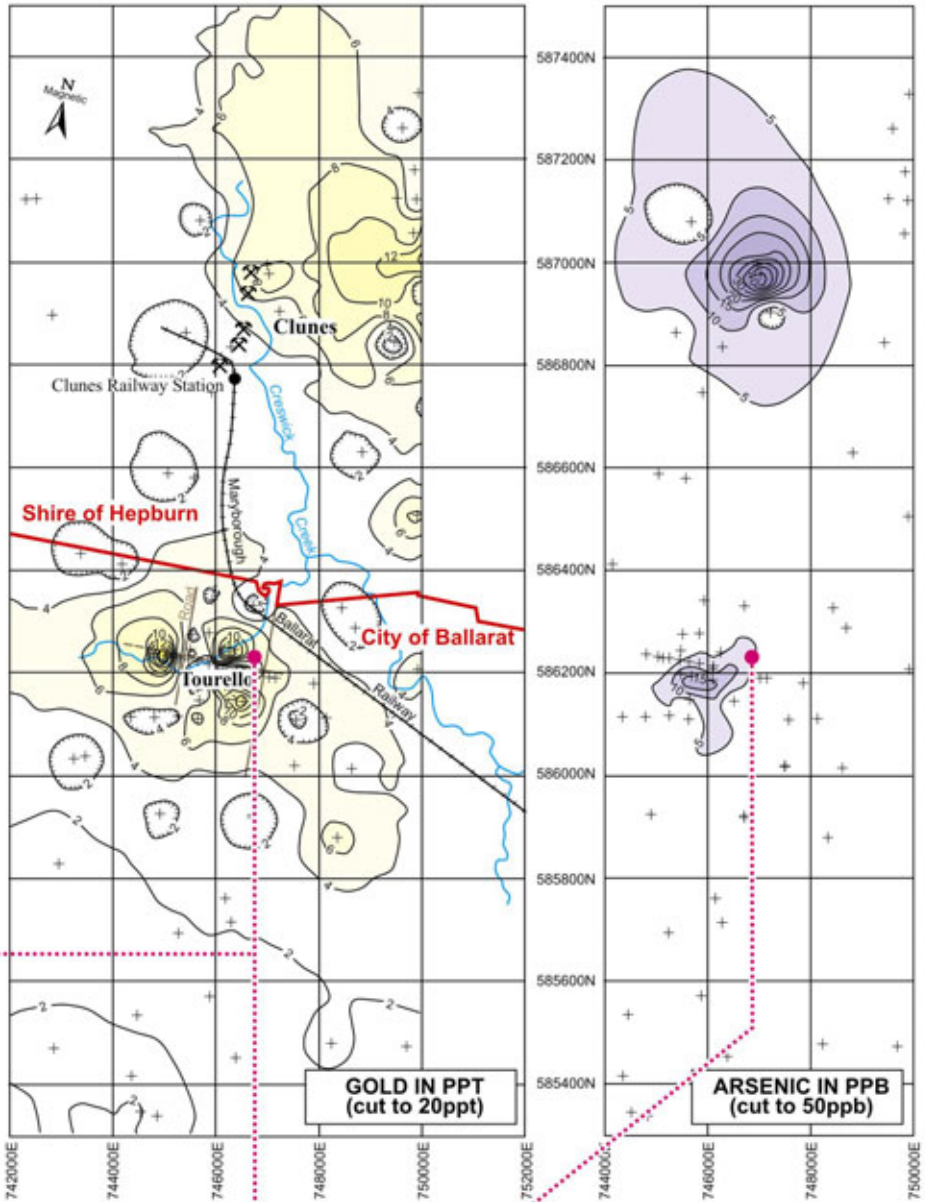
The Directors of the Company believe drill testing of these anomalous features is warranted, prior to further ground gravity surveys south of the area shown on the inset map (after Fugro). Mount Rommel entered an Agreement to purchase this property 15 December, 2005: on confirmation that drilling could proceed following registration of an approved Work Plan Variation.

**Evidence of Natural Resources  
in Clunes/Tourelle Region  
Contours representing values  
of metals in groundwater**

Prospectus Mount Rommel Mining Ltd

**ILLUSTRATION FOUR**

Position of defined low in gravity contours within the known ground-water anomaly



## SECTION 5

### 5. EXPERTS' REPORTS AND FINANCIAL INFORMATION

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#### 1. INDEPENDENT GEOLOGIST'S REPORT

Mr Lindsay Gentle has prepared his Independent Geologist's report set out in Section 6.

#### 2. INDEPENDENT GEOPHYSICIST'S REPORT

Mr Hugh Rutter of Flagstaff GeoConsultants Pty.Ltd. has prepared the Independent Consulting Geophysicists Report set out in Section 7.

#### 3. SOLICITOR'S REPORT

Mr Paul Rainey has prepared the Independent Solicitor's report contained in Section 8 relating to title and Native Title issues in relation to the tenements held.

#### 4. INDEPENDENT ACCOUNTANT'S REPORT

Moore Stephens Adelaide Pty Ltd have prepared their Independent Accountant's Report contained in Section 9 for inclusion in this Prospectus based on the audited accounts of the Company for the period ended 30 June 2005, and subsequent to that date on management accounts maintained by the Company.

#### 5. FINANCIAL STATEMENTS

The Independent Accountant's Report contained in Section 9 sets out details of the Company's audited financial statements as at 30 June 2005 together with pro forma financial statements setting out the effect of the Issue on the basis that the Issue is fully subscribed.

For convenience a summary of those statements of financial position are set out below.

Applicants should however read the Independent Accountant's Report in full to gain a full understanding of the financial position of the Company.

Actual and proposed transactions adjusting the 30 June 2005 audited balance sheet to arrive at the proforma balance sheet are as follows:

##### Actual Transactions

- (a) The receipt of receivables of \$30,500
- (b) The issue of 700,000 shares for 6 cents per share on 25 November 2005
- (c) The issue of 300,000 shares for 6 cents on the 14 December 2005. The effect of this issue has been included in the proforma accounts to 30 November 2005.

##### Proposed Transactions

- (d) General offer - the issue of 5,000,000 or 10,000,000 new shares at 10 cents reflecting minimum subscription or full subscription scenarios for the proposed fundraising pursuant to this prospectus.
- (e) General offer - the issue of 2,500,000 or 5,000,000 short term options at 1 cent reflecting minimum subscription or full subscription scenarios for the proposed fundraising pursuant to this prospectus.
- (f) General offer - the issue of 2,500,000 or 5,000,000 long term options at 1 cent reflecting minimum subscription or full subscription scenarios for the proposed fundraising pursuant to this prospectus.
- (g) Options offer to existing members - the issue of 16,171,400 options at 1 cent per option represented by 50% short and 50% long term options.
- (h) Offer to Joint Venture Participants - the issue of 2,189,000 fully paid shares.
- (i) The payment of expenses of the public issue, charged against contributed equity.
- (j) The payment of trade creditors and sundry creditors and accruals of \$49,794.

- (k) The repayment of loan accounts owing to Directors of the Company up to a value of \$55,000
- (l) Operating costs for the period 1 July 2005 to 30 November 2005 of say \$18,000.

All material transactions between 1 July 2005 and the date hereof are included in the pro forma.

**SUMMARY AUDITED FINANCIAL STATEMENTS AS AT 30 JUNE 2005 AND PRO FORMA FINANCIAL STATEMENTS BASED ON SUCH AUDITED FINANCIAL STATEMENTS AND THE ASSUMPTIONS SET OUT IN THE INDEPENDENT ACCOUNTANT'S REPORT**

		<b>Audited</b>	<b>Pro-forma 30 November 2005</b>	
	<b>Note</b>	30 June 2005	Minimum Subscription	Full Subscription
		\$	\$	\$
<b>Current Assets</b>				
Cash and cash equivalents	3	28,844	603,264	1,123,264
Other receivables	4	30,500	-	-
		<u>59,344</u>	<u>603,264</u>	<u>1,123,264</u>
<b>Total Current Assets</b>				
<b>Non Current Assets</b>				
Mineral tenement interests & Exploration expenditure	5	897,015	995,520	995,520
		<u>897,015</u>	<u>995,520</u>	<u>995,520</u>
<b>Total Non Current Assets</b>				
		<u>956,359</u>	<u>1,598,784</u>	<u>2,118,784</u>
<b>Total Assets</b>				
<b>Current Liabilities</b>				
Trade payables	6	38,794	-	-
Sundry payables and accrued expenses	6	11,000	-	-
Amounts payable to directors	6	228,400	173,400	173,400
		<u>278,194</u>	<u>173,400</u>	<u>173,400</u>
<b>Total current liabilities</b>				
		<u>278,194</u>	<u>173,400</u>	<u>173,400</u>
<b>Total liabilities</b>				
		<u>678,165</u>	<u>1,425,384</u>	<u>1,945,384</u>
<b>Net Assets</b>				
<b>Equity</b>				
Issued equity	7	920,748	1,685,967	2,205,967
Accumulated losses	8	(242,583)	(260,583)	(260,583)
		<u>678,165</u>	<u>1,425,384</u>	<u>1,945,384</u>
<b>Total Equity</b>				
Shares on issue		<u>15,171,400</u>	<u>23,360,400</u>	<u>28,360,400</u>
Cash backing per share		\$0.00	\$0.03	\$0.04
Net Assets per share		\$0.04	\$0.06	\$0.07

References to "Notes" in the summary above are references to notes to the financial statements contained in the Independent Accountant's Report which Applicants should read in full.

## SECTION 6

### 6. INDEPENDENT GEOLOGIST'S REPORT

Lindsay V Gentle BSc. MAIG.  
Consulting Geologist

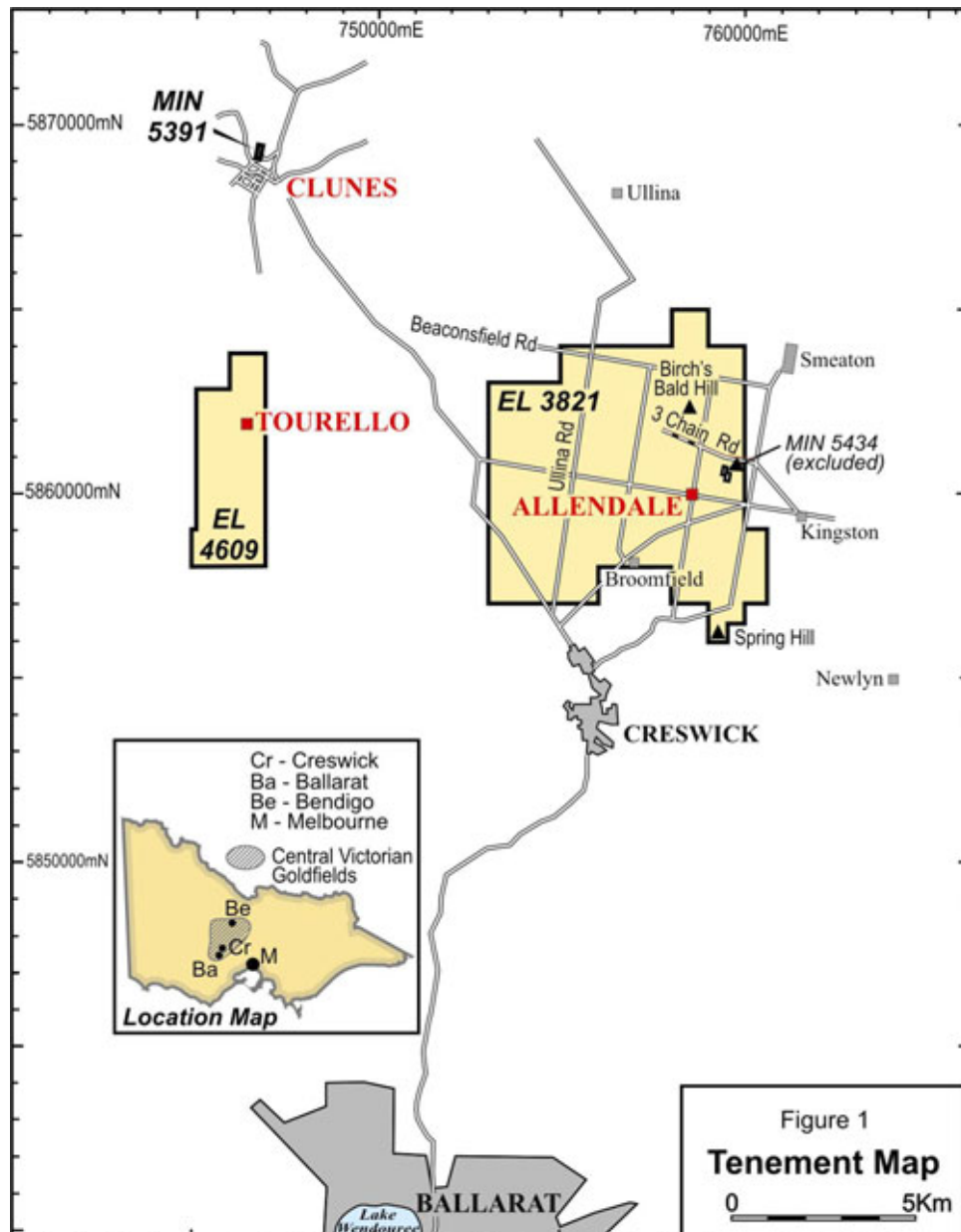
474 Nundle Road  
TAMWORTH  
NSW 2340

17 October 2005.

The Directors,  
Mount Rommel Mining Ltd.,  
PO Box 80,  
BUNDOORA. VIC. 3083.

#### Independent Geologist's Report

The author was commissioned by Mount Rommel Mining Ltd (Mt Rommel) to assess the potential of its exploration properties in the Ballarat region of central Victoria and to review proposed exploration programmes in the context of Mt Rommel's objectives. The three properties involved are Clunes, Tourello and Allendale. All three are located in the highly productive Ballarat-Bendigo gold province of central Victoria, figure1. Within this province, Mt Rommel's properties lie in the Ballarat – Creswick – Clunes area. Production from the Creswick-Allendale-Clunes goldfields in the major mining phase covering the last half of the 19th century totalled approximately 3.9 million ozs (121,300kg).



Data sources used for this assessment included:

- Mt Rommel company reports and file data,
- Reports in the public domain by other companies,
- DPI Victoria archival records and maps covering the early gold rush era,
- Archived newspaper accounts and reports of early company activities,
- Research papers from academic institutions,
- Published books relevant to the history of gold mining in the Ballarat – Clunes area.

It is noted that all assay data reported was produced by NATA accredited laboratories and is derived from either company reports in the public domain or from confidential reports to Mt Rommel Mining.

The author has made an extensive visit to all properties in the course of compiling this report.

The report forms part of a prospectus to be issued by Mt Rommel to raise up to \$1,261,714 to be applied to the exploration of the properties herein described. The report may not be used in whole or in part for any other purpose without the author's consent.

## **CLUNES**

### **LOCATION AND TENURE**

MIN 5391 covering 4.8ha lies immediately north of the township of Clunes in central Victoria and was granted to Mt Rommel for a period of 5 years from 19 March 2004. It is owned 100% by the company and is not subject to native title (figure 1).

### **GEOLOGY**

The mineralisation is of typical central Victorian slate belt type consisting essentially of fault – fracture controlled auriferous quartz veins hosted by Ordovician turbidites and slates.

Much of the field is covered by Tertiary basalt. Gold mineralisation is accompanied by pyrite, arsenopyrite and variable accessory Cu, Pb and Zn. Carbonate and phyllosilicate alteration of host rock is widespread .

Within the Clunes goldfield five veins or vein systems were identified during early mining operations. From east to west these were the Welcome vein, the East vein, the Old Man vein, Robinson's vein and the West vein. Robinson's vein bifurcated down dip forming two separate vein entities termed the East and West branches at depth as depicted in Fig 3.

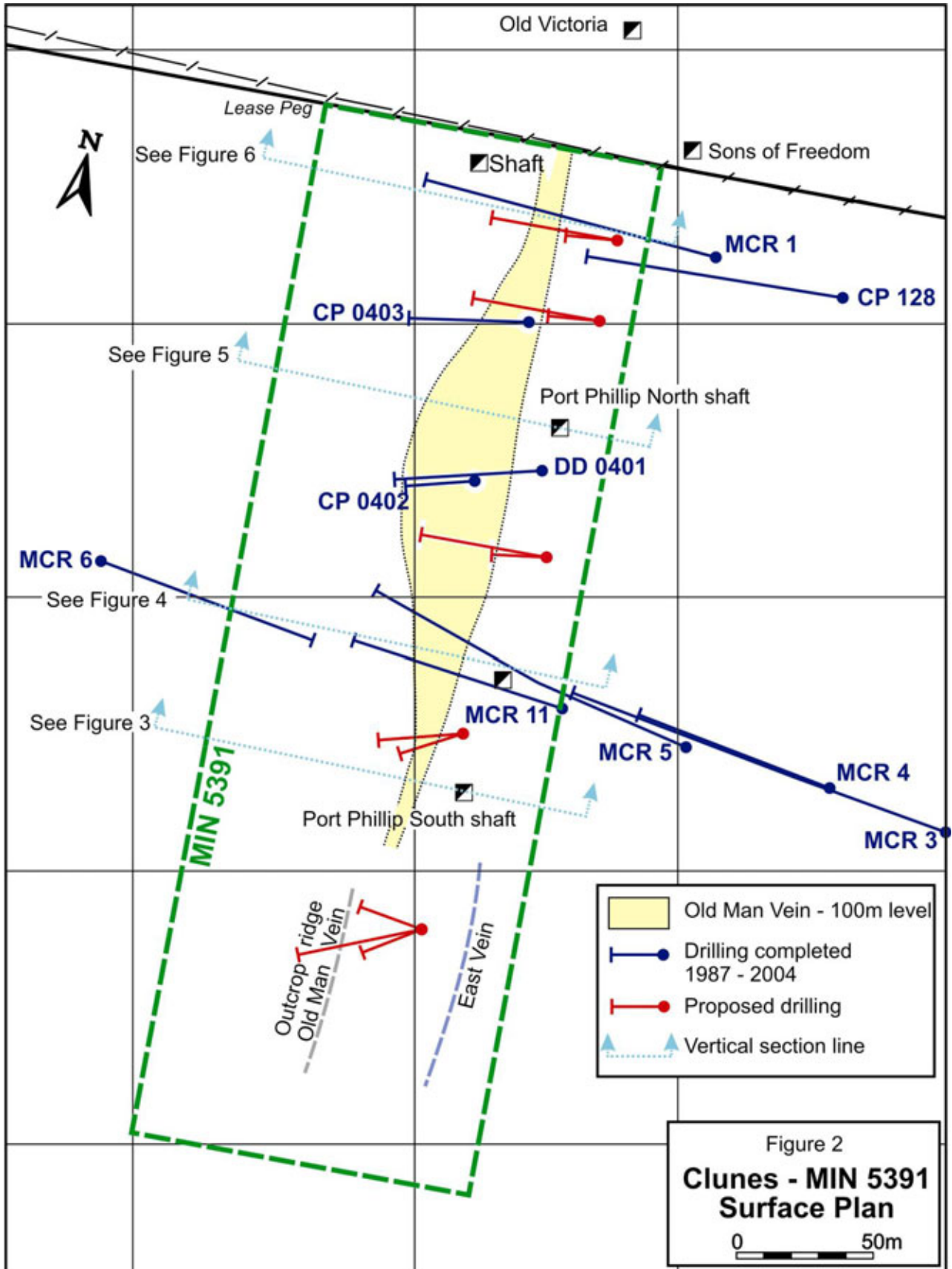
The veins are developed in the hinge zone and down the flanks of a doubly plunging anticline. They are largely semi conformable with bedding but with major transgressive relationships in the fold hinge. Their orientation reflects the control of the folded bed geometry on host fault development. The strike of the vein system is arcuate, varying from 23°E, AMG in the southern part of the field to 10°E, AMG in the north.

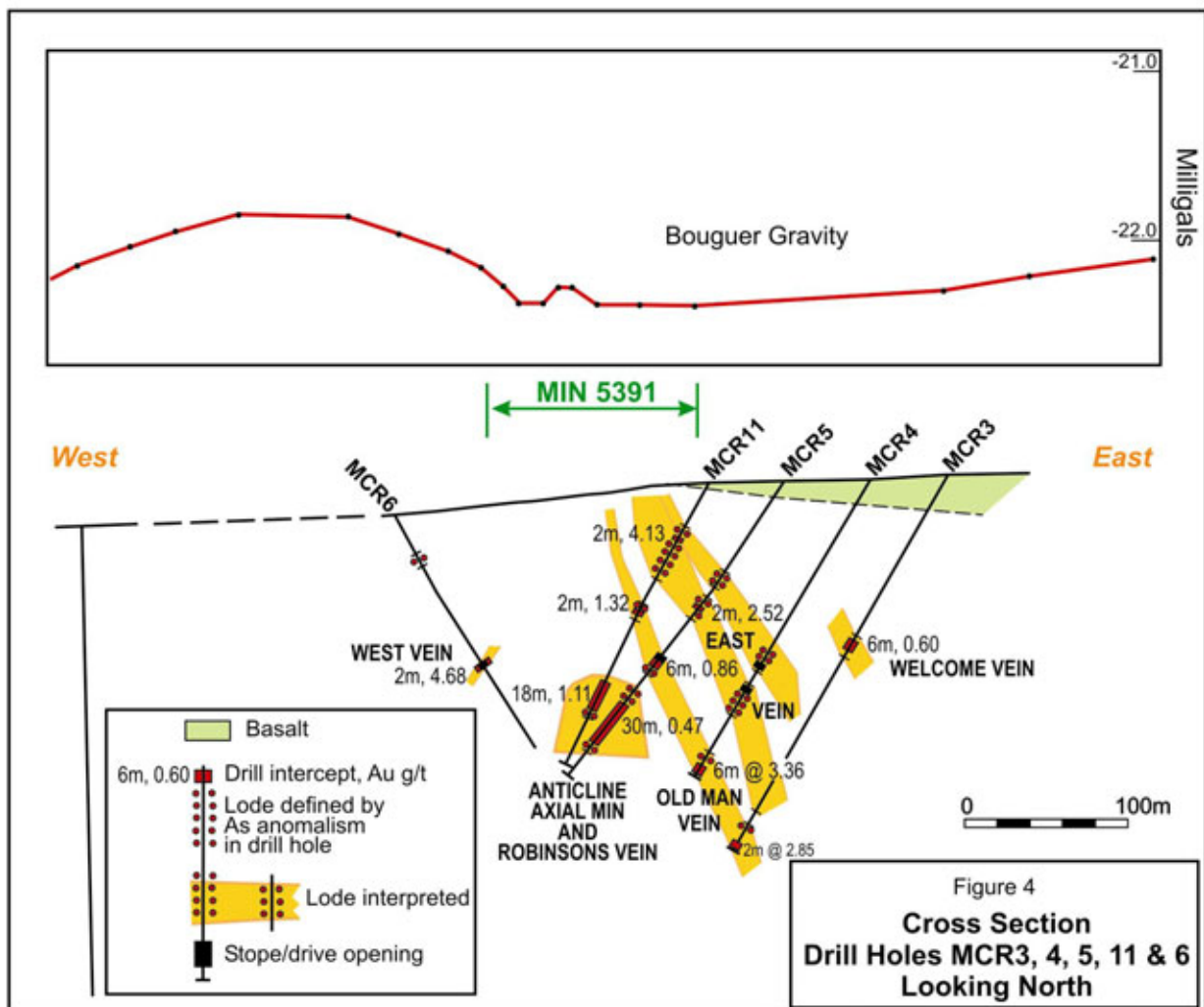
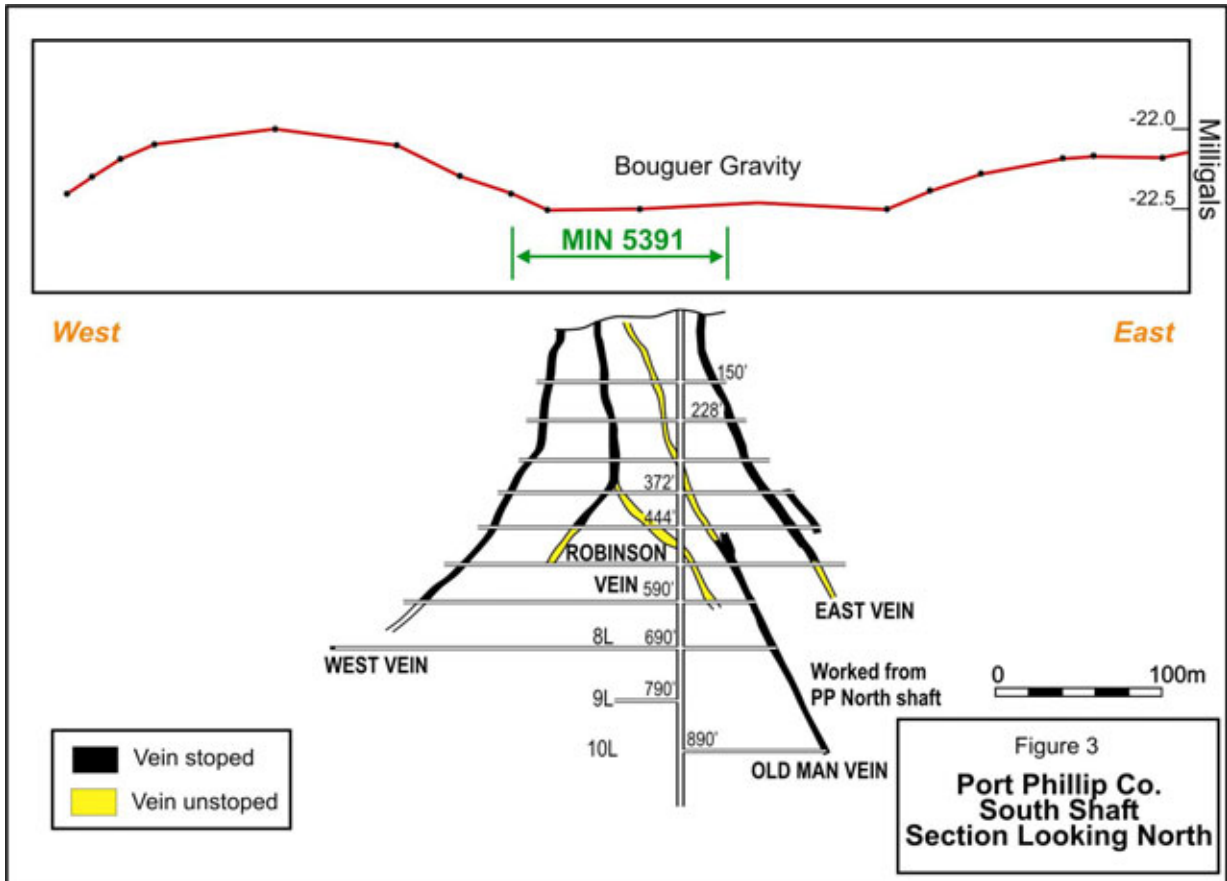
At whole of field scale, ore developments within the veins form large scale shoots which pitch in general conformity with the plunge of the major fold axis; northerly in the north of the field and southerly in the south. The major exception is the West vein oreshoot. Its lower boundary pitches 45°N parallel to the trace of a recorded cross-cutting fault while its upper boundary is undefined due to lack of adequate underground data.

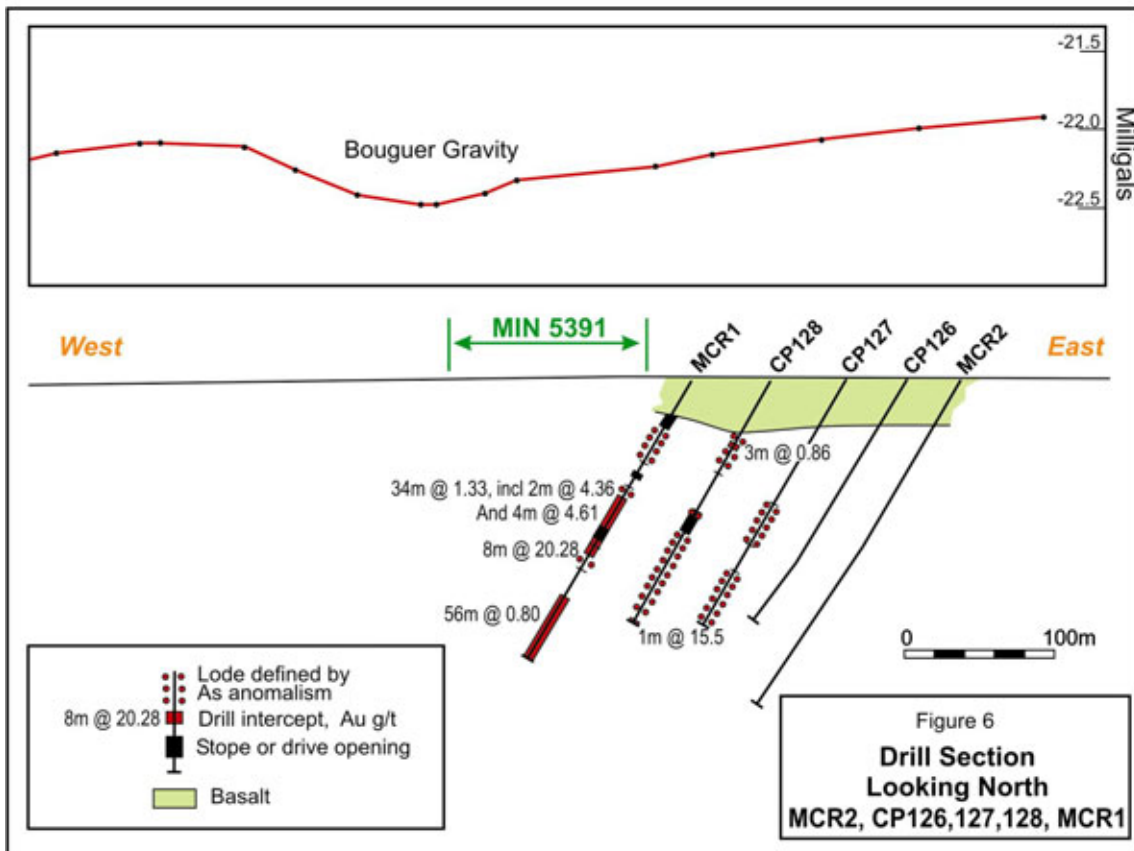
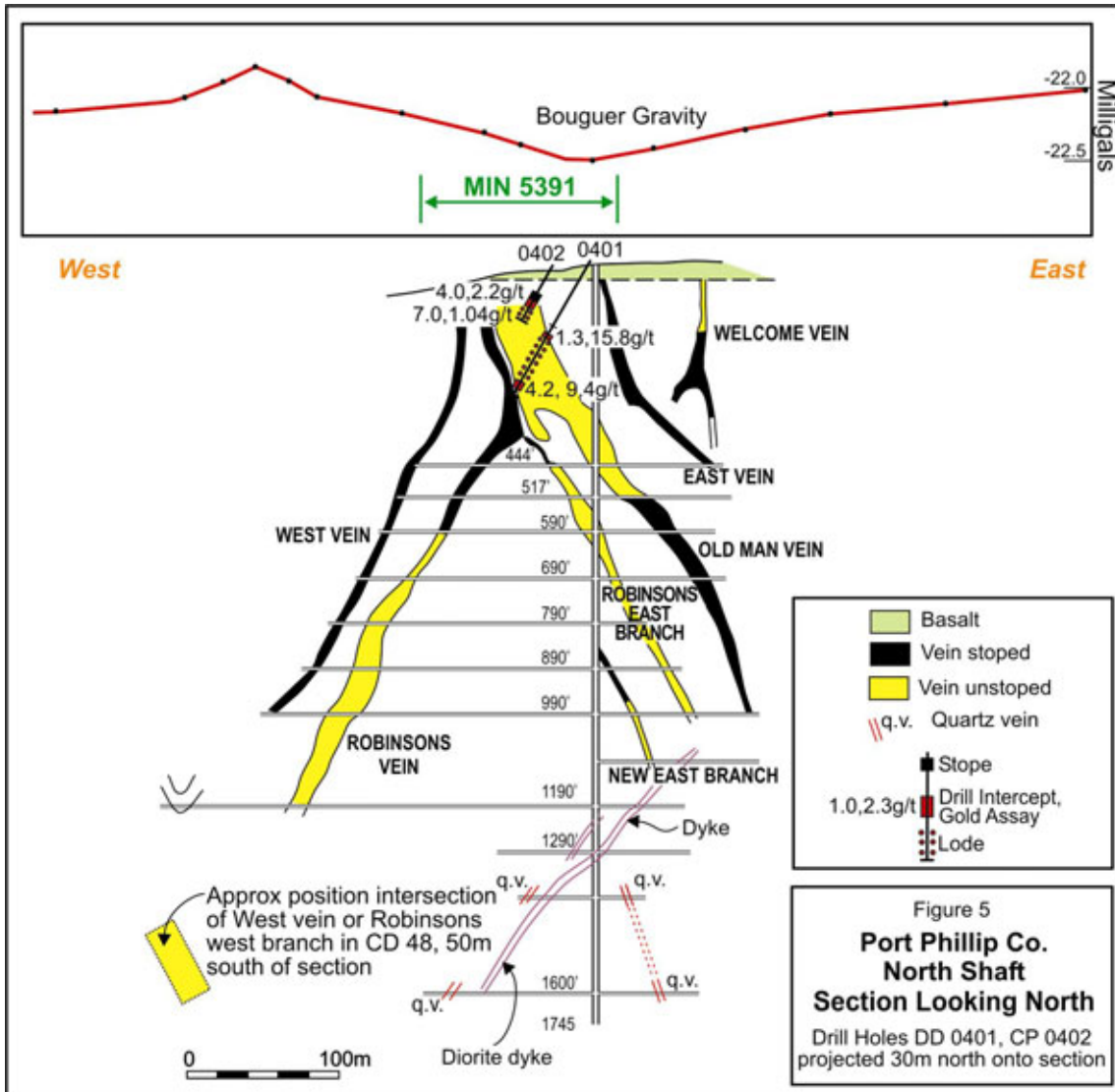
Mt.Rommel's MIN 5391 covers the central area of fold plunge and oreshoot pitch reversal where the bulk of ore development was sub-horizontally disposed.

### **PREVIOUS EXPLORATION AND EXPLOITATION**

MIN 5391 covers the central section of the Clunes goldfield which was operated by the Port Phillip Colonial and Gold Mining Co. (Port Phillip) from 1857 to 1891 during the productive period of the field. Although that company developed the area to a maximum depth of 518m, stoping was limited to a depth of 305m but extended over the full present licence length of 384m (figures 2, 3, 4, 5 and 6). The historic production from hardrock ore totalled 514,000ozs (16,012kg) or almost half of the field's total hardrock production of 1.2 million ozs (37,320kg).







Following closure of the Port Phillip operations in 1894, no significant work was undertaken until North Broken Hill Ltd. (NBH) undertook mapping and compilation of data culminating in a review report in 1950. This report tabulated resource targets along the length of the field but did not lead to further field activity by NBH.

Western Mining Corporation (WMC) commenced exploration activity in 1957 consisting of the extension of NBH mapping followed by diamond drilling on the projected southern strike extension of the field. With no success further drilling was deferred and an extensive IP geophysical survey was undertaken in the region. Two areas were selected for drill testing; the northern extension of the Clunes goldfield and the Tourello area. Based on the drilling results, WMC regarded both as showing promise. The latter is described in the following section of this report. With the upturn in the economic outlook for gold, WMC commenced a reverse circulation percussion drill programme in 1985. 67 holes were drilled and a deep diamond drilling programme commenced. This work led to a proposal to undertake underground development at the 120m level over a strike length of 1500m. The company did not pursue this proposal and withdrew from the field. Of the 67 holes drilled, one percussion hole, CP128, falls within MIN 5391. A deep diamond hole passes 50m outside the northern boundary and a group of 9 percussion holes lie from 30 to 80m outside the southern boundary.

Further drilling was undertaken by Mt Isa Mines Ltd (MIM) in 1996. 18 reverse circulation percussion holes, of which 4 were completed with diamond tails, were drilled. Of the 18 holes, 4 lie within MIN 5391, viz., holes MCR 1, 5, 6 and 11 (figures 2, 4 & 6).

In 2004, one diamond drill hole; DD0401, and 2 RC percussion holes; CP0402 and 0403 were drilled on behalf of Mt Rommel, all in the northern half of the lease (figures 2 & 5).

## EXPLORATION POTENTIAL

Of the five vein systems, the Welcome vein position lies to the east outside MIN5391, the East vein oreshoot is stoped out from surface to its lower boundary 135m below surface, the Old Man vein is extensively stoped below 135m but only partially stoped above that horizon, Robinson vein is completely stoped out to a shoot boundary at 135m and the part of the West vein that lies inside the west boundary of MIN5391 is fully stoped. Thus, in MIN5391 the Old Man vein provides the majority of the exploration potential above the 135m level (figure 6). In this area, the vein is atypical in that it is much wider than the other veins and was generally lower grade where bulk tested. It is also clearly a composite vein; both mining development and more recent exploratory drilling by WMC, MIM and for Mt Rommel demonstrated that the stoping that did take place was frequently confined to narrow, often marginal sections of the much wider quartz vein development. The drilling also demonstrated that high grade vein material remains in the Old Man vein system as selvages to stopes, stope fill and unmined discrete vein entities. Table 1 lists mineralised drill intercepts in the Old Man vein – Robinsons system within MIN 5391. The Old Man Vein intersection in MCR3 is included although it lies just outside the MIN 5391 boundary at depth.

TABLE 1

Hole No.	Downhole Intercept, m	Au Assays, g/t	Interpreted Location
MCR-1	90 – 124	34m @ 1.33 incl. 4m @ 4.61 and 2m @ 4.36	Hangingwall plus 8m stope in Old Man vein system
	124 – 132	8m @ 20.28 incl. 4m @ 31.8	Footwall of stope in Old Man vein system
	152 – 208	56m @ 0.80	Quartz and Au mineralised anticlinal core in the footwall of Robinsons vein
CP 128	180 – 181	1m @ 15.54	Hangingwall selvedge to Old Man vein
CP0403	47 – 50	3m @ 3.09	Old Man vein
DD0401	58.9 – 60.2	1.3m @ 15.8	Hangingwall margin of Old Man vein system
	93.7 – 97.9	4.2m @ 9.44 incl. 1m @ 32.1	Footwall margin of Old Man vein system
	51 – 99	48m mineralised quartz rich zone	Old Man vein system complete
CP0402	28 – 32	4m @ 2.22	Uncertain, in Old Man vein
	32 – 39	7m @ 1.04	Uncertain, in Old Man vein
MCR-6	104 – 106	2m @ 4.68	Stope fill – West vein

MCR-11	36 – 38	2m @ 4.13	East vein stope
	82 – 92	10m @ 0.64 incl. 2m @ 1.32	Old Man vein
	132 – 140	8m @ 1.89	Robinsons east branch
	148 – 150	2m @ 1.14	East branch and anticline core
MCR-5	88 – 90	2m @ 2.52	Footwall of East vein
	130 – 136	6m @ 0.86	Old Man vein
	152 – 156	4m @ 0.11	Robinsons east branch
	162 – 192	30m @ 0.45	Footwall of Robinsons east branch and anticline core
MCR-4	196 – 202	6m @ 3.27	Old Man vein
MCR-3	208 – 230	20m – trace only	Lode position defined by quartz + As, very uncertain affinity
	250 – 252	2m @ 2.85	Old Man vein

It is considered that the thickened part of the Old Man vein is a function of its location in the crest of the Clunes anticline and that the lower reported grades reflect a significant percentage of an earlier, pre-mineralization quartz development occupying the high strain anticlinal hinge zone.

A similar model is proposed to explain the results of WMC's deep DD hole 44, 50-60m north of the MIN5391 boundary. In this hole a wide zone of alteration and quartz development with widespread As and minor Au anomalism occurs in the axial region of the Clunes anticline some 100m below the axial developments in the Robinsons-Old Man vein systems.

Approximately 50m south of the southern boundary of MIN 5391 WMC hole CP116 intersected 7m @ 3.45g/t Au including 1m @ 17.1g/t in the hangingwall of Robinsons vein and 12m @ 2.04g/t including 2m of high grade stope fill in the interpreted footwall of Robinsons vein.

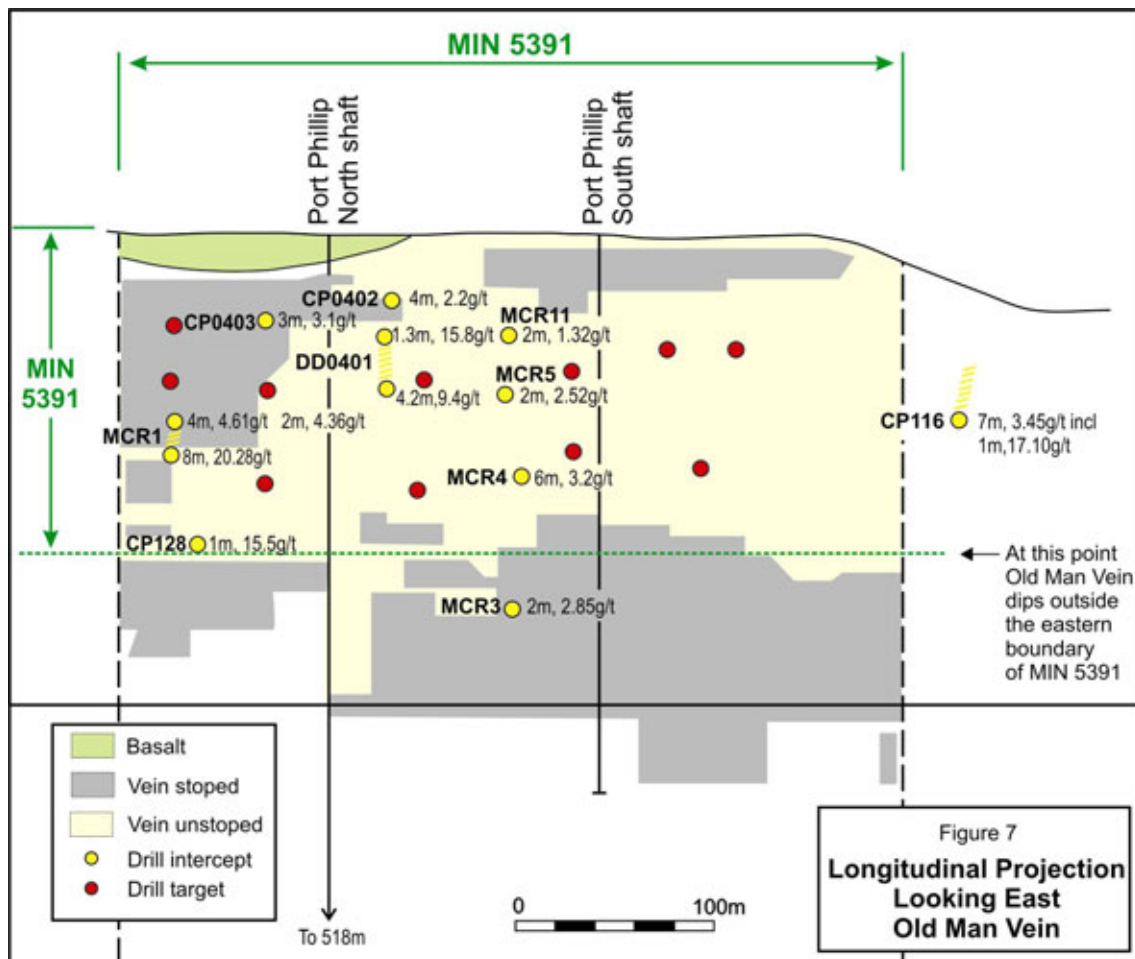
Based on the history of the field and the results of recent exploration, it is concluded that potential exists in MIN 5391 for the delineation of high grade mineralisation of the type and tenor of historical production. This potential exists essentially in the unworked sections of the Old Man vein. There is, however, additional prospectivity associated with lower grade, relatively larger tonnage, mineralisation occurring between the historically worked Old Man and Robinsons veins. Drill logs of both WMC and MIM also indicate the possibility of high grade stope fill or collapsed stope walls providing a potential ore source.

## PROPOSED EXPLORATION

A program of diamond drilling is planned to further evaluate the ore potential of the Old Man-Robinson vein system above the 135m level. Reference to figure 5 shows that at the Port Phillip north shaft section the Old Man and Robinsons veins are almost contiguous. However, north and south of this shaft and down dip these two veins diverge and mineralized quartz carrying ore grade sections are developed between the two veins, within the wide quartz zone of the Old Man vein and in the hanging wall of the Old Man vein. Initially six holes are proposed to follow up the DD0401-MCR1 intersections. The DD0401 hole intersected 48m of mineralized lode (estimated true width of 32m), which included 1.3m at 15.8 g/t and 1m at 32.1 g/t. The MCR1 hole intersected 8m at 20.3g/t. (estimated true width of 5.5m). A further five holes are planned in the southern half of MIN5391.

These targets are shown on the longitudinal projection, figure 7. The deeper holes in the programme have the potential to be extended to test the core zone of the anticline.

In common with other central Victorian slate belt deposits, drilling alone is insufficient to define the resource. Following encouraging results from drilling, underground exploratory development is required to delineate resources. Given the 50,000oz. (1555kg.) initial target of Mt Rommel's programme in MIN 5391, this would involve relatively shallow development at approximately the 50m level beneath surface.



## TOURELLO

### TENURE AND LOCATION

EL 4609 is held by Sinclair Exploration P/L and Skye Chemicals P/L. These companies have agreed terms of sale with Mt Rommel. The EL covers approximately 11km<sup>2</sup> and lies 7km south of the township of Clunes. It was granted on 10/12/2001 for a period of five years and may be renewed. It is not subject to native title. (Figure 1.)

### GEOLOGY

The EL area is covered by 50–70m of Cainozoic basalt and fluvial sediments that overlie a typical central Victorian Ordovician turbidite – slate sequence. Gold - quartz vein mineralisation was located by diamond drilling but its disposition is unknown.

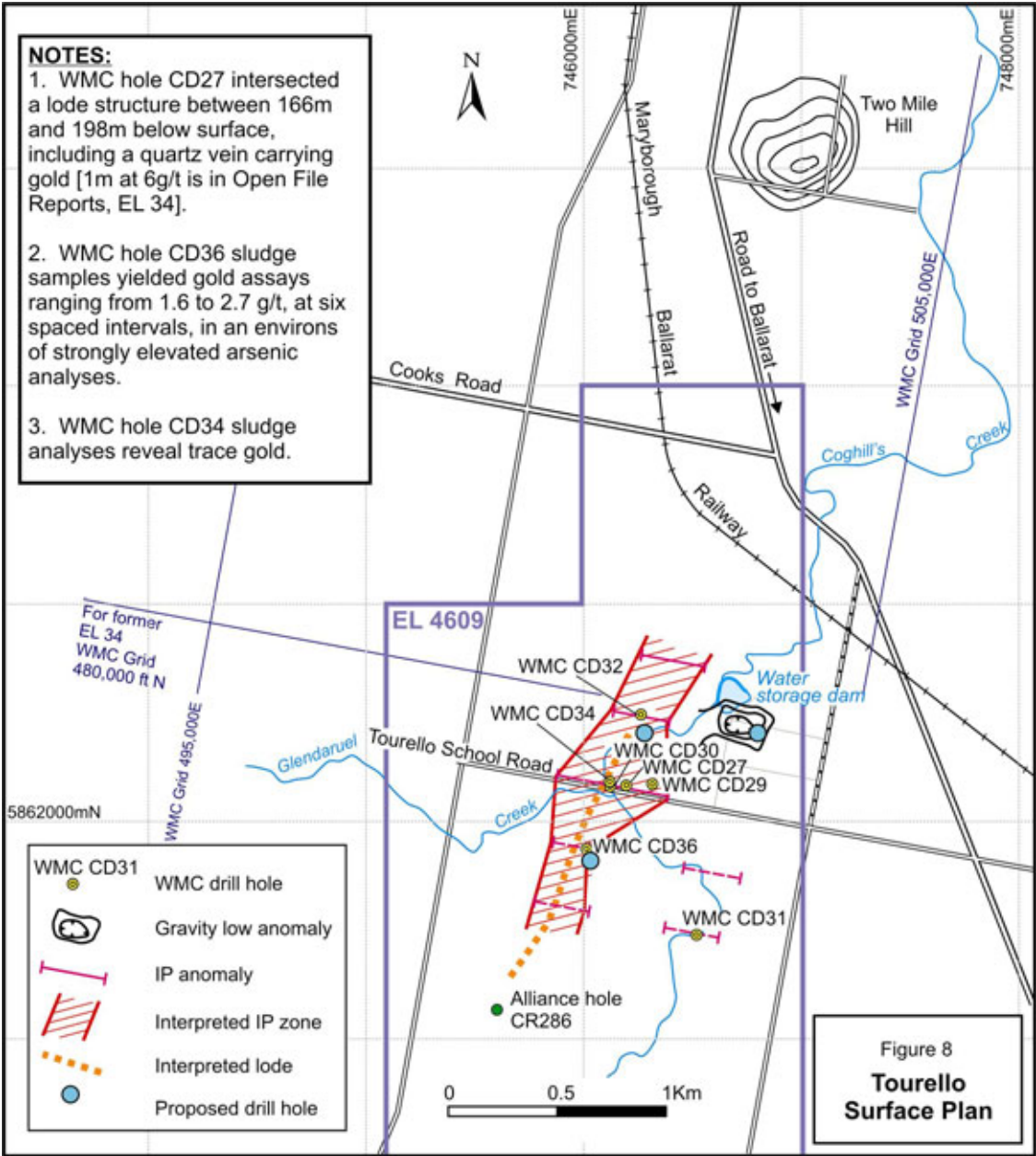
### PREVIOUS EXPLORATION

The prospect lies on the interpreted southern regional strike extension of the Clunes goldfield. It resulted from the drill follow up of a regional IP survey by WMC in the 1960's. Two IP anomalies were defined. The drill programme located quartz-Au mineralisation in 6 of the 7 holes drilled with the best result being 1m @ 6.7g/t. Several holes intersected extensive thicknesses of Tertiary alluvial sediments underlying the Cainozoic basalt.

In 1995 Metex Resources NL carried out a gravity geophysical survey of the EL area. A localised gravity low was interpreted to the east of the better of the two WMC IP anomalies.

Alliance Gold Mines followed Metex in the 1990s. Alliance carried out extensive geochemical surveys utilising groundwater methods and partial leaching regolith methods. The regolith geochemical survey involved percussion drilling through the overlying basalt and subsequent sample acquisition in the underlying weathered bedrock. Their work demonstrated clear Au-As anomalism co-incident with the zone of interest outlined by the earlier WMC drilling programme.

Recently Mt Rommel augmented the gravity data with infill survey lines and by closing up station spacing to increase definition of the Metex low. This work is part of a wider Mt Rommel programme which has demonstrated the applicability of detailed gravity in outlining significant developments of central Victorian style gold mineralisation. The programme is more fully discussed in a report by H. Rutter contained in this prospectus.



Prospectivity derives from the following:

- Occurrence along regional strike from the 1.2 million oz. Clunes goldfield
- The results of WMC's drilling in which 6 of 7 holes drilled recorded mineralisation, the best being 1m @ 6.27g/t Au in CD27 and 9.6m of "strong lode" (WMC log) in CD36. These holes are 250m apart along interpreted strike.
- Absence of exploitation or investigation during the gold rush era.
- Location within a distinct and discrete As-Au geochemical anomaly.
- Occurrence of a local gravity low of similar character to those over known ore developments at Ballarat and Clunes.

Tourello presents the very attractive potential of a virgin deposit in a world class gold province. The geographic location and extent of mineralisation already indicated by WMC drilling combined with Alliance's groundwater and regolith geochemistry and the Metex and Mt Rommel gravity data indicate a potential for a Clunes scale ore development. Potential also exists for the discovery of alluvial deep lead deposits associated with the hardrock mineralisation. Historically deep lead deposits have the potential to be very high grade.

## **PROPOSED EXPLORATION**

Diamond drilling is planned to further assess the extent of the known mineralisation intersected in the WMC drilling. Initially two holes are planned to further test the lode. Diamond drilling is recommended for these initial holes to provide a geological framework that at present is completely lacking. Sub-basalt, weathered bedrock geochemistry is proposed to evaluate the gravity low offset to the east of the known vein occurrences. Sample acquisition by percussion drill is planned. The review of all previous data, especially the WMC geophysics and drilling, if available, is a pre-requisite for this work.

## **ALLENDALE**

### **LOCATION AND TENURE**

EL 3821 lies 5km north of the township of Creswick and 24km north of the city of Ballarat in central Victoria. It is owned 100% by Mt Rommel, covers 49 km<sup>2</sup>, is current to 26/2/06 and may be renewed thereafter. It covers private and public land and is not subject to native title. (Figure 1)

### **GEOLOGY**

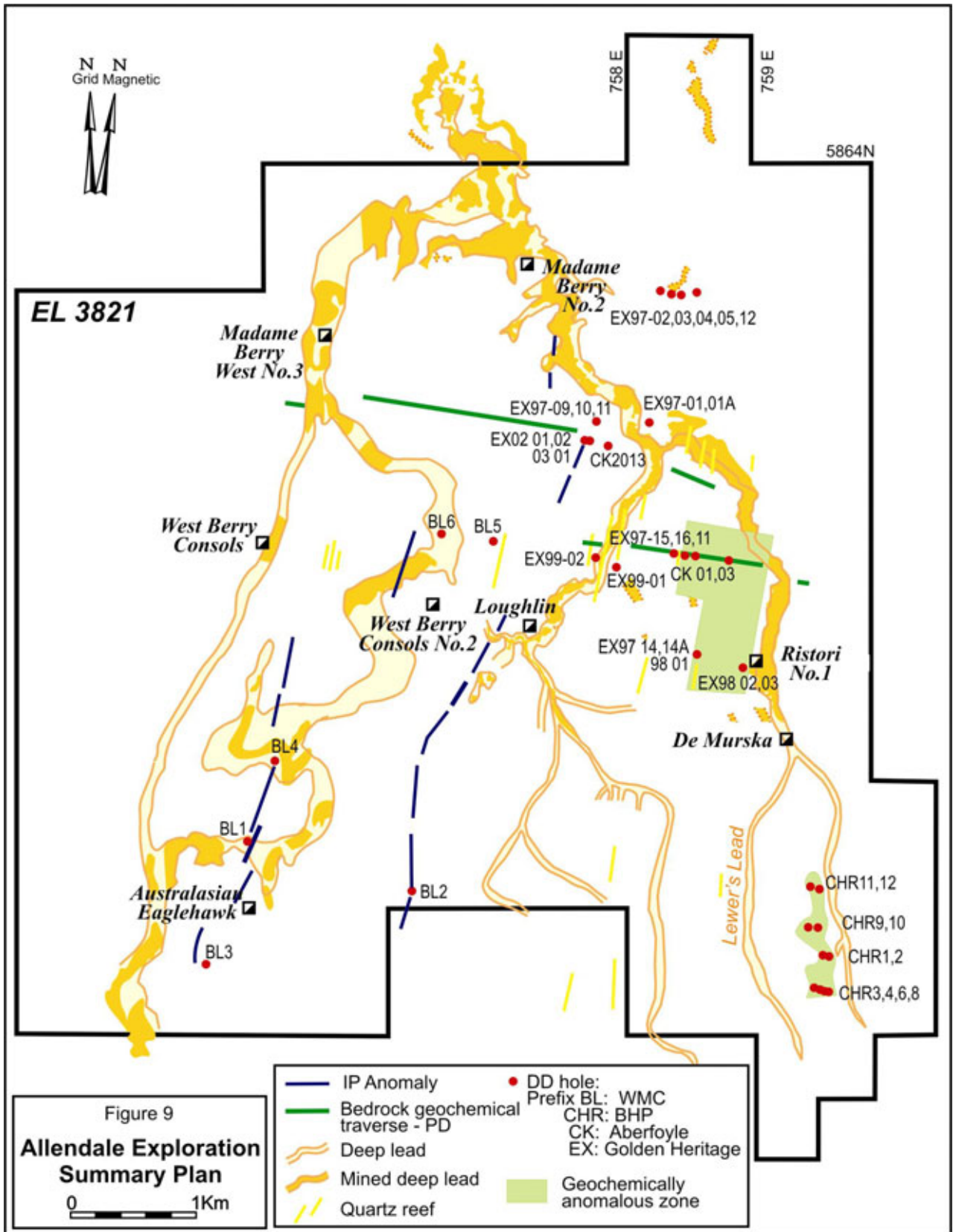
EL 3821 covers much of a very productive and rich Tertiary deep lead alluvial gold system including the Madame Berry, Madame Berry West, West Berry Consols, Australasian, Ristori, Loughlin and de Murska deep lead mines. These mines derived gold from the erosion of auriferous quartz vein bedrock deposits. In the EL much of the prospective Ordovician is covered by later Tertiary sediments and basalt flows.

The field is distinguished from many others by not having any significant hardrock production associated with the deep leads. The leads are reasonably well documented both with respect to location and production.

The Ordovician bedrock structure is poorly known due to the extensive cover of post deep lead basalt. The detail that is known is derived from drilling in the EL, from old mine records, by interpretation of geophysics and by projection of outcrop data from the south into the EL. Recent Geological Survey mapping suggests a structural correlation between EL3821 and the Ballarat goldfield.

Mineralisation: Quartz – gold veins, some of apparent significant length, were identified cropping out at the basalt covered Ordovician bedrock surface during alluvial mining operations in the 19<sup>th</sup> century however little or no development took place on these veins. Some, such as the Hiscox and Armagh have small recorded production but nothing commensurate with the deep lead production. On current data, the most significant occurrences are interpreted to lie in a belt on the eastern side of the EL. A

small area of Ordovician outcrop occurs in the south eastern corner of the EL with some shallow workings evident.



## PREVIOUS EXPLORATION AND EXPLOITATION

The major deep leads were worked principally in the period 1875 to 1909. Production from within the EL approximates 1.5 million ozs. virtually all from alluvial deep leads. In the course of mining, a number of mineralised veins were encountered but none were sufficiently attractive to induce mining development.

As part of a regional programme, WMC conducted IP geophysical surveys over the Allendale prospect in the 1960s. The survey defined a series of anomalies on the western side of the EL. Six holes were drilled and of these holes BL-1 and BL-4 intersected gold bearing pyritic quartz lode. In particular, hole BL-1 intersected 6.1m down hole of 0.18g/t and hole BL-4 intersected values ranging from 0.15 to 1.68g/t in five intervals, each less than 60cm, over a hole length of 23m.

BHP carried out a residual soil geochemical survey over outcropping Ordovician in the SE corner of the present EL 3821. A strong Au anomaly was outlined in the Hawkins lead area over the whole 800m strike length covered

Commencing in 1996, a survey, best described as a weathered bedrock or saprolite survey, was undertaken by Aberfoyle in a joint venture with Golden Heritage. One across strike, offset traverse was completed. One section covered 3km along the Three Chain Road (section RP02). The second section (section RP01) was offset 1km south and covered a further 1km to the east. Sample acquisition was by reverse circulation percussion drill with basalt cover varying between 50 and 100m. Two significant As - Au anomalies, here interpreted as part of a single zone or corridor, were identified on the RP01 section.

Golden Heritage undertook an extensive 21 hole diamond drill programme. Holes were designed to follow up the Aberfoyle geochemistry, to test for possible lode development adjacent to selected rich deep lead deposits and to follow up geophysical anomalies.

In the geochemistry follow up, lode structures were confirmed in all 6 holes drilled, however no intersections of ore grade/width were made. Holes designed to locate possible sources for enriched deep lead deposits were unsuccessful as were holes targeting IP sources. A major programme of chemical and spectrographic analysis of drill samples was undertaken in conjunction with this programme to investigate techniques for identifying vectors to mineralisation.

Concurrently with the drilling programme, Golden Heritage embarked on a programme of detailed gravity surveys. This work formed part of a larger, regional programme of orientation surveys and subsequent target definition work.

Mt Rommel Mining carried out further gravity work at Allendale which led to the drilling of a gravity anomaly in 2002-3. Three holes were completed. Although assessment is incomplete, it is apparent from core logging and spectral analysis that a lode structure was intersected.

## EXPLORATION POTENTIAL

At Allendale, the virtual absence of any hardrock production related to a very productive alluvial system suggests a yet to be discovered hardrock source.

Specific potential exists as a result of:

- The recorded drill intersections made by WMC in the south western sector of the EL.
- The geochemical work of BHP in the south eastern sector which was not followed up.
- The lode intersections in the drill follow-up of the Aberfoyle-Golden Heritage geochemical programme in the central eastern sector of the EL.
- The lode intersection made in the drilling of the Mt Rommel gravity anomaly with further anomalies remaining untested.
- The untested lode occurrences recorded in the historical alluvial workings.

## **PROPOSED EXPLORATION**

Although re-evaluation of all existing Allendale data is a pre-requisite for further work, it is clear that the following areas are very prospective:

- The strike extensions of the mineralisation intersected in WMC holes BL1 and 4.
- The strike extensions of the mineralisation intersected in GH holes EX97-16, 15, 14.
- The BHP anomalous geochemical zone and both its northern and southern strike extensions.
- The GH and Mt Rommel gravity anomalies described in the geophysicist's report included in this prospectus.

The re-evaluation of all data is essential in developing follow-up programmes and in prioritising targets for drilling.

## **CONCLUSIONS**

The Clunes, Tourello and Allendale properties discussed in this report all lie in a very prospective area of the central Victorian gold belt.

The Clunes property covers the original working area of the highly productive and highly profitable Port Phillip Company. Modern exploration covering the past 40 years demonstrates the potential for this area to resume significant production. A successful outcome to the drilling programme proposed by Mt Rommel will provide an appropriate base on which to make underground access decisions.

At Tourello significant auriferous mineralisation extending over an interpreted minimum 250m has been identified in drilling. This drilling is insufficient to assess the significance of the occurrence. The recently defined gravity anomaly requires drilling resolution. The property has the potential to host another Clunes magnitude orebody.

At Allendale, auriferous mineralisation has been drilled at two prospects while significant lode has been identified at a third. None of these has been satisfactorily resolved. In addition, a well defined geochemical anomaly extending over 800m remains to be followed up. At least seven quartz bearing structures located in underground alluvial mine development remain essentially untested. A high priority task at Allendale is the integration of all data into a coherent and self consistent interpretation to underpin future exploration.

At both Allendale and Tourello the prospective bedrock is mostly covered by younger basalt. In the past the major drawback to exploration on properties where thick basalt cover conceals the host bedrock has been the lack of cost effective search methods. The success of intensive orientation studies and trials by Golden Heritage and Mt Rommel of geophysical, geochemical and mineralogical techniques over the last 10 years now provides the means to create integrated exploration programmes capable of achieving success in that environment.

## **EXPLORATION BUDGET**

The proposed exploration budget for each property has been reviewed:

Funding for the Clunes drilling programme is adequate. It includes drilling contractor costs, analytical services, and geological supervision.

Similarly, the Tourello budget is adequate for the initial drill programme proposed with a substantial and appropriate provision for contingent drilling.

At Allendale, adequate provision is made for geological re-assessment and further assaying of existing drill core. While the precise nature of subsequent field work cannot be specified, an allowance is made for the resumption of drilling.

## **QUALIFICATIONS**

Lindsay V Gentle has over 40 years experience in mineral exploration in Australia including extensive consultancies in the Ballarat – Creswick area on gold exploration programmes. He is a member of the Geological Society of Australia and a member of the Australian Institute of Geoscientists.

Lindsay V Gentle does not directly or indirectly hold, nor is entitled to hold, any interest in Mount Rommel Mining Ltd. He will be paid professional fees at standard commercial rates regardless of the success or otherwise of the prospectus for which this report has been prepared.

Mt Rommel Mining Ltd. has been provided with a draft of the report for the correction of material errors of fact and for noting any material omissions. Amendments to the report are in accord with, but are limited to, matters of fact. Mt Rommel has provided indemnity to Lindsay V. Gentle in regard to damages, losses and liabilities arising out of his engagement.

Lindsay V. Gentle has given his consent to the inclusion of the report in the prospectus to be issued by Mt Rommel.

### **L.V.Gentle.**

BSc.(Hons), MAIG. Member GSA.

## SECTION 7

### 7. CONSULTANT GEOPHYSICIST'S REPORT

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Hugh Rutter Geophysicist  
Geof Fethers Geologist  
Paul Hamlyn Geologist  
Michael Asten Geophysicist  
Ross Caughey Geologist  
Jovan Silic Geophysicist  
Gary Hooper Project Manager

The Directors  
Mount Rommel Mining Limited  
P.O. Box 80,  
Bundoora VIC 3083

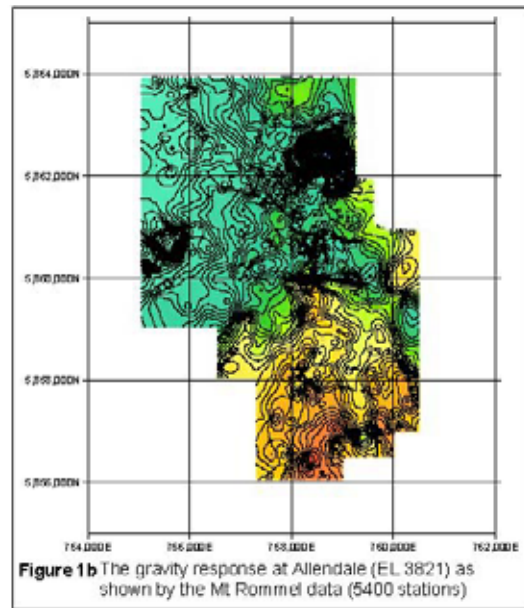
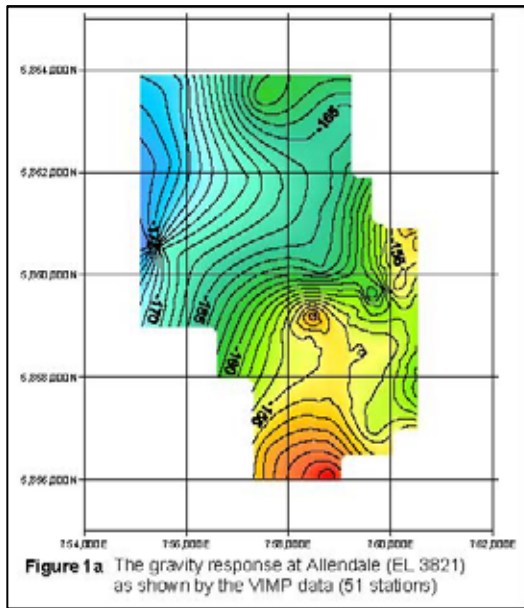
2<sup>nd</sup> October 2005

#### Independent Geophysicist's Report

Flagstaff GeoConsultants Pty.Ltd. (Flagstaff) have been commissioned by Mount Rommel Mining Ltd. (Mt. Rommel) to provide an independent assessment of the application of geophysical methodology in the search for auriferous quartz-reef situations in and around the exploration tenements held by Mount Rommel in the central Victorian Goldfields. The consultant has visited the exploration tenements held by Mount Rommel and is aware of the geophysical methods applied in these areas by Mount Rommel.

Much of the area considered to be prospective for gold bearing quartz reefs in the Ballarat - Tourello - Clunes - Allendale area is covered by Tertiary basalts. The basalts effectively mask the Ordovician bedrock which host these deposits. Geophysical methods have the potential to identify and define structures and lithologies that may provide the exploration direction that will lead to a major discovery.

The magnetic method is generally the first stage in an exploration programme but in this case the host rock is only weakly magnetic, if at all, and the overlying basalts are highly magnetic which obscures any subtle response that may be derived from bedrock. This was recognised by Mount Rommel and as early as 1997 it was decided to apply the gravity method as an alternative to locate the structures and lithologies which may lead to locations considered favourable for gold mineralisation. Regional gravity stations were recorded along roads and tracks in the Allendale area. Variations could be seen in the results that were not identifiable in the data acquired by the State government. The VIMP gravity response at Allendale is derived from 51 stations (1997) and is shown in figure 1a. The gravity response derived from the Mt. Rommel surveys contains 5400 stations (2005) and is shown in figure 1b.



For both Allendale illustrations the grid square is 2km x 2km. The variation in contouring is due to the increased number of stations acquired by Mt. Rommel, from 51 to approximately 5400. A number of ‘low’ gravity locations can now be seen in the figure on the right. Major variations in the response can be used to interpret the presence of different lithologies such as predominantly sandy sequences or predominantly shaley sequences in the sub-basaltic bedrock. At least two directions of faulting, NW-SE and SW to NE, can be inferred from the detailed gravity.

There are a number of discrete gravity “lows” which may be a direct indicator of potentially altered Ordovician metasediments that could host quartz-reef systems.

Petrological studies at Clunes (Binns & Eames 1988 – see below) recorded a change in mineralogy between fresh bedrock and hydrothermally altered bedrock that surrounds a zone of quartz veining. It was also noted that the altered lithology would be less dense than the original material to such an extent that the density deficiency could possibly be recognised by a detailed gravity survey. Subsequently, detailed gravity surveys were completed by Mt Rommel at Clunes and Ballarat, where low amplitude negative gravity anomalies could be related to known gold bearing quartz reefs, which verified this hypothesis.

The important conclusion drawn by these authors is stated below. The two diagrams marked “Fig.1” and “Fig.2” are from the published paper. The authors set out their opinions under the heading Exploration Significance (page 317/318), including :

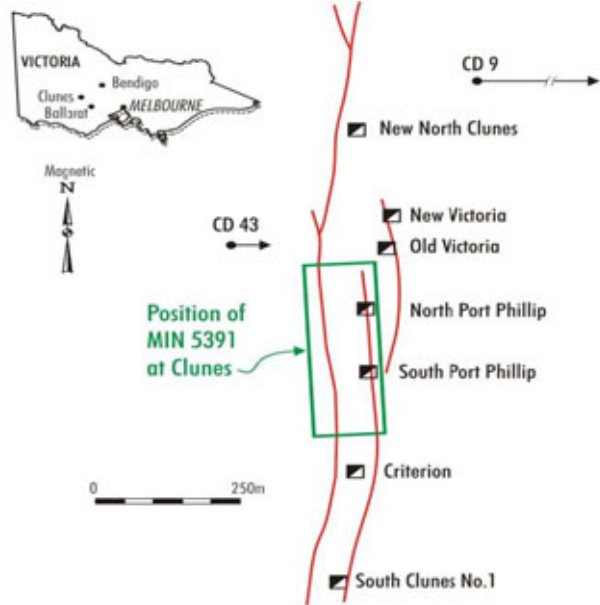
“..the lower densities of the altered zone at Clunes, averaging 0.10g/cc, might be detectable by gravity survey...”

Binns & Eames, in the Abstract to that paper, state:

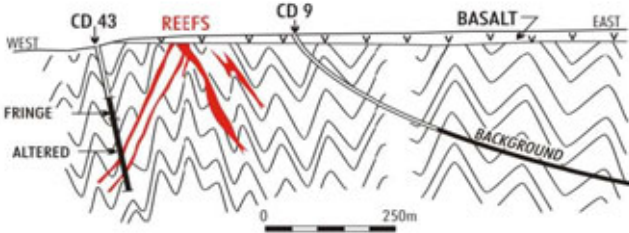
“.....Minor mobility of lithophile elements during cleavage development prior to mineralization and wall-rock alteration masks a slight potassium enrichment within tens of centimetres from lode veins. The potassium enrichment only partly explains the bleaching, a more general cause of which appears to be enhanced microporosity, probably related to cleavage development rather than wall-rock alteration, causing anomalously low densities within and adjacent to the carbonate-bearing zone.....”

In a subsequent technical record – see page 63 of GS(V) Rep 117 – these valid and acknowledged observations were not advanced further by other investigators. Hole CD 43 is a Western Mining diamond drill hole and that Company withdrew from Clunes in 1989.

Neither Western Mining nor any subsequent explorer drilled for core within the mine workings covered by “MIN 5391”, the overprint tenement on Fig.1 from Binns and Eames, until Mount Rommel Mining in August 2004.



**FIG 1.** Plan of the northern section of the Clunes gold field showing position of sampled drill holes CD9 and CD43 and traces of the main lodes (beneath basalt cover, after Coldham, 1953). Inset shows location of Clunes in Victoria.

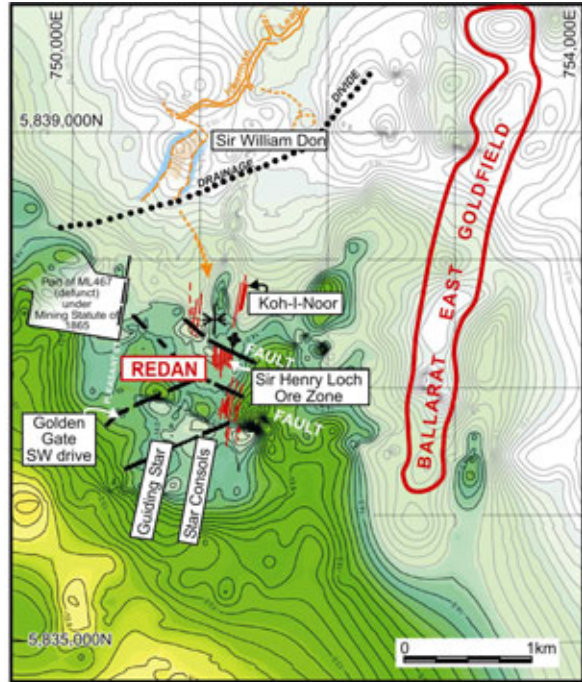
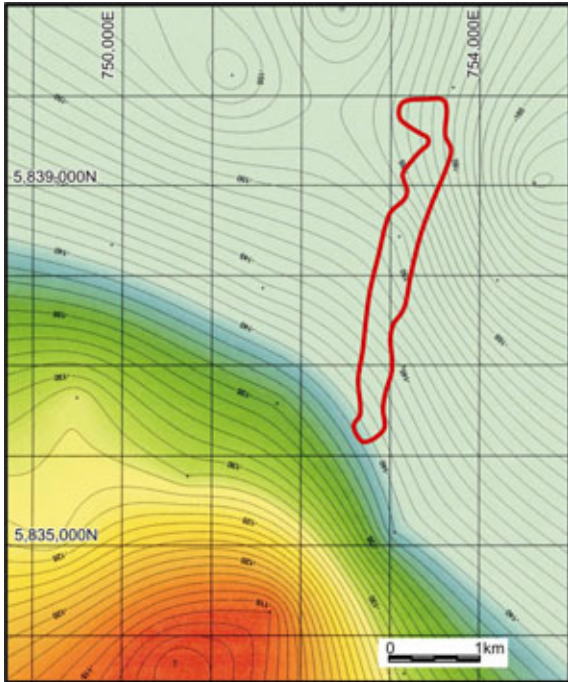


**FIG 2.** Generalized cross section of Clunes, showing location and sampled drill holes CD9 and CD43 relative to reefs and inferred structure of Lower Ordovician turbidites.

No investigations were undertaken at Clunes to follow-up the observations of Binns and Eames until about 1997.

Detailed gravity, now regarded by Mt. Rommel as essential for exploration under the basalt cover, for example, the Allendale survey illustrated above, provides much more information about bedrock conditions relevant to the exploration for gold than the wider spaced gravity stations acquired during the State Government surveys.

The detailed surveys were extended to the Ballarat and Clunes areas to provide a direct relationship between gravity response and structures related to known gold occurrences – see following page. At the same time more detailed grids of gravity data were acquired at Allendale to further define structures identified in the earlier data.



**The Goldfield of Ballarat**

The two diagrams above are from the same area of Ballarat. The bouguer anomaly contours are at an interval of 0.1 milligal.

The diagram on the left contains only the VIMP data, comprising 18 stations. No goldfield is apparent at that data density, as the overlay shows.

The diagram on the right contains the Mt. Rommel data where the number of measured gravity stations exceeds 2300.

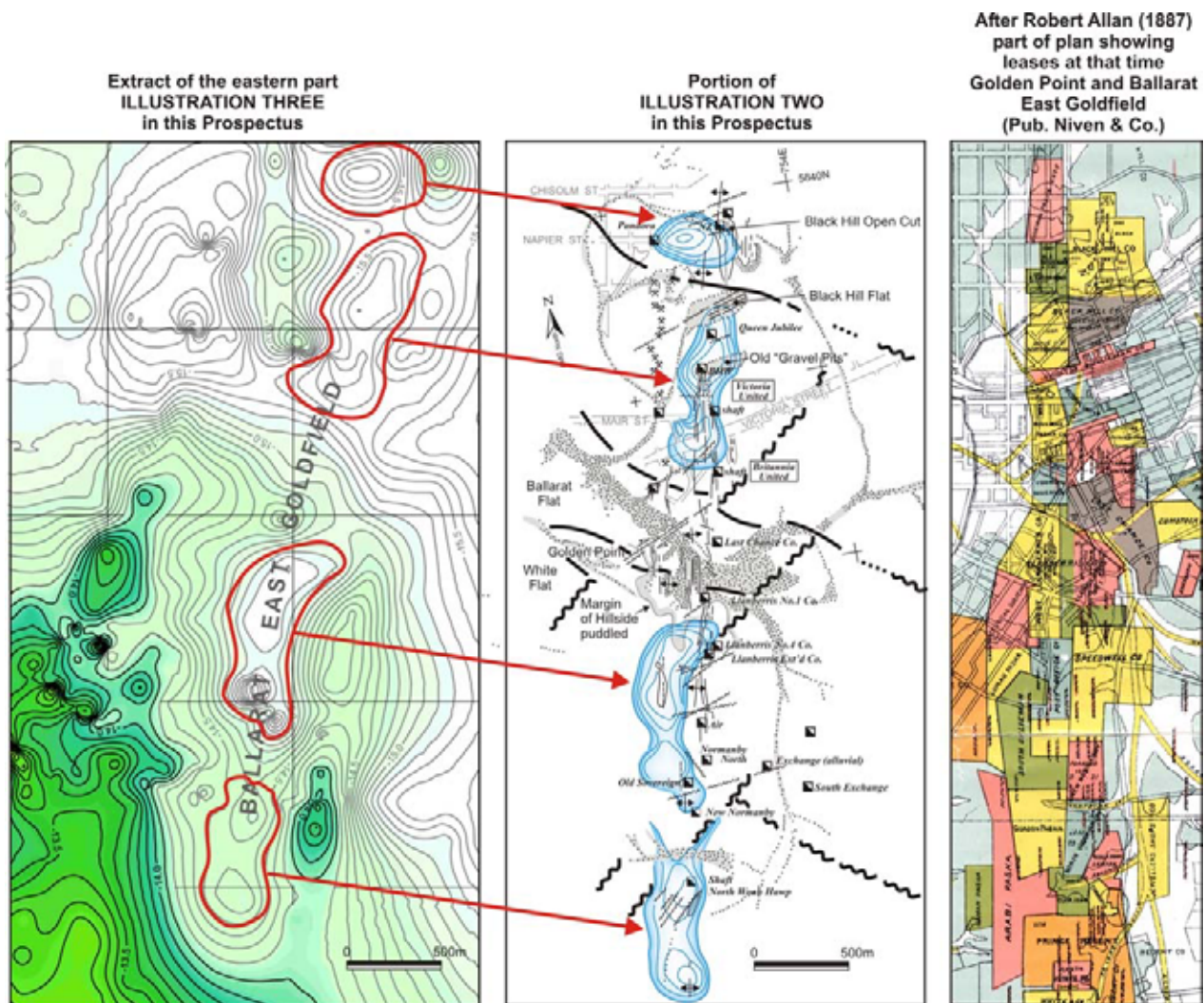
The extent and position of the Ballarat East Goldfield is outlined in red.

What is not shown is the position of the Ballarat West Goldfield, but the location is evident in the gravity response, (an enlargement is shown in ILLUSTRATION THREE of this Prospectus).



Lone Hand No.2 Base Station.  
Daily readings, gravity survey  
Geoterrex crew 1997  
working on EL 3821, Allendale

Gravity survey by contractors, Geoterrex,  
in street environs, in the REDAN area of  
Ballarat West in 1997, with permission of  
the former Ballarat Consolidated Gold Ltd.



The above three segments all relate to the same area, the Ballarat East Goldfield.

The purpose of their inclusion is to illustrate the conceptual relationship of the detailed gravity information, by application, to published data and commercially recorded gold developments (former gold mines) widely known for their production history.

From the case histories of gravity data collected between 1997 and March 2005, in surveys at Ballarat (with permission, 1997) and Clunes (then under joint venture arrangements) it becomes apparent that knowledge gained in the application of the gravity method substantially assists in the recognition of prospective bedrock targets in basalt covered terrains. As noted in Report 117, Geological Survey of Victoria (1999) (page 21):

“...deformed Palaeozoic bedrock is about 40% of the surface exposure in CRESWICK (1:100,000 map sheet). It hosts orogenic gold deposits.....”

Thus an exploration method such as detailed gravity, which could assist in the evaluation of the remaining covered 60% of the Central Goldfields, should be applied.

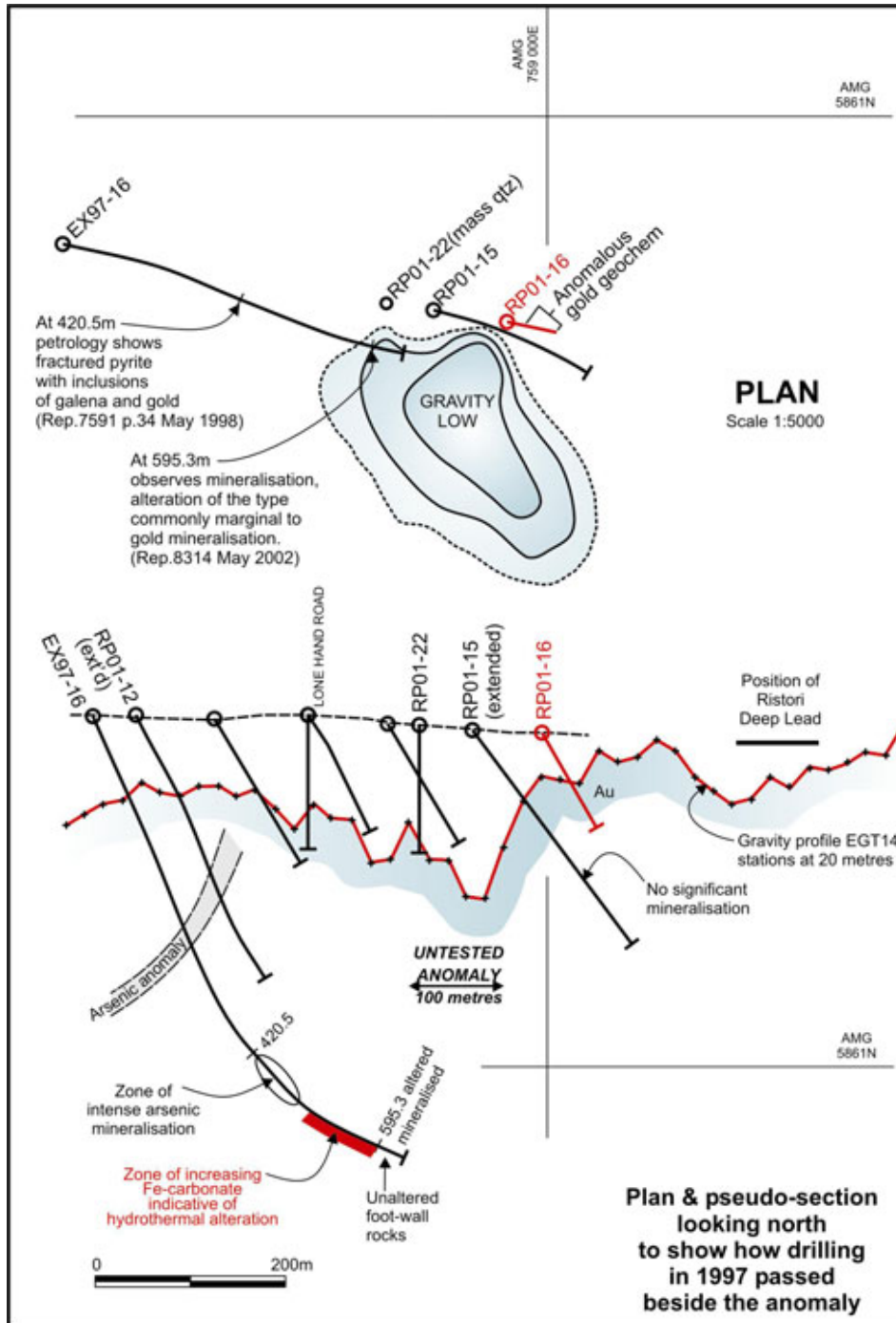
Mount Rommel has now acquired in excess of 10,000 gravity stations in the Ballarat - Tourello – Clunes – Allendale area in its search for a major gold deposit. Regional and local structure can be interpreted from this data. The bedrock density deficiency arising from the alteration halo around a quartz reef system may be recognized as a weak gravity low with a magnitude of between 0.4 and 0.8 milligals.

Other geological situations may provide a similar mass deficiency such as the presence of vesicular basalt in a deep lead and therefore further testing of the recognized gravity anomalies is required in

order to determine the prospectivity for gold mineralisation

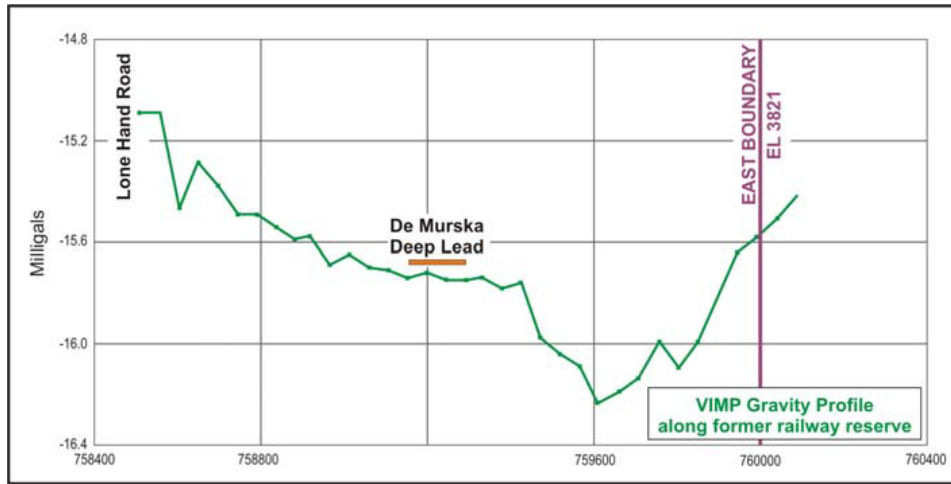
Prospective gravity lows that require investigation occur at Allendale, Tourello and Clunes.

At Allendale, the EGT-14 anomaly has received preliminary drilling. One deep hole intersected increasing iron carbonate alteration beneath the northern edge of the prospective gravity low, providing evidence for the likely proximity to a gold bearing quartz reef system.

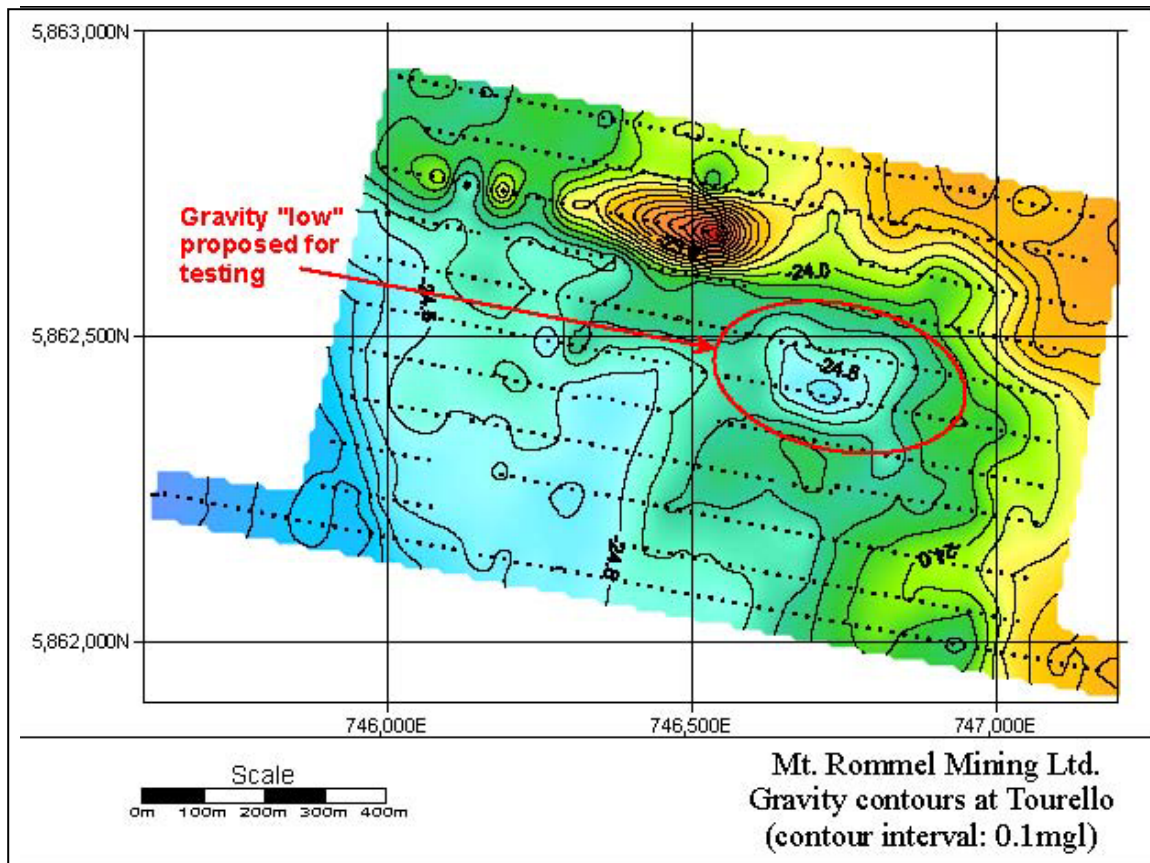


Also at Allendale the Ristori Prospect and Rommel Prospect exhibit a characteristic gravity signature that requires further immediate evaluation and testing.

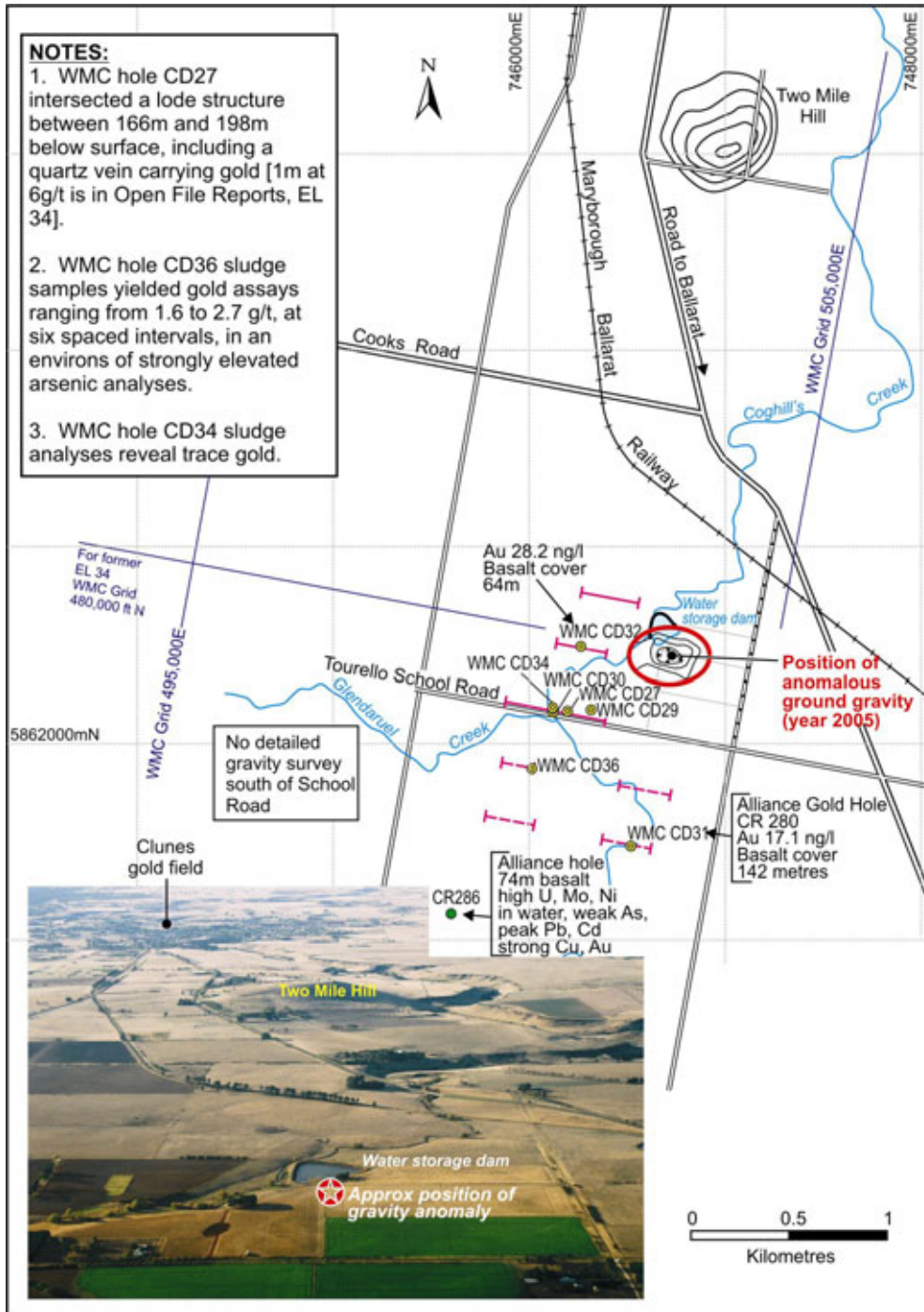
The gravity profile below is one of the few available from the VIMP data files; the gravity stations are at approximately 50m intervals along the traverse. The residual low at the eastern end of the line is a potentially prospective site and requires further delineation prior to testing.



At Tourello earlier work by Western Mining Corporation resulted in the drill testing of an anomalous zone of IP/resistivity with six diamond drill holes. One hole, CD27, drilled in 1967 is reported to have intersected a one metre thick quartz vein which returned an assay of 6g/t gold. Gravity data obtained by Mt. Rommel in 2004 suggests that the extent of this prospect remains untested; the gravity results are shown below.



The exploration significance of the anomalous gravity low in the above drawing is that this defined position sits within the core section of a distinctive ground water anomaly, as in Illustration Four of this Prospectus.



In December 2002 – January 2003 the Rommel 1 Prospect within EL 3821, Allendale, was investigated by three (3) preliminary percussion / diamond drill holes.

The drill core produced from these holes, which passed through a distinctive gravity ‘low’, demonstrated geology not seen before and reinforced the need to re-investigate other gravity ‘low’ anomalies adjacent to the deep leads of Allendale. It may be that the core from these holes will provide supportive evidence for the use of detailed gravity when exploring over basalt covered terrain in Central Victoria.

## CONCLUSIONS

1. The exploration approach using the gravity method has the potential to provide a very useful and rapid guidance to prospect recognition and definition.
2. Mount Rommel Mining has already collected and collated in excess of 10,000 gravity stations in the area of exploration at a cost of more than \$500,000.

3. The IP/resistivity method has the potential to further define a drill target within a predefined gravity zone.

## **Qualifications**

This report was compiled by H. Rutter, B.Sc., M.Sc., D.I.C, FAIG, HonASEG, Director of Flagstaff Geoconsultants Pty. Ltd. H. Rutter has more than 40 years of experience in mineral exploration for gold and base metals in a wide range of geological environments both in Australia and overseas, including the Ashanti Goldfields of Ghana and the Klondike Goldfields of Canada. He is a lecturer in Applied Geophysics at The University of Melbourne and The University of Ballarat. The author is a Fellow of the Australian Institute of Geosciences and is bound by its code of ethics.

Flagstaff has no business relationship with Mt. Rommel other than individual consulting services carried out from time to time, as required. Flagstaff has no pecuniary interest in, association or employment with Mt. Rommel other than the current engagement.

Flagstaff is being paid a fee according to its normal daily rate, in the preparation of the report. Its fee is not contingent on the outcome of the transaction subject to the report.

In preparing the report, Flagstaff has relied on information provided by Mt. Rommel and has no reason to believe that the information is materially misleading or incomplete or contains material errors. Mt. Rommel has been provided with a draft of the report for correction of any material errors of fact or noting of any material omissions. Changes made to the draft are consistent with that description.

Mt. Rommel has provided Flagstaff with indemnity in regard to damages, losses and liabilities related to, or arising out of, its engagement.

Flagstaff has given its consent for the release of the report in the prospectus to be lodged by Mt. Rommel. Neither the report nor any part of it may be used for any other purpose without written consent.

Hugh Rutter B.Sc., M.Sc. D.I.C., F.A.I.G., Hon.ASEG.  
Director and Consulting Geophysicist

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TAYLOR D.H., WOHLT K.E., SIMONS B.A., MAHER S., MORAND V.J. & SAPURMAS P., 1999. Creswick 1:100,000 map area Geological Report. G.S. Report 117.

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Western Mining Corporation EL 34 (1965 to 1969) in Open File Reports by former holders of exploration licences, this over Clunes and Tourello.

## SECTION 8

### 8. SOLICITOR'S REPORT

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**PAUL RAINEY** | lawyer & consultant

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23 January 2006

Mr Fred Hunt  
Chairman,  
Mount Rommel Mining Limited  
28 Lawson Crescent,  
Thomastown,  
Victoria 3074

Dear Mr Hunt,

Solicitor's Report on Victorian Licences

This is a report on the legal status of Mining Licence 5391 ( MIN 5391 ) sited at Clunes, Exploration Licences 4609 ( EL 4609 ) sited at Tourello and 3821 ( EL 3821 ) sited at Allendale, (collectively referred to in this report as the Licences). The Licences are granted in Victoria under the Mineral Resources Development Act 1990 ( the MRD Act ). MIN 5391 and EL 3821 is issued to Mount Rommel Mining Ltd (Mt Rommel) and held by Mt Rommel. EL4609 is issued to Sinclair Exploration Pty Ltd and Skye Chemicals Pty Ltd but under an Agreement dated 15 December 2005 Mt Rommel acquired EL 4609 subject to the fulfilment of certain conditions identified in section 11, paragraph 1 of the Prospectus.

#### Opinion

Subject to the assumptions and qualifications identified in this report :

- 1 Mt Rommel owns MIN 5391 free of encumbrances adverse claims and caveats other than any rights of Joint Venture Participants described in clause 1.2 of Section 11 of the Prospectus of which this report forms part. Those Joint Venture Participants, who under agreements referred to therein were entitled to an interest in MIN 5391 have agreed to dispose of their interests in exchange for the issue and allotment of Shares in Mt Rommel as referred to in that clause. Neither the original agreements nor the letters of 8 June 2005 accepting Mt Rommel's offer were registered under the MRD Act and have no force or effect under the MRD Act unless and until registered. Details of the agreement between Mt Rommel and the Joint Venture Participants are fully described in Clause 1.2 of Section 11 of this Prospectus
- 2 Mining cannot be undertaken upon the land the subject of this licence without approval under the Planning and Environment Act 1987 or a work authority has been given by the Minister under the MRD Act following the consideration of an environmental effects statement prepared by Mt Rommel. Land owner consent to mine has been given by landowners affected by MIN 5391;

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tel (+61 3) 9672 3368 fax (+61 3) 9818 8917 mob 0419 363 407 email paul@rainey.net.au

- 3 Mt Rommel is entitled to be registered as the owner of EL 4609 if it has access to funds of not less than \$250,000 , shareholders of Mt Rommel approve of the acquisition of EL 4609 and a transfer of EL 4609 is registered pursuant to the MRD Act -all such events to be completed prior to April 7 2006. EL4609 is free of encumbrances adverse claims and caveats ;
- 4 Mt Rommel owns EL 3821 which is free of encumbrances adverse claims and caveats ;
- 5 Application to renew EL 3821 was made pursuant to the MRD Act by Mt Rommel on 16 January 2006. Mt Rommel is entitled to the Licence until it is revoked under the MRD Act ;
- 6 The land within EL 3821 is subject to seven Work Authorities issued pursuant to the Extractive Industries Development Act 1995, which entitles the holder to extract surface quartz sand and gravel and one Mining Licence (5434) issued under MRD Act. Should Mt Rommel wish to undertake mining exploration within the area of these entitlements it will need to obtain the consent of the relevant owner ;
- 7 The Licences have been validly issued and all applicable expenditure, rehabilitation and reporting requirements satisfied or waived ;
- 8 The Licences contain conditions that are consistent with the powers of the Minister to impose conditions in licences that are issued under the MRD Act ;
- 9 Particulars of the Licences referred to in Section 1 of the Prospectus are accurately described ;
- 10 Native title does not exist on any of the Licences, but native title claims have been made by the Dja Dja Wurrung Peoples over the Central Victorian goldfields which includes the land within the Licences. These claims are before the Federal Court of Australia for determination ;
- 11 The land within EL3821 contains sites which are subject to the Heritage Act 1995 and exploration which affects such site will require compliance with that Act ; and
- 12 None of Mt Rommel, Sinclair Exploration Pty Ltd and Skye Chemicals Pty Ltd are involved in litigation which challenges its title to their respective Licences.

## **Licences**

An exploration licence remains in force for up to 5 years from the date on which it is registered and then expires. In certain circumstances, an exploration licence can be renewed for up to a maximum of another 5 years. On the second and fourth anniversaries of the grant of an exploration licence, the holder is required to decrease the area covered under the exploration licence by 25% and 35% respectively. The holder of an exploration licence may apply for a mining licence over any part of the land that is the subject of the exploration licence.

Mining licences remain in force for a period of up to 20 years and in certain circumstances may be renewed for a period not exceeding another 20 years. A mining licence application cannot be made over land that is covered by an existing mining licence or any other licence. However, a mining licence application can be made over land within an existing exploration licence if the applicant is also the holder of the exploration licence or the exploration licence holder gives written consent, or alternatively the mining licence application is for 5 hectares or less and the exploration licence was granted more than 2 years ago.

Both mining licences and exploration licences in Victoria are granted subject to various conditions as set out under the MRD Act. These conditions include satisfaction of expenditure requirements, standard environmental, heritage protection and rehabilitation conditions and reporting requirements and the consent of affected landowners. Failure to comply with such requirements and conditions may lead to the issue of an infringement notice against the holder of the licence and ultimately, the cancellation of the licence.

This report does not replicate the conditions which attach to the Licences but they are available for review at the office of Mt Rommel.

## **Native Title**

Following the High Court of Australia's *Mabo* decision in June 1992, the Federal Government enacted the Native Title Act 1993 ( NTA ) which came into operation on 1 January 1994. Its provisions are designed to, among other things, ensure a balance between the need to recognise and protect native title and facilitate valid land use developments. In relation to the grant or renewal of exploration and mining licences on land where native title exists, certain procedures as set out in the NTA must be followed in order to ensure the validity of the licence.

The searches I have conducted in relation to native title claims indicate that the Dja Dja Wurrung Peoples have instituted proceedings in the Federal Court of Australia (VID6001/00) to establish native title to 16,830 square kilometres in Central Victoria. A summary of the application can be seen at the following internet website :

[www.nntt.gov.au/applications/claimant/VC00\\_1.html](http://www.nntt.gov.au/applications/claimant/VC00_1.html)

Native title is a unique form of title recognised by the common law of Australia. In order to demonstrate that native title exists, claimants must show that they possess certain rights and interests under traditional laws and customs and that by those laws and customs they maintain a continuing and traditional connection to the land. Native title can be extinguished by surrender to the Crown, through the loss of connection to the land, by abandonment or death of the last surviving member of the community, or by the valid creation of a legal right to the land that is inconsistent with the continued enjoyment of native title.

- 1 The grant of a freehold interest or other interest conferring exclusive possession is considered so inconsistent with the continued enjoyment of native title rights that it extinguishes native title. Once extinguished, native title does not revive.
- 2 MIN 5391, EL 3821 and EL 4609 is granted over land comprising freehold land. It is therefore unlikely that claims to native title over such freehold land will succeed. Insofar as each of the Licences has crown land within its area ( roads and recreation reserves ) native title may exist but it is not within the scope of this report to opine as to the validity of such title.
- 3 The valid grant or renewal of a Licence will not extinguish native title but will have the effect of suppressing it to the extent of any inconsistency for the duration of the Licence. When the Licence expires the native title will revive.
- 4 The existence of a registered native title claim is not an indication that native title exists in relation to the area covered by the claim.
- 5 New native title claims may in the future be lodged over areas subject to the Licences.

## Heritage

The Licences may be affected by land that contains Aboriginal and non-Aboriginal heritage sites. Before the issue of an exploration or mining licence, the following registers are searched by the relevant state agencies:

- the register of known Aboriginal heritage places maintained by Aboriginal Affairs Victoria pursuant to the *Archaeological and Aboriginal Relics Preservation Act 1972* (Vic) (**Aboriginal Relics Act**); and
- the Heritage Register and Inventory maintained by Heritage Victoria pursuant to the *Heritage Act 1995* (Vic) (**Heritage Act**)

These Acts are collectively referred to as the **Heritage Legislation**.

Where a Licence is affected or potentially affected by Aboriginal or non-Aboriginal heritage, the general licence conditions incorporate the relevant provisions of the Heritage Legislation. In particular, it is an offence to deface, damage or interfere with an Aboriginal or non-Aboriginal archaeological relic, or to carry out an act that is likely to endanger such relics. There are further obligations under the Heritage Legislation and the general licence conditions to report a discovery of an Aboriginal or non-Aboriginal archaeological relic.

## Assumptions and Qualifications

In this report:

- 1 I have assumed the accuracy of the results of the searches I have conducted, or caused to be conducted, of the Licences in the registers maintained by the Department pursuant to the MRD Act; and
- 2 I have assumed the accuracy of the results of searches conducted at:
  - (a) The Native Title Tribunal and the Federal Court of Australia;
  - (b) Aboriginal Affairs Victoria of the register of known Aboriginal heritage places; and
  - (c) Heritage Victoria of the Heritage Register and Inventory;
- 3 I have assumed that the relevant minister responsible for administering the MRD Act (**Minister**) and each of the Minister's delegates have been validly appointed and have acted within the scope of their respective power, authority and discretion in granting those Licences that have already been granted, and in registering, authorising, approving or granting any permission or consent in relation to any dealing or proposed dealing affecting the Licences including, without limitation, in respect of the agreements that are registered against the Licences;
- 4 I have assumed the accuracy and completeness of any information I have received from the Department, Mt Rommel, and any of their officers, agents and representatives, and
- 5 This report relates solely to the laws applicable in Victoria and I do not express
  - a. or imply any opinion as to any other laws and I have made no investigation of
  - b. the laws of any other jurisdiction.
- 6 This report was prepared from searches, information and enquiries current at the date of the report.

**Consent**

I consent to the inclusion of this report in the Prospectus and to this report being lodged with the Australian Securities and Investments Commission with the Prospectus in accordance with section 712 of the *Corporations Act 2001* and to a copy of the report being made available to anyone who asks for it during the application period for the Prospectus.

I will be issued with 80,000 fully paid shares of \$0.10 in the capital of Mt Rommel as consideration for this report. The capital will be issued regardless of the outcome of the funds that Mt Rommel proposes to raise under the Prospectus. Other than the right to receive such consideration, I have no interest in the promotion of Mt Rommel.

Yours faithfully,

**Paul Rainey**  
**Solicitor, Melbourne.**

## SECTION 9

### 9. INDEPENDENT ACCOUNTANT'S REPORT

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MOORE STEPHENS

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DIRECTORS:  
Andrew Craig  
Jim Gouskos  
John Lampard  
Stephen McEwen

2 February 2006

The Directors  
Mount Rommel Mining Limited  
64 Greenhill Rd  
Wayville  
South Australia 5034

Dear Sirs

#### Independent Accountant's Report on Reviewed Historical Financial Information

##### 1. Introduction

This report has been prepared at the request of the Directors of Mount Rommel Mining Limited for inclusion in a Prospectus to be dated on or about 8 February 2006 relating to the issue by Mount Rommel Mining Limited ("the Company") of shares and options in relation to the following arrangements:

##### a) General offer

Primary offer of 10 million ordinary shares at an issue price of 10 cents per share (\$1,000,000) on the basis that for every 2 shares subscribed for, an Applicant will be entitled to apply for 2 options to acquire ordinary shares. The issue price of each option is 1 cent. There is a right to accept oversubscriptions of a further 2 million shares (\$200,000) and associated options. Options comprise a short term option exercisable at 10 cents by 28 February 2007 and a longer term option exercisable at 20 cents by 28 February 2008.

##### b) Options offer to existing members

The secondary offer is an entitlements offer of options to existing members. The offer comprises 2 options for every 2 shares held at the date of this report with the class of options being the same as that for the general offer. The issue price of the options is 1 cent. Should the options be taken in full then an additional \$161,714 will be raised based on the 16,171,400 existing shares on issue at the date of this report.

##### (c) Offer to Joint Venture Participants

The third offer is made to the participants in a series of joint ventures with the Company. Under the Joint Venture contracts the Company has conditionally agreed with the Joint Venture Participants to issue and allot each Joint Venture Participant 44,000 new shares in the capital of the Company each credited as fully paid and ranking equally with other shares on issue, subject only to those Joint Venture Participants making application therefore pursuant to the Prospectus. On the basis that each Joint Venture Participant has fully paid up his or her joint venture obligation 2,189,000 fully paid shares will be issued.

The minimum subscription is for 5 million shares. In the event that minimum subscription only is reached, the total capital raising will be \$500,000. In the event that the maximum subscription, including oversubscriptions, is reached, the total capital raising will be \$1.2 million.

Should the options be taken in full based on minimum subscription then an additional \$50,000 capital will be raised. In the event that options are taken up in full based on over subscription then an additional \$120,000 will be raised.

The offer is not underwritten.

DIRECTORS:  
 Andrew Craig  
 Jim Gouskos  
 John Lampard  
 Stephen McEwen

## 2. Basis of Preparation

This report has been prepared to provide investors with information on historical results and the financial position of the Company, together with certain pro-forma financial information. The report does not address the rights attaching to the shares or options to be issued in accordance with the Prospectus, nor the risks associated with accepting the offer.

Moore Stephens Adelaide Pty Ltd does not make any recommendation to potential investors in the Company through the issue of this report, as to the merits of investment. Moore Stephens Adelaide Pty Ltd accordingly takes no responsibility for those matters or any other matter or omission in the Prospectus, other than responsibility for this report.

## 3. Scope of Report

You have requested Moore Stephens Adelaide Pty Ltd to prepare an Independent Accountant's Report which is to include the following information:

- The audited Balance Sheet as at 30 June 2005;
- The audited Income Statement and Cash Flow Statement for the years ended 30 June 2004 and 30 June 2005; and
- The pro-forma Balance Sheet at 30 November 2005 and related notes as if certain transactions disclosed in the report had been finalised at that date, including the December 2005 issue of shares.

We have not separately disclosed all related party transactions, as these are disclosed elsewhere in the prospectus.

## 4. Background

The Company was incorporated on 10 August 1979, and after various name changes became Mount Rommel Mining Pty Ltd in March 1984. It changed status from proprietary company to a public limited company on 28 November 2003 at which time it became Mount Rommel Mining Limited.

The company has assembled a portfolio of central Victorian goldfield tenement interests and options, which it intends to exploit as detailed in this Prospectus. In consideration for bringing these interests to their current state of tenure, the following share allotments were made on the 16 July 2004:

	<b>No. Shares</b>
To Beneficiary respondents in respect of Allendale (EL 3821)	360,000
To seed capitalists	260,000
To regain rights to Allendale partially conveyed	540,000
To secure third party release of rights in respect of Clunes interest (MIN 5391)	4,581,000
To acquire an option to acquire an 80% interest in the Tourello interest (EL 4609)	400,000
To access technical archives, applied intellectual property and tenure initiatives	269,300
To compensate Clunes landowners for severance of land and for occupation of part of the land surface	1,440,000
<b>Total shares allotted</b>	<b>7,850,300</b>

DIRECTORS:  
Andrew Craig  
Jim Gouskos  
John Lampard  
Stephen McEwen

#### **4. Background (continued)**

151,200 additional shares were allotted for no value on the 10 November 2004 to 2 existing shareholders who had previously purchased shares at a value greater than 6 cents. The additional allotment was made to ensure that the value of all shares owned by shareholders equalled 6 cents. Additional share allotments were made during the year ended 30 June 2005 on the basis of raising funds to continue the operations of the Company with \$118,212 raised from the issue of 2,370,200 shares. The total number of shares on issue at 30 June 2005 was 15,171,400. Subsequent to the 30 June 2005 the Company issued 700,000 shares at 6 cents on the 25 November 2005 and 300,000 shares at 6 cents on the 14 December 2005 as a means of raising funds to continue the operations of the Company. The total number of shares on issue at the date of this Independent Accountants Report is 16,171,400.

The Company had also entered into a series of joint venture agreements which were to be for a period of 2 years from 28 June 2004 with the Company acting as manager of the joint venture. Each Joint Venture Participant agreed to provide \$2,000 over the period with the funds being used to carry out prospecting and exploration activities on the greater Clunes Goldfield with respect to the area of MIN 5391 and beyond. The Company and Joint Venture Participants were to share 50/50 in the product of their activities and the mineral information knowledge bank. As at 30 June 2005 the joint venture was wound up.

#### **5. Pro-Forma Balance Sheet**

The pro-forma Balance Sheet has been derived from the audited financial statements as at 30 June 2005 and its purpose is to assist in the comprehension of the likely financial position of the entity as if certain transactions, both actual and proposed, had taken place at a nominated, convenient point in time. In this instance, 30 November 2005 has been selected as that time where adjustments have been made to the 30 June 2005 financial information for actual trading by the company to 30 November 2005, the December 2005 share issue of 300,000 shares at 6 cents per share and for the likely transactions based on the offer for shares contained in this prospectus as set out in detail in Note 2 to Appendix 4 of this report. Such adjustments are made in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

#### **6. Scope of Review**

The historical financial information set out in Appendices 1 to 4 has been extracted from the audited financial statements of the Company which were audited by Moore Stephens, Adelaide. An unqualified audit opinion was issued in respect of the historical financial information with an emphasis of matter in relation to the ongoing financial support (refer Appendix 4, Note 12 Economic Dependency) provided by Frederick L Hunt, a Director of the Company. The Directors of the Company are responsible for the preparation of the historical financial information, including determination of the adjustments.

We have conducted our review of the historical financial information contained in Appendices 1 to 4 of the prospectus in accordance with the Australian Auditing and Assurance Standard AUS 902 Review of Financial Reports. We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a review of work papers, accounting records and other documents;
- a review of the assumptions used to compile the pro-forma balance sheet and related notes;
- a review of the adjustments made to the pro-forma historical audited financial information;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company, and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

DIRECTORS:  
Andrew Craig  
Jim Gouskos  
John Lampard  
Stephen McEwen

## **7. Review Statement on Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the financial information set out in Appendices 1 to 4 to this report for:

- the pro-forma Balance Sheet and related Notes as at 30 November 2005 has not been properly prepared on the basis of the pro-forma transactions; and
- the historical financial information, does not present fairly the audited Balance Sheet, Income Statement and Cash Flow Statement for the years 30 June 2004 and 30 June 2005,

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by the Company.

Without qualification to the above, attention is drawn to Note 12 Economic Dependency in Appendix 4 in relation to the dependence of the Company on the ongoing financial support by Mr Frederick L Hunt, except to the extent that it is able to raise sufficient additional share capital either pursuant to this prospectus, or otherwise as permitted by the law. On this basis, the financial information has been prepared on a going concern basis. Mr Frederick L Hunt has further confirmed that he will not seek repayment of his loan account from share issue proceeds where such repayment would result in the cash balance of the Company being less than the minimum Newcastle Stock Exchange requirement (\$500,000 at listing).

## **8. Subsequent Events**

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

## **9. Other Matters**

This report has been prepared by Mr Jim Gouskos, a director of Moore Stephens Adelaide Pty Ltd and partner of Moore Stephens, Adelaide. Moore Stephens, Adelaide and Moore Stephens Adelaide Pty Ltd are independent members of the Moore Stephens Australia and Moore Stephens International networks of Chartered Accountants. Moore Stephens is represented by 316 firms in 93 countries, and comprises some 15,000 principals and staff. Jim Gouskos is a Certified Practising Accountant and also an affiliate member of the Institute of Chartered Accountants in Australia and has been in professional audit practice for 18 years. Mr Gouskos has a Bachelor of Arts (Accountancy) and is also a director of the National Board the Institute of Internal Auditors (Australia).

Moore Stephens Adelaide Pty Ltd does not have any financial interest in the Company or in the outcome of the offer other than for which normal professional fees will be received. Moore Stephens Adelaide Pty Ltd was not involved in the preparation of any other part of the Prospectus, and accordingly makes no representations or warranties as to the completeness or accuracy of any information contained in any other part of the prospectus. The Company proposes to indemnify Moore Stephens Adelaide Pty Ltd against loss, damage or expenses arising from our reliance on any false or misleading information or documentation supplied to us by or on behalf of the Company, or any failure by or on behalf of the Company to supply material information for the purposes of the preparation of this report. This indemnity will not extend to Moore Stephens, Adelaide in relation to its role as auditor of the Company. Moore Stephens Adelaide Pty Ltd consents to the inclusion of this report (including Appendices 1 to 4) in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully  
MOORE STEPHENS ADELAIDE PTY LTD  
CHARTERED ACCOUNTANTS



**JIM GOUSKOS**  
**DIRECTOR**

**Appendix 1****Audited Income Statement**

	<b>12 months to 30 June 2005</b>	<b>12 months to 30 June 2004</b>
	<b>\$</b>	<b>\$</b>
Revenue	19,724	195
Administrative expenses	(80,927)	(63,414)
Finance costs	(15,519)	(7,698)
Capital raising expenses	(463)	(69,862)
Exploration and evaluation expenses	(827)	(1,041)
Other expenses	(1,927)	(3)
(Loss) before income tax	(79,939)	(141,823)
Income tax expense	-	-
Net (Loss)	(79,939)	(141,823)

*To be read in conjunction with Appendix 4*

**Appendix 2****Audited Cash Flow Statement**

	<b>12 months to 30 June 2005</b>	<b>12 months to 30 June 2004</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	17,873	-
Payments to suppliers and employees	(100,769)	(187,477)
Interest received	1,851	195
Net cash (used in) operating activities	(81,045)	(187,282)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	-	33,150
Exploration expenditure	(81,776)	(26,197)
Net cash provided by/(used in) investing activities	(81,776)	6,953
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	142,212	27,000
Repayment to related parties	(30,137)	-
Proceeds from related parties	74,210	120,417
Net cash provided by (used in) financing activities	186,285	147,417
Net increase / (decrease) in cash held	23,464	(32,912)
Cash at the beginning of financial year	5,380	38,292
Cash at the end of financial year	28,844	5,380

*To be read in conjunction with Appendix 4*

## Appendix 3

### Audited Balance Sheet as at 30 June 2005 and Pro Forma Balance Sheet based on Such Balance Sheet and the Assumptions set out in Appendix 4, Note 2

	Note	Audited	Pro-forma 30 November 2005		
		30 June 2005	Minimum Subscription	Full Subscription	Over Subscription
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	3	28,844	603,264	1,123,264	1,328,264
Other receivables	4	30,500	-	-	-
<b>Total Current Assets</b>		<u>59,344</u>	<u>603,264</u>	<u>1,123,264</u>	<u>1,328,264</u>
<b>Non Current Assets</b>					
Mineral tenement interests & Exploration expenditure	5	<u>897,015</u>	<u>995,520</u>	<u>995,520</u>	<u>995,520</u>
<b>Total Non Current Assets</b>		<u>897,015</u>	<u>995,520</u>	<u>995,520</u>	<u>995,520</u>
<b>Total Assets</b>		<u>956,359</u>	<u>1,598,784</u>	<u>2,118,784</u>	<u>2,323,784</u>
<b>Current Liabilities</b>					
Trade payables	6	38,794	-	-	-
Sundry payables and accrued expenses	6	11,000	-	-	-
Amounts payable to directors	6	<u>228,400</u>	<u>173,400</u>	<u>173,400</u>	<u>173,400</u>
<b>Total current liabilities</b>		<u>278,194</u>	<u>173,400</u>	<u>173,400</u>	<u>173,400</u>
<b>Total liabilities</b>		<u>278,194</u>	<u>173,400</u>	<u>173,400</u>	<u>173,400</u>
<b>Net Assets</b>		<u>678,165</u>	<u>1,425,384</u>	<u>1,945,384</u>	<u>2,150,384</u>
<b>Equity</b>					
Issued equity	7	920,748	1,685,967	2,205,967	2,410,967
Accumulated losses	8	<u>(242,583)</u>	<u>(260,583)</u>	<u>(260,583)</u>	<u>(260,583)</u>
<b>Total Equity</b>		<u>678,165</u>	<u>1,425,384</u>	<u>1,945,384</u>	<u>2,150,384</u>
Shares on issue		<u>15,171,400</u>	<u>23,360,400</u>	<u>28,360,400</u>	<u>30,360,400</u>
Cash backing per share		\$0.00	\$0.03	\$0.04	\$0.04
Net Assets per share		\$0.04	\$0.06	\$0.07	\$0.07

Please note that the November figures include the December share issue – see Appendix 4 Note 2(c)

To be read in conjunction with Appendix 4

## Appendix 4

### Notes to Income Statement and Balance Sheet

#### Note 1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### Basis of Preparation

##### First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Mount Rommel Mining Limited have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Mount Rommel Mining Limited to be prepared in accordance with Australian equivalents to IFRS. No adjustments to the financial statements have been required.

The accounting policies set out below have been consistently applied to all years presented.

#### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis, and is based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### Accounting Policies

##### (a) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax income assets are recognized to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

## Appendix 4

### Notes to Income Statement and Balance Sheet

#### Note 1 Statement of Significant Accounting Policies (cont'd)

The amount of benefits brought to accounts or which may be realized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by the law.

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

## Appendix 4

### Notes to Income Statement and Balance Sheet

#### Note 1 Statement of Significant Accounting Policies (cont'd)

Costs of site rehabilitation or its acceptable alternative are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site rehabilitation costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and utilization of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site rehabilitation, there is uncertainty regarding the nature and extent of the required works due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the environment management plan will be implemented within one year of abandoning the site.

(e) Revenue recognition

(i) Sales revenue

Sales revenue is measured at the fair value of the consideration received, and is recognised when each of the following conditions are met:

- i. Persuasive evidence of an arrangement exists, which is usually in the form of a contractual arrangement,
- ii. Title in the product has transferred to the buyer,
- iii. The seller's price to the buyer is fixed or determinable, and
- iv. Collectability is reasonably assured.

(ii) Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(g) Receivables

All trade receivables are recognised as the amounts receivable upon settlement. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. A provision is raised when some doubt exists about collection.

## Appendix 4

### Notes to Income Statement and Balance Sheet

#### Note 1 Statement of Significant Accounting Policies (cont'd)

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the company for to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 60 days of recognition.

#### Note 2 Adjustments To Arrive at Proforma Balance Sheet

Actual and proposed transactions adjusting the 30 June 2005 audited balance sheet in the proforma balance sheet are as follows:

##### Actual Transactions

- (a) The receipt of receivables of \$30,500
- (b) The issue of 700,000 shares for 6 cents per share on 25 November 2005
- (c) The issue of 300,000 shares for 6 cents on the 14 December 2005. The effect of this issue has been included in the proforma accounts to 30 November 2005.

##### Proposed Transactions

- (d) General offer - the issue of 5,000,000, 10,000,000 and 12,000,000 new shares at 10 cents reflecting minimum subscription, full subscription and full oversubscription scenarios for the proposed fundraising pursuant to this prospectus.
- (e) General offer - the issue of 2,500,000, 5,000,000 and 6,000,000 short term options at 1 cent reflecting minimum subscription, full subscription and full oversubscription scenarios for the proposed fundraising pursuant to this prospectus.
- (f) General offer - the issue of 2,500,000, 5,000,000 and 6,000,000 long term options at 1 cent reflecting minimum subscription, full subscription and full oversubscription scenarios for the proposed fundraising pursuant to this prospectus.
- (g) Options offer to existing members - the issue of 16,171,400 options at 1 cent per option represented by 50% short and 50% long term.
- (h) Offer to Joint Venture Participants - the issue of 2,189,000 fully paid shares in exchange for the whole of their right, title and interest in and to all future gold production from the area of MIN 5391 and all of their right, title and interest in and to data generated in exploration and work programs partially funded by them. Each Joint Venture Participant is entitled to 44,000 shares pro-rata based on a contribution of \$2,000 to the Joint Venture. The cost attributed to the shares is 4.5 cents being the total contribution received divided by the number of shares issued to the Joint Venture Participants and total \$98,505.
- (i) The payment of expenses of the public issue, charged against contributed equity.
- (j) The payment of trade creditors and sundry creditors and accruals of \$49,794.
- (k) The repayment of loan accounts owing to Directors of the Company up to a value of \$55,000
- (l) Operating costs for the period 1 July 2005 to 30 November 2005 of say \$18,000.

## Appendix 4

### Notes to Income Statement and Balance Sheet

	Note	Audited	Pro-forma 30 November 2005		
		30 June 2005	Minimum Subscription	Full Subscription	Over Subscription
	2	\$	\$	\$	\$
<b>Note 3. Cash and cash equivalents</b>					
The movements in cash and cash equivalents are as follows:					
Audited 30 June 2005		28,844	28,844	28,844	28,844
Receipt of Joint Venture receivable	(a)	-	30,500	30,500	30,500
Issue of shares on 25 November 2005	(b)	-	42,000	42,000	42,000
Issue of shares on 14 December 2005	(c)	-	18,000	18,000	18,000
<b>General offer</b>					
Issue of shares pursuant to prospectus	(d)	-	500,000	1,000,000	1,200,000
Issue of "short term" options pursuant to prospectus	(e)	-	25,000	50,000	60,000
Issue of "long term" options pursuant to prospectus	(f)	-	25,000	50,000	60,000
<b>Options offer to existing members</b>					
Issue of "short term" options pursuant to prospectus	(g)	-	80,857	80,857	80,857
Issue of "long term" options pursuant to prospectus	(g)	-	80,857	80,857	80,857
Public issue expenses	(i)	-	(105,000)	(135,000)	(150,000)
Payment of payables and accrued expenses	(j)	-	(49,794)	(49,794)	(49,794)
Repayment of loan account to Directors	(k)	-	(55,000)	(55,000)	(55,000)
Operating expenses for the 5 months July 2005 to November 2005	(l)	-	(18,000)	(18,000)	(18,000)
		<u>28,844</u>	<u>603,264</u>	<u>1,123,264</u>	<u>1,328,264</u>

## Appendix 4

### Notes to Income Statement and Balance Sheet

		Audited	Pro-forma 30 November 2005		
	Note	30 June 2005	Minimum Subscription	Full Subscription	Over Subscription
	2	\$	\$	\$	\$
<b>Note 4. Receivables</b>					
Owing at 30 June 2005		30,500	30,500	30,500	30,500
Less receivables collected	(a)	-	(30,500)	(30,500)	(30,500)
		30,500	-	-	-
<b>Note 5. Mineral Tenements &amp; Exploration Expenditure</b>					
Balance capitalised at 30 June 2005:		897,015	995,520	995,520	995,520
Ultimate recoupment of these costs is dependent on successful development and commercial exploitation.					
<b>Note 6. Current Liabilities</b>					
Owing at 30 June 2005		278,194	278,194	278,194	278,194
Payment of payables and accrued expenses	(j)	-	(49,794)	(49,794)	(49,794)
Repayment of loan account to Directors	(k)	-	(55,000)	(55,000)	(55,000)
		278,194	173,400	173,400	173,400

## Appendix 4

### Notes to Income Statement and Balance Sheet

	Note	Audited	Pro-forma 30 November 2005		
		30 June 2005	Minimum Subscription	Full Subscription	Over Subscription
	2				
<b>Note 7. Contributed Equity</b>					
		\$	\$	\$	\$
<b>Total of shares and options issued in accordance with note 7(a) and 7(b).</b>		<b>920,748</b>	<b>1,685,967</b>	<b>2,205,967</b>	<b>2,410,967</b>
<b>(a) Shares</b>		<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
On issue at 30 June 2005		15,171,400	15,171,400	15,171,400	15,171,400
Share allotment for cash 25 November 2005 (b)		-	700,000	700,000	700,000
Share allotment for cash 14 December 2005 (c)		-	300,000	300,000	300,000
<b>General offer</b>					
Issue of shares pursuant to prospectus (d)		-	5,000,000	10,000,000	12,000,000
<b>Offer to Joint Venture Participants</b>					
Issue of shares pursuant to prospectus (h)		-	2,189,000	2,189,000	2,189,000
		15,171,400	23,360,400	28,360,400	30,360,400
		\$	\$	\$	\$
On issue at 30 June 2005		920,748	920,748	920,748	920,748
Share allotment for cash 25 November 2005 (b)		-	42,000	42,000	42,000
Share allotment for cash 14 December 2005 (c)		-	18,000	18,000	18,000
<b>General offer</b>					
Issue of shares pursuant to prospectus (d)		-	500,000	1,000,000	1,200,000
<b>Offer to Joint Venture Participants</b>					
Issue of shares pursuant to prospectus (h)		-	98,505	98,505	98,505
Public issue expenses (i)		-	(105,000)	(135,000)	(150,000)
		920,748	1,474,253	1,944,253	2,129,253
<b>(b) Options</b>		<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
On issue at 30 June 2005		-	-	-	-
<b>General offer</b>					
Issue of options pursuant to prospectus (e) & (f)		-	5,000,000	10,000,000	12,000,000
<b>Offer to Existing Members</b>					
Issue of shares pursuant to prospectus (g)		-	16,171,400	16,171,400	16,171,400
		-	21,171,400	26,171,400	28,171,400

## Appendix 4

## Notes to Income Statement and Balance Sheet

	Note	Audited	Pro-forma 30 November 2005		
		30 June 2005	Minimum Subscription	Full Subscription	Over Subscription
<b>Note 7. Contributed Equity (Continued)</b>					
<b>(b) Options</b>					
On issue at 30 June 2005		\$ -	\$ -	\$ -	\$ -
<b>General offer</b>					
Issue of options pursuant to (e) & prospectus (f)		-	50,000	100,000	120,000
<b>Offer to Existing Members</b>					
Issue of shares pursuant to (g) prospectus		-	161,714	161,714	161,714
		-	211,714	261,714	281,714
<b>Note 8. Accumulated Losses</b>					
Balance at 30 June 2005		(242,583)	(242,583)	(242,583)	(242,583)
Further operating costs (l)		-	(18,000)	(18,000)	(18,000)
		(242,583)	(260,583)	(260,583)	(260,583)

### Note 9. Contingent Liabilities

Based on discussions with the directors and information received from legal advisors, to our knowledge the Company has no material contingent liabilities as noted elsewhere in the prospectus,

### Note 10. Capital and Leasing Commitments

The Company has non cancellable operating lease commitments in respect of the Core Shed totaling some \$6,382 within a period not later than one year and commitments of \$ Nil for the period of one to five years.

### Note 11. Exploration Commitments

For details of exploration commitments on mineral tenements, refer to elsewhere in this prospectus.

### Note 12. Economic Dependency

At present the Company does not have adequate funds to meet its ongoing expenditures, and, except to the extent that it can raise further share capital as permitted by the law, is dependent on the continued financial support of Mr Frederick L Hunt, a director of the Company. That support has been confirmed in writing to the company.

On this basis the financial report has been prepared on a going concern basis.

## SECTION 10

### 10. BUSINESS AND INVESTMENT RISKS

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#### 1. RISK FACTORS

The business operations of each of the Company and any such entities will be subject to risks, which may impact adversely on its future performance. These risks may adversely affect the value of the relevant entity's assets and this may affect the value of any shares in the Company.

The primary risk to which the members of the Company are subject is that the Company is raising limited funds, which are sufficient only for its present purposes. In the event that those drilling programs are not successful, or even if they are, the Company may have limited financial resources available to it without raising further capital. In the event that the programs are unsuccessful the Company should be regarded as having a limited future with potentially serious and possibly adverse consequences for its investors, being dependent on actions taken by its Directors

Applicants who elect to take up the issue by subscribing for the new shares on a partly-paid basis, will have a legal liability to pay the instalments and, if they fail to pay the instalments, the Company can forfeit the shares against them and resell the shares to recover the outstanding monies. If there is a shortfall in the amount recovered from sale, then the shareholder will be liable to pay the Company the amount of the shortfall. However, the total liability of the shareholder will not exceed the issue price of the shares (\$0.10) plus allowable interest on outstanding call moneys, and thus the obligation will be understood beforehand.

Also, Applicants should understand that if the Company is placed in liquidation prior to all calls being paid up on partly paid shares they hold or may have held within a period of 1 year from when they ceased to be a member of the Company, members who so hold or held partly paid shares prior to commencement of the liquidation may be liable as contributories.

A "contributory" is defined as a person who is liable to contribute to the assets of a company in the event of its being wound up.

However:

- A shareholder is not liable as a contributory until or unless there is a winding up;
- Persons who ceased to be members more than one year prior to a winding up are not required to contribute;
- A past member would not be required to contribute unless it appeared to the Court that the existing members were unable to satisfy the contributions they are liable to make under the Corporations Act;
- A past member need not contribute in respect of a debt or liability of the company contracted after the past member ceased to be a member.

All persons subscribing for partly paid shares should also have regard to the provisions of the Constitution of the Company set out in Clause 2 of Section 11 hereof and should also seek professional advice as to their rights and liabilities before so subscribing.

The Directors consider that it is unlikely that the Company will be placed in liquidation and in particular Applicants should note that the final call is due on 28 February 2007. However, the above risks exist and need to be considered by Applicants who elect to take up shares on a partly paid basis.

The primary reason for taking up shares on a partly paid basis appears to the directors to be that an Applicant can thus effectively gear an investment and maximise any entitlement to options thus increasing the Applicants exposure to any future increase in the share price. The corollary is that the above risks are undertaken by such Applicants and the financial risk of loss in the event of a reduction in the share price below the issue price is also maximised.

Other risks associated with investment in the Company include:

- 1.1 **Share Market Risks.** Potential investors should recognise that the prices of shares fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and variable investor and consumer sentiment.
- 1.2 **Investment Risks Generally.** Risks of a general nature relating to investment in shares and securities generally and especially where the company in which the investment is made has a small market capitalisation.
- 1.3 **Risks Related to Investment in Resources.** Exploration and/or development of resources generally are subject to **high** levels of risk.
- 1.4 **Fiscal Risks.** These involve the imposition of additional taxes, imposts and other charges by government from time to time relating to revenue or cash flow. Industry profitability can be affected by changes in tax policies, the interpretation and application thereof.
- 1.5 **Currency Exchange and Other Risks.** Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations of international currency exchange markets. Foreign taxes, limitation on repatriation of earnings, compliance with foreign accounting and business laws, and cultural differences, carry a certain amount of risk. Fluctuations in exchange rates may adversely affect the Company.
- 1.6 **Macro Economic and Political Factors.** Apart from exchange risks there are a wide range of other macro economic and political factors beyond the control of the Company which will affect the Company's operations including the consequences of terrorist and other activities which themselves impact adversely on the global economy, demand for and supply of commodities and share market conditions and share prices generally.
- 1.7 **Risks Relating to Commodity Prices.** Commodities are subject to high levels of volatility in price and demand. As the Company's potential earnings may be derived from the sale of gold these earnings will be closely related to the price of that commodity. The sale of this commodity may expose the Company to commodity price and exchange rate risks. The international price of gold is commonly denominated in United States Dollars, whereas the income and expenditure of the Company are, and will be, taken into account in Australian currency.

The potential income stream of the Company will be exposed to the fluctuations and volatility of commodity prices and the rate of exchange between the United States Dollar and the Australian Dollar as determined by international markets.

- 1.8 **Sufficiency of Funding.**

If the Issue is fully subscribed, the Company will have sufficient funds to continue operations for up to 3 years depending on expenditure levels on its tenements.
- 1.9 **Management Competency.** The future success of the Company will be primarily dependent on the competency of the operators of the Company's various projects and on each operator's capacity to manage day-to-day operations. The Company's future growth will also be dependent upon engagement of management capable of managing and expanding its operations beyond the present projects.
- 1.10 **Contract Risks Generally.** The Company will operate through a series of contractual relationships with third parties generally and sub-contractors. All contracts carry risks associated with the performance by the parties thereto of their obligations both as to financial performance and technical capacity and as to the time frames in which operations are carried out and in relation to the quality of work performed.
- 1.11 **Litigation.** Neither the Company nor any of its subsidiaries are involved in litigation and the Directors are not aware of any basis on which any litigation against the Company or any of its subsidiaries may arise.

- 1.12 **Regulatory Risks.** Operations by the Company may require approvals from regulatory authorities which may not be forthcoming or which may not be able to be obtained on terms acceptable to the Company. While the Company has no reason to believe that all requisite approvals will not be forthcoming and whilst the Company's obligations for expenditure will be predicated on any requisite approvals being obtained Applicants should be aware that the Company cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean that the ability of the Company to develop or operate any project, or possibly acquire any project, may be limited or restricted either in part or absolutely.
- 1.13 **Production Risks.** There can be no assurance given that the Company will achieve production from any of the projects referred to in this Prospectus. The capacity of the Company to achieve production will depend on a wide range of factors including capital costs and operating costs that may be applicable to the individual projects and the capacity of the Company to fund those costs. If production is achieved then unanticipated problems may increase extraction costs and reduce anticipated recovery rates.
- 1.14 **Drilling Risks.** Risks in relation to future drilling include break-downs and the risk of a failure to develop reserves.
- 1.15 **Environmental Risks.** The requirement that following cessation of production from operations, the Company may be required to participate in clean-up programs resulting from any contamination from operations in which it participates, removing disused plant and equipment and, where necessary, restoring land that has been disturbed in the course of operations. The cost of that cleanup may be considerable if operations result in significant environmental liabilities being incurred. Allowances have not been made for rehabilitation in the cash flow projections of this Prospectus.
- 1.16 **Operational Risks.** These include the possibility of environmental accidents, the risk of unexpected mechanical failure or equipment breakdown resulting in loss of production and additional expense generally, unexpected interruption to or imposition of onerous conditions on access or industrial disputes and resultant increases in costs of operation.
- 1.17 **Insurance.** The Company's operations will expose it to risks and hazards typically associated with exploration for and development and production of minerals. In accordance with customary industry practices the Company intends that it will maintain insurance against some, but not all, of those risks and hazards. The availability of insurance and the rates at which insurance may be available will determine which losses are insured against and in what amount. The occurrence of any significant event which is not fully insured against may or could seriously harm the Company, its operations and adversely impact on its future financial condition.
- 1.18 **Discovery Risks.** Any discovery may not be or become commercially viable or recoverable.
- 1.19 **Tenement Risks.** A risk must exist that some part or all of the tenements held may be forfeited under the provisions of relevant legislation, or that when subject to renewal, they may not be renewed by the regulatory authorities for various reasons. The Company is not aware of any reason why if the terms and conditions of grant are complied with, any such tenements would be forfeited or not renewed.
- 1.20 **Exploration Risk.** Exploration is a high-risk activity that requires significant amounts of expenditure over extended periods of time. Currently there are no economic mineral reserves on the tenements controlled by Mount Rommel and there can be no guarantee that planned exploration programmes will lead to the establishment of resources or reserves within the meaning of the JORC Code or otherwise. Even if resources are established there can be no assurance that such resources will form the basis of a commercial mining operation.

By its nature the business of mineral exploration, which the Company will be undertaking, contains risks. For its part, exploration is a speculative endeavour and can be hampered by unrelated practical matters as well as the unpredictable nature of mineral deposits. With respect to predicted extrapolations to depth from known mineralisation, poor drilling techniques, incorrect grade estimates, unforeseen and adverse ground conditions, flooding, inclement weather, poor equipment availability, force majeure circumstances and cost overruns from unforeseen events all represent areas of risk requiring management. Resource estimates themselves are necessarily imprecise and depend upon interpretations that could prove to be inaccurate. Any future successful mining operation will depend on exploration success, mineral resource calculations, appropriate economic circumstances, ore reserve calculations, successful statutory planning approvals, mine design and the construction of efficient processing facilities, competent operation and management and efficient financial management.

Thus future exploration activities of the Company may be affected by a range of factors including, geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, changing government regulations and many other factors beyond the control of the Directors of the Company.

The success of the Company will also depend upon the Company having timely access to sufficient development capital, being able to maintain title to its exploration licences, and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the perceived value of the tenements, a reduction in the cash reserves of the Company and possible sale or relinquishment of the exploration licences.

- 1.21 **Mineral Resource Estimation and Reported Drilling Results Risks** There are no current economic mineral reserves or resources on the tenements controlled by Mount Rommel. Estimates of resources are prepared in accordance with the JORC code. All persons applying for shares in the capital of the Company should understand that all estimations of resources are an expression of judgement on behalf of the person making the estimate. Some resource estimates can be changed with the addition of new information. Resource estimates can be imprecise and depend on interpretations by the person making the estimate, such interpretations could prove to be incorrect.

This prospectus contains details of drilling results in relation to the tenements but it should be noted that only some not all those drilling results not undertaken by Mount Rommel have been independently verified by analyses for Mount Rommel. Such data has been made available for review by the Independent Geologist for inclusion in his report as contained herein.

- 1.22 **Environmental Risk** The projects of the Company are subject to Australian State and Federal laws and regulations regarding environmental matters. The operations and activities of the Company are environmentally sensitive and cannot be carried out without prior approval from and compliance with all relevant environmental authorities. Furthermore the Company in the obtaining of all its Work Approvals has shown that it intends to conduct all its activities in a manner that is environmentally responsible and in accordance with all relevant laws.
- 1.23 **Title** Interests in tenements in Australia are governed by the respective State Government legislation and are evidenced by the granting of tenements through the issuing of a lease or licence. Each lease or licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to, or its interests in, tenements if licence conditions are not met or if sufficient funds are not available to meet expenditure commitments.

**In Victoria**, any person including the Company has a right to apply for a mining tenement, whether or not there has been a discovery of a body of mineralisation containing gold, or it is known to be a body considered to carry economic levels of mineralisation. There is never any certainty of grant of tenement by government.

The Company holds and in due course will seek to acquire or renew mining tenements in Victoria as its operations expand. There is no guarantee that the permits and licences the subject of such applications will be granted. The Minister in question may refuse the applications. Persons may object to the grant of permits or licences and the Minister in question will take objections into consideration when making the decision on whether or not to grant or renew any tenement the subject thereof.

All tenements are subject to various standard conditions including, but not limited to, those prescribed in the Regulations. Any failure to comply with the expenditure conditions or with the other conditions on which the licences are held, expose the licence to risk of cancellation in whole or in part.

If the Company does not act to carry out its Work Programs and mandatory reporting as required by the terms of grant of its exploration tenements then these tenements could be cancelled with the Company receiving no compensation.

If the Company is successful at Tourello in the discovery of a body of mineralisation which may be economic, the Company will apply for a mining tenement. The grant of such tenements is also subject to the relevant mining legislation and will only be granted on the terms and conditions that the relevant Minister considers appropriate. Once granted, such leases are liable to cancellation on breach of any conditions.

1.24 **Native Title.** The Company's tenements are not subject to native title. See the report by Mr Paul Rainey in Section 8.

1.25 **Limited History.** The Company's future prospects must be considered in light of the difficulties commonly encountered in the early stages of a Company's development, particularly those companies involved in the exploration for mineral resources.

**These risks are not necessarily exhaustive and Applicants should realise that any company with resource-based operations is subject to a wide range of risks many of which may not be foreseeable.**

## SECTION 11

### 11. GENERAL MATTERS

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Set out in this Section are details of material agreements and additional information which is provided for information of Applicants generally and in accordance with the requirements of the Act.

#### 1. MATERIAL AGREEMENTS

Other than as set out below, none of the Company or its subsidiaries has entered into any material agreements other than in the ordinary course of its business which material contracts remain uncompleted or relevant to investment in the Company pursuant to this Prospectus.

##### 1.1 **Agreement between Mt Rommel Mining Ltd and each of Sinclair Exploration Pty Ltd, Skye Chemicals Pty Ltd, John G Woodland and Neil F Rutherford dated 15 December 2005**

The parties to the contract other than the Company are the vendors of Exploration Licence 4609 ("EL4609") granted over private land under the Mineral Resources Development Act 1990 of the State of Victoria ("the MRD Act").

EL4609 is the Exploration Licence underlying the Company's project at Tourello.

Under clause 3 of the Agreement, the Vendors agree to sell and transfer EL4609 to the Company for a consideration which is equivalent to 10% of the gold produced by the Company as purchaser in every 6 month period from the date that production of gold commences from the Licence Area until such time as the vendor has received an aggregate of 4,000 ounces.

Clause 4 of the Agreement makes it clear that the Company is under no obligation to deliver gold pursuant to the Agreement if the Company as purchaser "does not extract sufficient gold to meet the liabilities of the purchaser at any date for delivery of the Vendor's gold." However, the Company must notify the Vendors of the expiration of each 6 month period whether the Vendor's gold is available or unavailable for delivery and the quantity thereof.

Clause 4.3 of the Agreement provides that the purchaser is to reimburse the Vendor at completion for all cost and expenses reasonably incurred by the Vendor after completion of the Agreement and to replace the \$5,000 bond held by the Minister under the MRD Act.

Completion of the Agreement is subject to a series of pre-conditions which (unless waived) include shareholder approval by ordinary resolution of the members of the Company in general meeting to the purchase of EL4609 on the terms and conditions set out in the Agreement, the delivery-up by the Company to the Vendor of a certificate from the Company's bank stating that the Company, as purchaser, has access to funds of not less than \$250,000 and, of course, that the Company, as purchaser, is registered on the Mining Register maintained under the MRD Act as the transferee of EL4609.

Clause 2.5 of the Agreement provides that if the Company as purchaser gives notice that a condition (referred to above) is unlikely to be satisfied or if completion has not occurred on or before 1 April 2006 (or other agreed date) then any party not in breach may give the other notice that the Agreement is to be terminated within 7 business days.

Under the Agreement the Company purchases the intellectual property rights which are essentially defined to mean all technical information, ideas, concepts, know-how, technology, processes and knowledge owned and used by the vendors in connection with the area covered by EL4609 together with all rights in respect of any prior exploration programs, licences or occupation rights owned or used by the vendor including rights not owned but used exclusively.

Pending completion and transfer the vendor is restrained from selling or encumbering the EL and must procure that EL4609 is maintained in good standing.

## 1.2 Agreements Entered into with Joint Venture Participants

The Issue contains a series of Offers: one of which is the JVP Offer which is being made to a total of 44 Joint Venture Participants who have agreed to transfer the whole of their right, title and interest in and to the area of MIN 5391 and all of their right, title and interest in and to data generated in exploration and work programs partially funded by them within the area of MIN 5391 in exchange for ordinary shares in the capital of the Company: each credited as fully paid.

Mount Rommel previously entered into a series of joint venture agreements each of which was to be for a period of 2 years from 28 June 2004. Under the arrangements, the joint venturers agreed to appoint Mount Rommel as the effective manager of the joint venture and agreed to provide funding not exceeding \$2,000 per joint venturer over a period of 2 years from the 28 June 2004 to carry out prospecting and exploration activities on the greater Clunes to Ballarat district including the area of MIN 5391 and beyond. Out of the joint venture the parties would share the product of the joint venture activities on a 50/50 basis through ownership as tenants in common of part of the gold production from MIN 5391 together with ownership as tenants in common of the intellectual property and knowledge resulting from the joint venture. The joint venture assets specifically excluded the freehold land at Clunes (underlying MIN 5391), various profits a prendre to which the Company is a party, 222 of 384 parts of MIN 5391 retained 100% by the Company and joint venture rights to EL4609 as they existed, or would exist, at 31 July 2004. These joint venture agreements were not registered under the MRD Act and until registration have no effect under the MRD Act.

To effectively reverse the above transactions, the Company, by a letter dated 8 June, 2005, offered to acquire from each of the Joint Venture Participants;

- (a) all that Joint Venture Participants' rights (including future gold) in and around Clunes MIN 5391 established under those Agreements in exchange for the issue and allotment to that Joint Venture Participant of 33,000 fully-paid new ordinary shares in the capital of the Company;
- (b) all that Joint Venture Participants' interest in all data generated during the complete exploration and work program (carried out in relation to MIN 5391 and surrounds and at Ballarat and Tourello) established under those Agreements in exchange for the issue and allotment to that Joint Venture Participant of a further 11,000 fully-paid new ordinary shares in the capital of the Company.

The Offer under the letters was made subject to the issue of the prospectus and the issue of the shares under that prospectus so that the shares could be issued without breach of the provisions of the Corporations Act 2001. Under the agreement constituted by acceptance of the Offers contained in those letters each of the Joint Venture Participants are entitled to be issued the Shares and conversely the Company is entitled to issue the Shares to them subject only to the issue of this Prospectus. By issuing this Prospectus, the Company has met the precondition contained in the Contracts resulting in the acceptance of the Offers and if a Joint Venture Participant fails to exercise its rights pursuant to those Contracts, then the Company will treat the Joint Venture Participant as having waived its rights to be issued and allotted Shares under the Prospectus.

The Offer was accepted by all Joint Venture Participants on or before 30 June 2005 and the implementation of the Offer constitutes the JVP Offer made pursuant to the Issue.

The entitlement of each individual Joint Venture Participant to 44,000 shares is dependent on the Joint Venture Participant having contributed the full amount of the monies required to have been contributed under the terms of the Joint Venture referred to. Where any Joint Venture Participant contributed less than the full amount of his or her obligation, then the number of shares to be received was pro rated.

As reflected in the JVP Offer, the total number of shares to be issued to Joint Venture Participants pursuant to the terms of the JVP Offer is 2,189,000 shares.

### 1.3 Profit à Prendre Agreements

The land in Certificates of Title Volume 10584 Folio 243 and Volume 10584 and Folio 244 underlie the area of MIN 5391.

Although Mount Rommel and Sinclair Exploration Pty Ltd are the registered proprietors of both the titles referred to above, there are a total of 74 persons who have equitable interests in the land and each of these persons has entered into an agreement under which they become entitled to a profit à prendre in relation to any stone removed from the land, the subject of those titles in which they have a relevant equitable interest. Each of those persons has also executed a power of attorney in favour of the 3 named persons to act on their behalf as their representatives pursuant to the provisions of the profit à prendre agreement to negotiate royalty rates with Mount Rommel in relation to stone which may be removed from the area of the titles.

Under the provisions of the Mineral Resources Development Act ("MRD Act"), the Department of Sustainability and Environment requires that, to remove stone from the area of any mining tenement, an extractive industries licence authority (named a "Work Authority") is required which cannot be granted without the consent of the owner of the land from which the removal of stone is to occur. The effect of the profit à prendre agreements is to obtain the authority of the underlying beneficial owners of the land who are entitled to have the land transferred to them as tenants in common according to their proportionate interests therein.

"Stone" is very broadly defined in the MRD Act.

Under the MRD Act, the registered proprietors of the land (Mount Rommel and Sinclair Exploration Pty Ltd) are the parties who will give the requisite consent to the removal of stone for the purpose of obtaining that extractive industries licence authority. The Company has separately entered into a formal agreement with Sinclair Exploration Pty Ltd as one of the registered proprietors of the land in the above titles. That agreement merely reflects the agreements referred to herein and does not provide for further compensation.

No royalty Agreements have yet been entered into. The Company has separately entered into Compensation Agreements under the MRD Act relating to compensation rights for mining activities under the MRD Act as referred to below.

### 1.4 Compensation Agreements

The Company has likewise entered into a series of compensation agreements with the persons holding the underlying equitable interests in the land the subject of the titles referred to in 1.4 above. This has been entered into for the same purpose namely to obtain the consent of the underlying equitable owners of the land the subject of the MIN (referred to in the agreement as Tenants-in-Common). The terms of the agreement in relation to compensation follow closely the requirements of the Act and the underlying equitable owners have accepted the issue and allotment of shares in the capital of Mount Rommel in full and final settlement of any claims they may have to compensation for loss or damage that has been or might be sustained as a direct, natural and reasonable consequence of the approval of one or any Work Plan relating to MIN5391 or work undertaken relating to MIN5391 on any part of the land including:

- (a) the making or grant of the application for MIN5391,
- (b) deprivation of possession of the whole or any part of the surface of the land;
- (c) damage to the surface of the land;
- (d) damage to any improvements on the land;
- (e) severance of the land from other land of the owner or occupier;
- (f) loss of amenity, including recreation and conservation or value;
- (g) loss of opportunity to make any planned improvement of the land;
- (h) any decrease in the market value of the Tenant-in-Common's interest in the land.

For the sake of certainty the parties to the agreement have agreed that all timber and iron work relics which are discovered on the land remain the property of all the underlying equitable owners of the land and Mount Rommel shall have no interest in same.

Under the agreements, each of the tenants-in common waive any right they may have to object to MIN5391 and acknowledge that the agreement provides in full for all compensation to which the Tenant-in-Common is entitled under Section 85 of the MRD Act and each of the tenants-in-common acknowledge that the terms of the agreement constitute an agreement made pursuant to Section 87 of the MRD Act.

Under the agreement, Mount Rommel agrees that it will comply in all respects with any conditions of any work plan and any associated environmental management plans related to MIN5391 including, but not limited to the provisions of bonds, to secure Mount Rommel's performance. Under the agreement, Mount Rommel agrees to restore the surface of the land to such contours as are prescribed in any applicable work plan or environmental management plan and as agreed with the land catchment management of the Department of Sustainability and Environment and representatives of the Shire of Hepburn.

The obligations under the agreement are additional to those imposed under the MRD Act and regulations made thereunder and by virtue of the terms of MIN5391 or by any other relevant legislation or regulation, including those for issue of a "Work Authority" under the Extractive Industries legislation.

The Company has separately entered into a formal compensation agreement with Sinclair Exploration Pty Ltd as one of the registered proprietors of the land. That agreement merely reflects the compensation agreements referred to herein and does not provide for further compensation.

## **2. RIGHTS AND LIABILITIES ATTACHING TO SHARES IN THE COMPANY**

A summary of the more significant rights attaching to the Company's shares is set out below. This summary is not exhaustive nor does it constitute a definite statement of the rights and liabilities of the Company's members. To obtain such a statement, Applicants should seek independent legal advice.

### **Provisions of the Constitution Relevant to Partly Paid Shares**

The constitution of the Company governs voting rights attaching to partly paid Shares, the liability for payment of calls by holders of partly paid Shares, the rights of the Company to forfeit partly paid Shares and generally the relationship between holders of partly paid Shares and the Company generally. Applicants should also note the provisions of the Corporations Act dealing with the liability of contributories.

The provisions of the constitution which are relevant to the above are as follows:

#### **Voting**

Rule 9.10 of the constitution governs entitlement of Members to vote and in particular Rule 9.10.1.3 provides:

"on a poll, every person who is a Member or a proxy, attorney or representative of a Member shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction must be equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited). In this Rule, amounts paid in advance of a call are ignored when calculating the proportion."

Where a call has been made on a partly paid share but not paid, Rule 9.13 provides:

"A Member is not entitled to vote at a general meeting in respect of those shares on which calls are outstanding."

## **Calls**

Rule 5 of the constitution governs the power of the Company to make calls on shares. Rule 3 provides that shares may be issued subject to calls or payable by instalment. Rule 5 is set out below in full.

### **5.1 Power to make calls**

Subject to the terms on which any shares have been issued and to compliance with the requirements of the Corporations Act and the Listing Rules, the Board may make calls on the shareholders in respect of money unpaid on their shares. Each shareholder is liable to pay the amount of each call in the manner, at the time and at the place specified by the Board. Calls may be made payable by instalments.

### **5.2 Obligation for calls**

The Company may make arrangements on the issue of shares for a difference between the holders of those shares in the amount of calls to be paid and the time of payment of the calls. The joint holders of a share are jointly and severally liable to pay all calls in respect of the share.

### **5.3 When a call is made**

A call is taken to have been made at the time when the resolution of the Board authorising the call was passed. The call may be revoked or postponed at the discretion of the Board at any time prior to the date on which payment in respect of the call is due. The non-receipt of a notice of any call by, or the accidental omission to give notice of any call to, any shareholder does not invalidate the call.

### **5.4 Interest on the late payment of calls**

If any sum payable in respect of a call is not paid on or before the date for payment, the shareholder, from whom the sum is due, is to pay interest on the unpaid amount from the due date to the date of payment at the rate the Board determines. The Board may waive the whole or part of any interest paid or payable under this Rule.

### **5.5 Instalments**

If, by the terms of an issue of shares, any amount is payable in respect of any shares by instalments, every instalment is payable as if it is a call duly made by the Board of which due notice had been given, and all provisions of this Constitution with respect to the payment of calls and of interest or to the forfeiture of shares for non-payment of calls or with respect to liens or charges apply to the instalment and to the shares in respect of which it is payable.

### **5.6 Prepayment of calls**

The Directors may accept from a Member the whole or a part of the amount unpaid on a share although no part of that amount has been called.

The directors may authorise payment by the Company of interest on the whole or any part of an amount so accepted, until the amount becomes payable, at such rate, not exceeding the prescribed rate, as is agreed on between the Directors and the Member paying the sum.

For the purposes of Rule 5.6.2, the prescribed rate of interest is: if the Company has, by resolution, fixed a rate – the rate so fixed; and in any other case – 10% per annum.

## **Forfeiture**

Rule 6 of the constitution governs the power of the Company to forfeit shares. Rule 6 is set out below in full.

### **6.1 Notice requiring payment of sums payable**

If any shareholder fails to pay any sum payable in respect of any shares, either for issue money, calls or instalments, on or before the day for payment, the Board may serve a

notice on the shareholder setting out details of shares to be forfeited, total issue price, amount called unpaid and amount uncalled and requiring that shareholder to pay the sum together with interest accrued and all expenses incurred by the Company by reason of the non-payment. The notice may be served at any time whilst any part of the sum remains unpaid.

#### **6.2 Time and place for payment**

The notice referred to in Rule 6.1 is to name a day on or before which the sum, interest and expenses (if any) are to be paid and the place where payment is to be made and state that, if payment is not made by the time and at the place specified, the shares in respect of which the sum is payable are liable to be forfeited.

#### **6.3 Forfeiture on non-compliance with notice**

If there is non-compliance with the requirements of any notice given under Rule 6.1, any shares in respect of which notice has been given may be forfeited by a resolution of the Company passed at any time after the day specified in the notice for payment. The forfeiture is to include all dividends, interest and other money payable by the Company in respect of the forfeited shares and not paid before the forfeiture.

#### **6.4 Notice of forfeiture**

When any share is forfeited, notice of the resolution of the Board must be given to the shareholder in whose name the share was registered immediately prior to the forfeiture, and an entry of the forfeiture and the date of forfeiture must be made in the Register. Failure to give notice or make the entry as required by this Rule does not invalidate the forfeiture.

#### **6.5 Disposal of forfeited shares**

Any forfeited share is considered to be the property of the Company and the Board may sell or otherwise dispose of or deal with the share in any manner it thinks fit and with or without any money paid on the share by any former holder being credited as paid up.

#### **6.6 Annulment of forfeiture**

At any time before any forfeited share is sold or otherwise disposed of the Board may annul the forfeiture of the share on any condition it thinks fit.

#### **6.7 Liability despite forfeiture**

Any shareholder whose shares have been forfeited is, despite the forfeiture, liable to pay and must immediately pay to the Company all sums of money, interest and expenses owing on or in respect of the forfeited shares at the time of forfeiture, together with expenses and interest from that time until payment at the rate the Board determines. The Company may enforce the payment or waive the whole or part of any sum paid or payable under this Rule as it thinks fit.

#### **6.8 Company's lien or charge**

The Company shall comply with the Listing Rules with respect to a lien or charge on forfeited shares.

#### **6.9 Sale of shares to enforce lien**

For the purpose of enforcing a lien or charge, the Board may sell the shares which are subject to the lien or charge in any manner it thinks fit and with or without giving any notice to the shareholder in whose name the shares are registered.

#### **6.10 Title to shares forfeited or sold to enforce lien**

6.10.1 In a sale or a re-issue of forfeited shares or in the sale of shares to enforce a lien or charge, an entry in the Board's minute book that the shares have been forfeited, sold or re-allotted in accordance with this Constitution is sufficient evidence of that fact as against all persons entitled to the shares immediately before the forfeiture,

sale or re-issue of the shares. The Company may receive the purchase money or consideration (if any) given for the shares on any sale or re-issue.

- 6.10.2 In a re-issue, a certificate signed by a Director or the Secretary to the effect that the shares have been forfeited and the receipt of the Company for the price of the shares constitutes a good title to them.
- 6.10.3 In a sale, the Company may appoint a person to execute a transfer in favour of the person to whom the shares are sold.
- 6.10.4 On the issue of the receipt or the execution of the transfer the person to whom the shares have been re-allotted or sold is to be registered as the holder of the shares, discharged from all calls or other money due in respect of the shares prior to the re-issue or purchase and the person is not bound to see to the regularity of the proceedings or to the application of the purchase money or consideration and the person's title to the shares is not affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale or re-issue.
- 6.10.5 The net proceeds of any sale or re-issue are to be applied first in payment of all costs in relation to the enforcement of the lien or charge or the forfeiture and of the sale or re-issue, next in satisfaction of the amount in respect of which the lien or charge exists as is then payable to the Company (including interest) or the amount in respect of the forfeited shares then payable to the Company (including interest) and the residue (if any) paid to, or at the direction of, the person registered as the holder of the shares immediately prior to the sale or re-issue or to the person's executors, administrators or assigns on the production of any evidence as to title required by the Board.

## **Transfer**

Rule 7 of the constitution governs the power of the Company to forfeit shares. In particular Rule 7.4 provides power for the Board to refuse to register transfers on securities where it is permitted to do so under the Listing Rules or the ASTC Settlement Rules or SCH Business Rules. Rule 7.4 is set out below.

### **7.4 Board may refuse to register**

- 7.4.1 The Directors may decline to register any transfer of securities (other than a Market Transfer) where:
  - 7.4.1.1 the Listing Rules or ASTC Settlement Rules permit the Company to do so;
  - or
  - 7.4.1.2 the Listing rules or SCH Business Rules require the Company to do so.
- 7.2.2 If in the exercise of their rights under Rule 7.4.1 the Directors refuse to register a transfer of a security, they must give written notice in accordance with the Listing Rules of the refusal to the transferee and the broker lodging the transfer (if any). Failure to give such notice will not invalidate the decision of the Directors.
- 7.2.3 Notwithstanding any other provisions contained in this Constitution, the Company may not prevent, delay or interfere with the registration of a Market Transfer where to do so would be contrary to the provisions of any of the Listing Rules or the ASTC Settlement Rules.

## **Dividends**

Rule 16.6 of the constitution entitles the Company to deduct all monies payable by a member to the Company from any dividends declared by the Company. This includes call or instalments. The Company will not be profitable in the foreseeable future and there is no prospect of dividends being paid during the period prior to the date on which all instalments on any partly paid shares will be required to be paid in full. Rule 16.6 is as follows:

### **16.6 Deduction from Dividends**

The Directors may deduct from any dividend payable to a Member all sums of money (if any) presently payable by that Member to the Company on account of calls or otherwise in relation to shares in the Company.

## Liens

Rule 4 of the constitution sets out the circumstances in which the Company has a lien on shares. Insofar as relevant Rule 4.1 provides in relation to partly paid shares as follows:

### 4.1 Lien on share

4.1.1 The Company has a first and paramount lien on every share (other than a fully paid share or a share issued under an employee incentive scheme) for all money (whether presently payable or not) called or payable at a fixed time in respect of that share and such lien extends to all dividends, rights and other distributions from time to time declared paid or made in respect of that share. Such lien extends to cover reasonable interest (not exceeding 10% per annum) and expenses incurred because such monies are not paid.

4.1.2 The Company also has a first and paramount lien on all shares (other than fully paid shares) registered in the name of a Member for all money presently payable by that Member to the Company and all money which the Company may be called on by law to pay in respect of the shares of that Member.

### Other relevant Provisions of the Constitution

The provisions of the constitution other than as set out above and which are relevant to an investment in the Company are generally summarised below.

**Ranking:** The Shares will be ordinary shares and will rank equally in all respects with the existing ordinary shares in the Company.

**Reports and Notices:** Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of the Company and the Act.

**General Meetings:** Members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Act and the Constitution of the Company.

**Voting:** At a general meeting of the Company every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held. A qualification to the above is that where a person is present at a meeting as proxy or representative for more than one member then on a show of hands that person shall have only one vote and not one vote for each person represented by him. A member who holds a share that is not fully paid shall be entitled to a fraction of a vote equal to the proportion that the amount paid-up bears to the total issue price of the Share. See above generally.

**Dividends:** The Directors may declare and authorise the distribution, from the profits of the Company, of dividends to be distributed to members according to their rights and interests. For the rights of holders of partly paid shares to dividends see above generally.

**Reduction of Capital:** The Company may only reduce its capital in such manner as may be permitted by the provisions of the Act from time to time.

**Borrowing and Lending Powers:** The Company may borrow and lend in such manner as may be permitted by the provisions of the Act from time to time.

**Winding Up:** Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.

**Transfer of Shares:** Subject to the Constitution of the Company and the Act the shares will be freely transferable. There are restrictions on the transfer of partly paid shares where a call has been made and remains unpaid. See above generally.

**Future Increases in Capital:** The allotment and issue of shares is under the control of the Directors of the Company. Subject to restrictions on the allotment of shares to Directors or their Associates contained in the Constitution of the Company and the Act, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

**Variation of Rights:** The rights, privileges and restrictions attaching to ordinary shares can be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote at that meeting or with the written consent of the holders of at least three-quarters of the ordinary shares on issue, within two months of that general meeting.

**Directors:** The Constitution of the Company contains provisions relating to the rotation of Directors (other than a duly appointed managing director and alternate directors).

### 3. TERMS AND CONDITIONS OF OPTIONS TO ACQUIRE ORDINARY SHARES IN THE COMPANY

The terms and conditions on which options to acquire an ordinary share in the capital of the company are granted will be those set out in Section 2 at page 19 above.

### 4. SHAREHOLDER INFORMATION

The Shareholder information set out below was applicable as at 31 December 2005.

#### Analysis of numbers of equity security holders by size of holdings

Distribution of Equity Securities	Ordinary shares	Options
0 - 5000	17	-
5001 – 10,000	29	-
10,001 – 25,000	33	-
25,001 – 50,000	38	-
50,001 – 100,000	46	-
100,001 – 200,000	19	-
200,001 – and over	17	-
<b>Aggregate number of holders</b>	<b>199</b>	<b>-</b>

#### Top 20 Shareholders

The names of the twenty largest shareholders are set out below.

Name of Shareholder	Shareholding	% Issued Capital
Mr. F. L. Hunt	1,207,450	7.47
Sinclair Exploration Pty. Ltd.	783,400	4.84
Jaffalite Pty. Ltd.	650,000	4.02
Lardner Super Fund	620,000	3.83
Mr. C. Schlink	600,000	3.71
Mr. C. E. Layden	599,150	3.70
BHM Stainless Group Pty. Ltd.	435,400	2.69
Mr. P. Selvarajah	425,400	2.63
P.F. & J.A.J. Vincent Super Fund	383,400	2.37
Mrs. H. M. Barr	363,000	2.25
Arco Four Investments Pty. Ltd.	313,400	1.94
Mr. C. O. Haslam	311,800	1.93
Alabastor Pty. Ltd.	280,000	1.73
Capepalm Pty. Ltd.	245,000	1.52
Tromso Pty. Ltd.	233,400	1.44
Mr. G. C. Duff	223,400	1.38
Mr. S. Koci	220,000	1.36
Mr. P. Braun	195,800	1.21
Mr. K. B. Fowler	183,400	1.13
Sajada Securities Pty. Ltd.	166,800	1.03
<b>Top 20 holders of ordinary fully paid shares as at 31 December 2005</b>	<b>8,440,200</b>	<b>52.18</b>

## 5. ADDITIONAL INFORMATION

### 5.1 Corporate Governance

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals and monitoring of the business and affairs of the Company on behalf of its members.

Given that the Company is small, with limited activities and limited resources and has a board of three directors, it has not established a series of committees to address specific areas of corporate governance such as risk management, strategic review and operations and remuneration. These issues will be dealt with by the board acting as a committee in relation to the various areas or issues required to be considered with any interested directors abstaining or being absent as required either by the Act or as necessary to avoid conflict or possible breach of their fiduciary duties.

The board has, however, established one committee: namely the Audit and Compliance Committee, details of which are set out below.

#### **AUDIT AND COMPLIANCE COMMITTEE**

Each of the Directors are members of this Committee.

The Audit and Compliance Committee is a Committee established by the Board to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its Statutory reporting requirements.

The Board believe that having raised funds from the public, it has a responsibility to ensure independent accountability exists. The focus of the activities of this Committee is to increase confidence in the credibility and reliability of financial statements and other financial information released to the public.

#### **Objectives**

- Provide enhanced public confidence in the credibility and objectivity of financial information released to the public.
- Demonstration of the Board's intention to exercise due care in reviewing financial information and in fulfilling legal responsibilities.
- Improved quality of financial reporting.
- Augment non Executive Directors' knowledge and understanding of financial information.
- Increase focus on the corporate risk profile of the Company including the level of authority delegated to management by the Board.
- Provide an insight to the Directors of the Company in respect to the accounting and control systems that exist within the Company and by its advisers, and to enable management action to monitor financial transactions and improve them.
- Assist the Members of the Board by providing a forum in which to raise issues of concern.
- Increase Directors' understanding of the nature and scope of the statutory audit and where applicable, internal audit.
- Provide a framework within which the external Auditors can assert their independence at all times, including in the event of a dispute with management.
- Strengthen the position of the internal audit function, by providing a greater degree of independence from management.
- Provide improved communication between the external Auditor and the Board.

## Responsibilities

The Committee shall consider any matters relating to the financial affairs of the Company, compliance with statutory requirements, NSX Listing Rules and issues relating to internal and external Audit. In addition, the Committee shall examine any other matters referred to it by the Board or the external auditor.

Other duties of the Committee are as follows:

- reviewing financial statements and other financial information distributed externally and determine whether or not to recommend their acceptance by the Board;
- monitoring corporate risk assessment and internal controls instituted and implementing internal controls to manage those risks;
- monitoring the establishment of an appropriate internal control framework, including information systems and considering enhancements;
- reviewing internal and external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing the nomination and performance of the external Auditors;
- liaising with the external Auditors and ensuring that the annual and half-year statutory audits and reviews are conducted in an effective manner;
- monitoring procedures in place to ensure that the Company is in compliance with the Act, the Listing Rules, its Constitution and other legislative and reporting requirements. This includes implementing a reporting system that meets formulated standards for public announcements made by the Company to ensure that shareholders and financial markets are adequately and properly informed in order to meet the continuous reporting requirements of the Act and the Listing Rules;
- reviewing reports on any major defalcations, frauds and thefts from the Company;
- reviewing the declaration from the Company Secretary on compliance with statutory responsibilities;
- ensuring that a corporate Code of Ethics is established and periodically reviewed;
- initiating and supervising special investigations;
- reviewing risk management practices;
- reviewing policies to avoid conflicts of interest and reviewing past or proposed transactions between the Company and members of management;
- reviewing related party transactions and considering the adequacy of disclosure of those transactions in the financial statements;
- reviewing reports on certain aspects of the Company's superannuation plan and compliance with relevant laws and regulations;
- reviewing reports on the adequacy of insurance coverage;
- formulate, review and monitor compliance with and investigate allegations of a breach of appropriate internal controls and reporting standards, mechanisms and procedures to ensure that the Board is informed at all times of all material corporate governance matters effecting the Company; and
- formulate and update, for submission to the Board for its approval, a statement of corporate governance principals and other associated documents dealing with, amongst other matters:

- the structure and responsibilities of the Board;
- the proper relationship between the Board and management including the proper relationship between the roles of Chairman and Managing Director;
- the responsibilities of management;
- the proper relationships between the Company and its shareholders, suppliers and customers and employees;
- business dealings, in particular related party transactions, by Directors, management and employees giving rise to actual or potential conflicts of interest and their appropriate disclosure of such dealings;
- ethical and other matters considered by the Committee to be relevant to good corporate governance practice;
- to monitor compliance with the statement and to review or investigate allegations of a breach of the statement or of good corporate governance practice and to report to the Board in respect of such compliance, reviews and investigations at least annually, or more frequently if circumstances require;
- to formulate for Board approval and review and to facilitate the implementation of appropriate procedures to enable individual Directors to have access to independent professional advice, as considered necessary, in respect of corporate governance matters; and
- to act as a resource for individual Directors and the Company as a whole on questions of corporate governance and corporate ethics, including providing decisions and/or advice on such matters as are referred to the Committee by the Chairman of the Board or the Managing Director.

## 5.2 Dividend Policy

The Company will not pay dividends in the foreseeable future.

## 5.3 Consents

**Lindsay V Gentle** has given and not withdrawn his written consent to be named herein as Independent Geologist to the Company in the form and context in which he is so named. In addition, he has given and not withdrawn his written consent to the despatch of this prospectus with his Independent Geologist's report as contained herein being included herein and to references thereto being included either expressly or by inference herein in the form and context in which they are included. Mr Gentle has not had any involvement in the preparation of this prospectus other than the inclusion of his report and references thereto and he has not given any professional or other advice in respect of any other part of this prospectus. Mr Gentle does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

**Mr Hugh Rutter** and **Flagstaff GeoConsultants Pty Ltd** have each given and not withdrawn their written consent to be named herein as Independent Geophysicist to the Company in the form and context in which they are so named. In addition, they have given and not withdrawn their written consent to the despatch of this prospectus with Mr Rutter's Independent Geophysicist's report as contained herein being included herein and to references thereto being included either expressly or by inference herein in the form and context in which they are included. Neither Mr Rutter nor Flagstaff GeoConsultants Pty. Ltd have had any involvement in the preparation of this prospectus other than the inclusion of that report and references thereto and they has not given any professional or other advice in respect of any other part of this prospectus. They do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

**Moore Stephens Adelaide Pty Ltd** has given and not withdrawn its written consent to be named herein as Independent Accountant in the form and context in which it is so named. In addition, it has given and not withdrawn its written consent to the despatch of this

prospectus with its Independent Accountant's Report as contained herein, being included herein, and to all references thereto being included herein, either expressly or by inference, in the form and context in which such report and all references to such report are so included.

Moore Stephens Adelaide Pty Ltd has had no involvement in the preparation of this prospectus other than the inclusion of such report and such references and has not given any professional or other advice in respect of any other part of this prospectus. Moore Stephens Adelaide Pty Ltd does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

**Moore Stephens** have given and not withdrawn their written consent to be named herein as auditor of the Company in the form and context in which they are so named. In addition, they have given and not withdrawn their written consent to the despatch of this prospectus with references to their audit report in relation to the financial statements of the Company and its controlled entities for the period ended 30 June 2005 all being included herein either expressly or by inference, in the form and context in which references to such audit report are so included.

Moore Stephens have had no involvement in the preparation of this prospectus other than the inclusion of such references to their audit report and have not given any professional or other advice in respect of any other part of this prospectus. Moore Stephens do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

**Paul Rainey**, Solicitor has given and not withdrawn his written consent to be named herein, in the form and context in which they are so named. In addition, Mr Rainey has prepared their Independent Solicitors Report on title and native title issues as contained herein and they have given and not withdrawn their written consent to the despatch of this prospectus with that Independent Solicitors Report, as contained herein, being included herein, and to references thereto being included, either expressly or by inference herein, in the form and context in which they are included. Mr Rainey has had no involvement in the preparation of this prospectus other than the inclusion of their report and such references thereto and have not given any professional or other advice in respect of any other part of this prospectus. Mr Rainey does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

**Pritchard & Partners Pty Limited**, has given and not withdrawn its written consent to be named herein as Sponsoring Broker and Nominated Advisor to the Company, in the form and context in which they are so named. Pritchard & Partners Pty Limited has had no involvement in the preparation of this prospectus other than the inclusion of such references and has not given any professional or other advice in respect of any other part of this prospectus. Pritchard & Partners Pty Limited does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

**Link Market Services Limited** have given and not withdrawn its written consent to be named herein as the share registry to the Company in the form and context in which it is so named. In addition, Link Market Services Limited has given and not withdrawn its written consent to the despatch of this prospectus. Link Market Services Limited has had no involvement in the preparation of this prospectus and has not given any professional or other advice in respect of any other part of this prospectus. Link Market Services Limited does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this prospectus.

#### 5.4 Interests of Directors, Advisers and Named Persons

Except as otherwise set out herein, no Director, expert or professional adviser named herein now has or during the last two years has had any interest in the promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer. Further, no sums have been paid or agreed to be paid to a Director, expert or professional adviser in cash or shares or otherwise by any person (in the case of a Director) either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him in connection with the promotion or formation of the Company or the Offer or (in the case of an expert or professional adviser) for services rendered by the expert or professional adviser in connection with the promotion or formation of the Company or the Offer save and except that:

- (a) Moore Stephens Adelaide Pty Ltd has given and not withdrawn their consent to be named as Independent Accountant in the form and context in which they are so named.

Moore Stephens, Adelaide has given and not withdrawn their consent to be named as Auditors in the form and context in which they are so named.

In addition, Moore Stephens Adelaide Pty Ltd has given and not withdrawn their written consent to the despatch of this prospectus with their Independent Accountant's Report as contained herein, being included herein, and to all references thereto being included herein, either expressly or by inference in the form and context in which such report and all references to such report are so included.

Moore Stephens Adelaide Pty Ltd has had no involvement in the preparation of this prospectus other than the inclusion of such report and such references and has not given any professional or other advice in respect of any other part of this prospectus. Moore Stephens Adelaide Pty Ltd do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

Moore Stephens, Adelaide has had no involvement in the preparation of this prospectus and has not given any professional or other advice in respect of any other part of this prospectus. Moore Stephens, Adelaide do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any other part of this prospectus.

In accordance with the terms of their engagement, Moore Stephens Adelaide Pty Ltd have prepared the Independent Accountant's Report as contained herein and which form part of this document. In aggregate, they will be paid \$7,500 plus GST by the Company for services performed up to the date hereof. Moore Stephens are the auditor of the Company and have received payment of fees for audit totalling \$15,290 (inclusive of GST) for the two periods ended 30 June 2004 and 31 December 2004 and fees of \$8,800 (inclusive of GST) for the period ended 30 June 2005.

- (b) in accordance with the terms of his engagement, **Mr. P. Rainey** has prepared the Independent Solicitors Report that forms part of this document for a fee of \$8,000 (inclusive of GST) which payment will be satisfied by an issue of 80,000 fully paid shares each at an issue price of \$0.10 (10 cents).
- (c) in accordance with the terms of his engagement, **Mr Lindsay Gentle** has prepared the Independent Geologist's Report that forms part of this document and has received a total amount of \$10,733 (inclusive of GST) as per his normal terms and conditions in relation thereto.
- (d) in accordance with the terms of its engagement, **Flagstaff GeoConsultants Pty. Ltd** have received a total amount of \$7,150 (inclusive of GST) as per its normal terms and conditions in relation to the preparation of the Independent Consultant Geophysicist's Report that forms part of this document.
- (e) in accordance with the terms of its engagement, **Pritchard & Partners Pty Limited** will be paid an amount of \$20,000 to act as Sponsoring Broker and Nominated Advisor to the Company for a period of 12 months from the date of this

Prospectus. This payment is conditional on the successful completion of the issue and will be satisfied by payment of an amount of \$10,000 in money and by an issue of 100,000 fully paid shares at the issue price, at the conclusion of this issue. Additionally the GST component payable on the \$10,000 satisfied by issue of shares will be paid in money to Pritchard & Partners Pty Limited.

At the date hereof no such payments have been made save as set out herein and, save as set out herein, all such payments made in the period have been paid or are payable in cash.

## 5.5 Directors' Other Interests

In addition to the above:

- (a) the Directors and the Company Secretary are entitled to be remunerated as set out below.
- (b) two of the Directors hold shares as set out herein. The Company Secretary holds no shares in the Company.
- (c) the Directors and the Company's officers shall be entitled to take up their respective entitlements to Shares pursuant to this Prospectus.
- (d) Hamish Hunt is a director and shareholder in the Company and in BHM Stainless Group Pty Ltd which provides administration offices to the Company, on a casual monthly basis. In the year ended 30 June 2005 BHM Stainless Group Pty Ltd received a total of \$3,600 (previous year \$2,718).
- (e) the Directors have advanced monies to the Company as set out in the following table some of which bears interest as set out herein. Portion of the proceeds of the issue will be applied in reduction of this indebtedness up to a maximum of a total of \$55,000.

<b>Directors' Loans to Company</b>		
	Y/E 30/06/2005 \$	Y/E 30/06/2004 \$
Loan from Frederick L Hunt (Principal) Capitalised interest included in principal	211,900 23,217	152,308 7,698
The loan is unsecured with no defined repayment term attracting an interest rate of 8.5% p.a. on the yearly average balance. The loan represents funds advanced by the director to ensure that the company is able to continue as a going concern and pay its debts as and when they fall due.		
Loan from Hamish Hunt The loan is unsecured with no defined repayment term and attracts no interest. A portion of the loan, \$14,000, represented monies advanced for a proportion of the purchase consideration required for the purchase of the land at Clunes, Victoria in the financial year ended 30 June 2003. The balance of the loan, \$2,500, represented a contribution to the company to assist with funding its operations.	16,500	16,500
	This loan was reduced to a total of \$11,500, as at calendar year end 2005.	

- (f) In relation to the above, the loans, and in particular those from Mr Fred Hunt, the auditors, Moore Stephens Adelaide Pty Ltd made a declaration of economic dependency in relation to the financial statements of the Company as at 30 June 2005 when they stated that "As indicated in Note 19 to the financial statements, the economic entity is dependent on Frederick L Hunt, a director and shareholder of the company and its controlled entity, for his continued financial support to meet ongoing expenditures. Without this support there is significant uncertainty whether

the company and economic entity will be able to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

- (g) Mr Fred Hunt holds 50% of the issued capital of Bonshaw Gold Pty Ltd (ACN 112 035 006) as ordinary shares (5) with the remaining 50% of the ordinary shares (5) being held by the Company.

F.L. Hunt provided technical knowledge about the distribution of locations formerly gold-bearing which was his own intellectual property and other collated information, to the Company on the basis that Bonshaw Gold Pty Ltd would be incorporated on 1 December 2004 and on the basis that it would be owned as to 50% by Mr Hunt and as to 50% by the Company. The information provided was used in support of an (subsequently refused) application for a 5 hectare mining licence at Ballarat West in the name of Bonshaw Gold Pty Ltd without the written consent of the holder of EL 3714 and was provided on the basis that Mr Hunt would support that application through a Hearing before the State Mining Warden under the MRD Act.

The bulk of the now-collated information was published, and provided to the Department in map form. Without the background information collected from time to time over a series of years 1990 to 2004 by Mr Hunt and so provided the corporate opportunity would not have arisen. Confirmatory information with respect to this area generally has been derived from the archive resources of the State Library of Victoria, and from the Public Records Office, Victoria.

Various of the information also derived from prior joint venture arrangements to which Mr Hunt was personally a party and in which the Company was not involved, and from work carried out by him on tenements held by him.

- (h) The directors of Bonshaw Gold Pty Ltd are Frederick L Hunt and Johannes L Venter who are also directors of the Company. **Control of Bonshaw Gold Pty Ltd exists in the Company** as the Company is required to make all the financial and operating policy decisions of Bonshaw Gold Pty Ltd and to ensure that those policies are consistent with the policies of the economic entity. As at the date hereof, the entity has not traded, nor sought to use its data base.

#### 5.6 Directors' and Officers' Share and Option Holdings

The names of each of the Directors and Officers of the Company and the number, description and amount of securities in the capital of the Company presently held by each of them or on their behalf or in which they have a relevant interest are set out below:

Director/Officer	Shares	Options
Fred L Hunt (Chairman & CEO)	1,207,450	Nil
Hamish Hunt (Non-executive Director)	542,200	Nil
J. L. Venter (Non-executive Director)	Nil	Nil
N J Storer (Company Secretary)	Nil	Nil

#### 5.7 Directors' and Officers' Fees, Remuneration and other entitlements

The Directors are not presently remunerated by the Company.

With effect from the admission of the Company to the Official List of NSX Directors will be remunerated as follows (including superannuation contributions)

Name of Director	Total (inclusive of Superannuation entitlements)	Amount Payable in money	Amount Payable by issue of shares
Frederick L Hunt	20,000	10,000	10,000
Hamish Hunt	20,000	10,000	10,000
J. L. Venter	20,000	10,000	10,000

All Shares will be issued at an issue price being the higher of the issue price of the Shares pursuant to this prospectus or the amount which represents the average market price of all shares traded on the stock market during the 20 business days prior to the date on which payment of fees shall be made. If no such sales occur in that period then the issue price shall be the higher of the issue price hereunder and the amount which is the median between the buy and sell quotes on that stock Market. If there is no buy or no sell quote then the shares shall be issued at the issue price hereunder. Directors fees shall be payable quarterly in arrears within 7 days after each of 31 March, 30 June, 30 September and 31 December in each year and with the first payment to cover the period between admission to the Official List of NSX and the next quarter date referred to above.

#### 5.8 Company Secretary's Remuneration

The Company Secretary is not currently remunerated on an annual basis.

### 6. DIRECTORS RESPONSIBILITY STATEMENT

The Directors of the Company report that for the purposes of Section 731 of the Act, they state that they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by Section 716(2) of the Act and have not withdrawn that consent before lodgment of this Prospectus with ASIC. Each Director of the Company consents to the lodgment of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

- (a) certain matters may be reasonably expected to be known to professional advisers of the kind with whom applicants may reasonably be expected to consult; and
- (b) information is known to Applicants or their professional advisers by virtue of any Acts or laws of any State or Territory of Australia or the Commonwealth of Australia.

This Prospectus is dated the                      day of February 2006.

Signed on behalf of Mount Rommel Mining Limited

Fred Hunt  
**Chief Executive Officer  
and Chairman**

## SECTION 12

### 12. DEFINITIONS AND GLOSSARY

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Certain expressions are used throughout this Prospectus that are not defined in the various independent experts' reports. Unless otherwise stated or unless inconsistent or repugnant with the context in which the expression is used, each of the following expressions have the meaning set out below:

"\$" or "\$" means references to dollar amounts in Australian currency.

"Act" means the Corporations Act 2001 as in force within Australia.

"ASIC" means Australian Securities and Investments Commission.

"Associates" has the meaning given to that term in the Act.

"Business Day" means, generally, those days other than a Saturday, Sunday, New Years Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which NSX shall declare and publish as not a Business Day.

"Company" or "Mount Rommel" means Mount Rommel Mining Limited (ABN 89 005 583 031).

"Directors" or "Board" means the Directors of the Company.

DPI Department of Primary Industries Victoria – the Department which issues licences in Victoria in accordance with the Mineral Resources Development Act 1990, and as amended

"g/t" means grams per tonne.

"Group" when referring to the means the Company and its subsidiaries from time to time and, when referring to any other corporate entity, means that entity and its controlled or subsidiary entities.

"Issue" means the issue of Shares and Options pursuant to the various Offers made pursuant to this Prospectus.

"JORC Code" means the Australasian Institute of Mining and Metallurgy (AusIMM) code for nomenclature of mineralisation and/or reporting of identifiable mineral resources and ore.

"Listing Rules" means the Official Listing Rules of NSX.

"M" or "m" means metre.

"NSX" means the Stock Exchange of Newcastle Limited.

"Official List" means the Official List of NSX.

"Options" means options to acquire ordinary shares to be granted pursuant to the terms of the Issue.

"Prospectus" means this prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time.

"Shares" means ordinary shares to be issued and allotted pursuant to the Issue.

## GLOSSARY OF TECHNICAL TERMS

Alluvial deposit	Sediments (clay, silt, sand, gravel) deposited by rivers and streams. Heavy minerals such as gold are usually concentrated if present.
Alteration	Change in the mineralogical composition of a rock typically brought about by the action of hydrothermal solutions. Also applied to secondary (supergene) changes in rocks or minerals.
Anomaly	A deviation from average or background values. In geophysics, commonly the difference between observed and computed values.
Anticline	A fold in rock strata in which the crest is normally oriented upwards.
Arcuate	Arched, curving, curved or bowed.
Arsenopyrite	An arsenic iron sulphide mineral
As	Chemical symbol for arsenic.
Au	Chemical symbol for gold
Auriferous	Gold bearing
Basalt	A rock type formed by volcanic lava flows
Bedrock	The underlying, undisturbed rock on which unconsolidated sediments accumulate.
Black slate	The type of slate, dark coloured (black and grey), usually very thin-bedded, rich in sulphides (especially pyrite) and rich in organic material – alternately <i>carbonaceous</i> slate.
Bouguer Gravity	Gravity values after latitude, elevations and Bouguer corrections have been applied – used in the <i>gravitational method of geophysical prospecting</i> .
Carbonate alteration	A chemical change in rock composition involving the development of carbonate minerals, principally ankerite, siderite and calcite
Cainozoic	An era in the geological timescale extending from 65 million years ago to the present – the latest of the four eras into which geologic time is divided, extending from the close of the Mesozoic era to and including the present, thus including the periods termed “Tertiary” and “Recent”.
Cleavage	Consists of semi-parallel, closely spaced planes of easy parting, which may be highly inclined to the bedding plane. It is a secondary structure, commonly confined to bedded rocks, developed by pressure.
Conformable	Parallel to.
Cu	Chemical symbol for copper
Deep lead (deposit)	An ancient stream or river channel now buried beneath later sedimentary deposits and/or later basalt lava flows. Gold bearing sediments deposited by those ancient rivers.
dwt	Pennyweight. 20 dwt equals 1 troy ounce. See below.
Diamond drilling	A drilling method utilising diamond cutting bits to recover rock cores.
Fault	A plane of fracture and movement in a rock mass whereby one part of the body moves relative to the other.
Flanks	The relatively straight sections of strata joining the crests and troughs of folded strata.
Fluvial sediments	Deposits of sediment laid down in river channels.
Fold	A flexure or bend in stratified rocks or any other planar structure.
Footwall	The area or rock mass lying below a dipping stratum or vein.
Geochemistry	An exploration technique involving the chemical analysis of rocks and soils to detect the presence of traces of orebody elements or associated elements.
Geophysics	The study of the earth by quantitative physical methods including gravity, magnetic, electrical, electromagnetic, seismic and radiation methods.
Grade (of mineralization)	The amount of valuable metal in a mineralised body expressed as a weight of valuable metal per unit weight of the whole.
Gravity	The force of attraction between bodies because of their mass.
Gravity survey	Measurements of the gravitational field at a series of different locations over an area of interest.
Hangingwall	The area or rock mass lying above a dipping stratum or vein.
Hinge	Line along which maximum curvature of a fold occurs; it lies at the intersection of the axial plane and any related planar surface.
Hinge zone	The crest or trough area of a fold in rock strata
Host (rock)	The wall rock of an ore deposit.

Hydrothermal	An adjective applied to hot, circulating water rich fluids carrying elements through fractures and pores in crustal rocks. Such fluids generate the quartz-gold veins of the Victorian goldfields. Also applied to the processes in which they are involved, and to the ore deposits and alteration products which result.
IP	An abbreviation for Induced polarization, which is an exploration method involving measurement of the slow decay of voltage following the cessation of an excitation current pulse (time domain method). Metallic sulphide minerals, some oxides, graphite and some clays are the main causes of the effect.
Lithophile elements	Elements enriched in the silicate crust – concentrations of oxides or more often oxysalts especially in silicates.
Lode	A general term for a body of valuable mineral that may not be economically extractable.
Magnetic method	A geophysical method which involves the measurement of the earth's magnetic field and its variations caused by magnetic rocks (predominantly those containing iron minerals).
Map	A representation on a plane surface, at an established scale, of the physical features (natural, artificial, or both) of a part of the earth's surface, or of any desired subsurface data.
Milligal	A unit of acceleration used with gravity measurements. It is about one millionth of the average value of the acceleration due to the gravity at the Earth's surface. Technically, 1 Milligal = 10 gravity units. 1 gravity unit = 1 micrometre/sec/sec.
Miocene	The fourth of five epochs into which the Tertiary (geological) period is divided. It extends from 24 to 5 million years ago. Also the series of strata deposited during that epoch).
Ordovician	A period in the geological time scale extending from 490 to 434 million years ago.
Ore	A concentration of economically extractable mineral.
Oreshoot	A development of ore with a characteristic shape, usually lens or pod shaped, within a mineralised structure.
oz	Troy ounce: equal to 31.103 grams. See table of conversions below.
Oxidised ore	The portion of a stone containing ore which has been affected by weathering and/or surface waters causing, for instance, the alteration of sulphides to oxides and carbonates.
Palaeozoic	The geologic era extending from the Late Precambrian to the Mesozoic era and covering the interval from 545 to 215 million years ago. Also refers to the group of rocks generally of that era.
Pb	Chemical symbol for lead.
Percussion drilling	A drilling method in which an air driven hammer pulverises the rock. Reverse circulation refers to a variation in which the pulverised sample is blown up the centre of the hollow drill rods
Phyllosilicate alteration	A change in rock composition involving the development of phyllosilicates, principally chlorite, sericite, muscovite and kaolin.
Pitch	The angle between the horizontal and a dipping feature measured in the plane of interest.
Pleistocene	An epoch in geologic time extending from 1.8 million years ago to 10,000 years ago. The series of sediments deposited during that epoch, including both glacial deposits and ordinary sediments.
Pliocene	The last of the Tertiary epochs extending from 5 to 1.8 million years ago. Also, the series of strata deposited during that epoch.
Plunge	The angle between the horizontal and a feature measured in the vertical plane
Porosity	The degree to which a rock contains interstices or voids: and <i>micro-porosity</i> meaning very small void spaces.
Pyrite	An iron sulphide mineral.
Quartz	A mineral, silicon dioxide, commonly associated with gold in veins.
Recent	An epoch in the geological time scale extending from 10,000 years ago to the present.
Regolith	The layer or mantle of loose, incoherent rock material, of whatever origin, that nearly everywhere forms the surface of the land, and rests upon the hard or "bed-rock" (also termed saprolite).
Resistivity	A geophysical method which requires the observation of electric fields caused by current introduced into the ground.
Resources	Identified concentrations of minerals of intrinsic economic interest which may eventually be economically extractable.
Reverse circulation	See "percussion drilling"

Saprolite	Completely weathered rock material which remains in situ and retains structures such as banding, jointing and veining.
Selvedge	The rim or margin surrounding a planar body.
Shoot(of ore)	See "oreshoot".
Slate	A fine grained sedimentary rock displaying prominent cleavage as a result of deformation
Strike	The bearing of the line of intersection of a layer with the horizontal.
Stope	The space left after the removal of ore in an underground mine
Stoping	The underground removal of ore by mining
Tertiary	A period in the geological time scale extending from 65 to 5 million years ago.
True width	The width of a layer measured at right angles to the plane of that layer.
Turbidite	Rock types deposited from turbid submarine sediment flows.
Vein	A planar occurrence of mineralization introduced into the host rock and having a more or less regular development in length, width and depth.
VIMP	Victorian Initiative for Minerals and Petroleum.
Weathered	Refers to material which has been affected by the chemical and/or physical action caused by the atmosphere and/or meteoric water.
Zn	Chemical symbol for zinc.

<u>CONVERSIONS</u>	<u>ABBREVIATIONS</u>
1 million oz (Troy) = 31.105 tonne(t)	Au = chemical symbol for gold
1t = 0.984 long tons	g = grams
1oz (Troy)/long ton= 30.612 g/t	g/t = grams per tonne
1g = 0.03215 oz (Troy)	Kg = Kilogram
10g/t = 6.533 dwt (Troy)/long ton	Km = Kilometre
10g/t = 0.3267 oz (Troy)/long ton	m = metre
1oz (Troy) = 31.103g	t = tonne
1t = 1000 Kilograms (Kg)	
1Kg = 1000 grams (g)	
1 dwt = 1.531 g	

The use of the old measure - "tons of gold" - in the Note about Redan (on page 31 of the Prospectus), warrants inclusion of information about Troy Weight, as follows:

The Troy pound = 5,760 grains; the avoirdupois pound = 7,000 grains.

There is now no Troy pound. The former Troy pound consisted of 12 Troy oz and equaled  $\frac{14}{17}$  of the pound avoirdupois. The avoirdupois pound consisted of 16 oz.

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