



28 Lawson Crescent, Thomastown, Vic.3074
P.O. Box 80, Bundoora, Vic. 3083
Email: info@mountrommel.com
Web : www.mountrommel.com

30 October 2014

GENERAL ANNOUNCEMENT

INFORMATION FOR ALL INTERESTED PARTIES ABOUT ALLENDALE, and Exploration Licence 3821.

- (1) Under the provisions of the MRSD Act, this licence continues as it stands, until the Minister says otherwise.
- (2) The last possible date for the continuous term of this licence is 26 February, 2016.
- (3) The shortest period of licence requires an act without precedence, perhaps arising from the timetable of the Warden, thus 28 November, 2014.
- (4) The Directors have taken all steps necessary to meet the requirements of the Mining Warden, and his Directions.

The Directors of Mount Rommel Mining Ltd have no way of knowing what the officers of Government will do in this circumstance.

No wrong-doing by the Company has caused this costly situation.

We believe it to be in the interests of all involved in the exploration Industry in the State of Victoria to take account of the commercial aspect of these proceedings.

The **loss of opportunity to the Company** appears to be serious, and as the Warden has found, **for no good reason.**

For the information of everyone, Directors disclose today the final Directions of Warden Butler, in his correspondence of 23 October, 2014.

The Company was obliged to respond: that letter is the second attachment hereunder.

As at Thursday, 30 October, 2014, there has been no communication from Government.

In the limited time available, Directors will arrange for sufficient, very specific additional exploration activity on EL 3821, designed to assist Members.

Those attending the forthcoming AGM will no doubt have many questions.

ATTACHMENTS -

- (a) Letter, 23 October, 2014, from the office of Mining Warden.
- (b) Letter of the Company, dated 24 October, 2014.

On behalf of Directors,

F.L.Hunt,
Chairman



OFFICE OF THE VICTORIAN MINING WARDEN

Level 36, 121 Exhibition Street, Melbourne 3000

Telephone (03) 9651 8070

Facsimile (03) 9651 8112

Ms Kim Packer
Director
Jennings Packer Lawyers
PO Box 63
BENDIGO. VIC. 3550.

BY EMAIL: Kim@jenningspacker.com.au

Dear Ms Packer,

RE: DISPUTE UNDER S.97 - MINERAL RESOURCES (SUSTAINABLE DEVELOPMENT) ACT 1990 (THE ACT) – MOUNT ROMMEL MINING LTD. AND THE DEPARTMENT OF STATE DEVELOPMENT BUSINESS AND INNOVATION – EL3821 – APPLICATION FOR RENEWAL

On 22 October, 2014 the hearing in relation to the above dispute resumed. On this occasion the department was represented by Ms Sky Mykyta of the Victorian Government Solicitor's Office, the company Mount Rommel Mining Limited again being represented by Ms Kim Packer. The company's representative, Mr Fred Hunt, also attended.

The issue for consideration in the dispute is whether "exceptional circumstances" have been established by the company so that the Minister/delegate might renew EL3821 for a second time.

Submissions were made by the legal representative of each party and certain observations were made by Mr Hunt. As happens from time to time in these matters I took the opportunity of speaking separately with each party about matters relevant to the dispute. During the hearing I informed the parties of concerns I held that the process for considering applications for renewal had not addressed matters which ought to have been addressed in the consideration of whether "exceptional circumstances" existed. It is, I think, fair to say that the parties agreed there was a basis for my concerns.

As a result of my discussions with the parties I formulated a proposal for proceeding with the renewal application so that a full consideration is given to whether the company is able to demonstrate the existence of "exceptional circumstances". The proposal involves the following steps:

- Mount Rommel will within 7 days write to the department a letter which sets out the matters which it considers constitute "exceptional circumstances". Given the correspondence that has already taken place the letter can set those matters out in a summary form if the company so wishes. The letter can also refer to previous material which the company considers is relevant to the application, including a report of November 2013.

- The company's letter is to be forwarded by email to my office and I will arrange for it to be forwarded to the person appointed by the department to assess the application
- The department is to appoint a person with appropriate technical expertise to review the file and relevant material and to make a recommendation to the Minister/delegate.
- The person so appointed is to, as necessary, discuss the material with Mr Hunt and relevant departmental employees, and to visit such part or parts of EL3821 that Mr Hunt considers will assist in the assessment.
- The person appointed is to be in a position to make a recommendation by Friday 28 November, 2014.
- The parties have liberty to apply to me in relation to any issue that may arise in giving effect to the matters set out above.

It is understood that having considered the material the person appointed by the department will proceed to make a recommendation to the Minister/delegate with respect to the renewal without prior notification to the company of the proposed recommendation.

Enclosed for information is a copy of the transcript of the concluding stages of the hearing before me on 22 October, 2014.

A copy of this letter and enclosure will be sent to Ms Sky Mykyta of the Victorian Government Solicitor's Office who represented the department.

Yours faithfully,



E. JOHN BUTLER

Mining Warden

Email: miningwarden@miningwarden.vic.gov.au

Enc.

Copy to:

Mount Rommel Mining Limited: fhunt@mouttommel.com

23 October, 2014.

ATTACHMENT 2



28 Lawson Crescent, Thomastown, Vic.3074
P.O. Box 80, Bundoora, Vic. 3083
Email: info@mountrommel.com
WEBSITE: www.mountrommel.com

ATT: The Appropriate Person
Department of State Development, Business and Innovation.
C/O The Office of the Victorian Mining Warden
Level 36, 121 Exhibition St Melbourne Victoria, 3000.

By email to: miningwarden@miningwarden.vic.gov.au

24 October 2014

EXPLORATION LICENCE 3821, ALLENDALE

Following on from the Hearing before the Mining Warden on 22 October 2014, Mount Rommel wishes to submit the basis on which it considers "exceptional circumstances" have existed for some time and apply in relation to its Application for renewal of the term of EL 3821 as and from 26 February 2014.

The principal points are these –

- 1) The selected location of EL 3821 covers a portion of this State with an unusually high concentration of placer gold, for which there is no explanation;
- 2) The geology of the area is being revealed as unusual;
- 3) The search concept is systematic, but protracted for natural and local reasons;
- 4) The Work Plan registered 27 February 2014 resulted in additional drilling the results in part confirming its purpose;
- 5) Exceptional difficulties in geological appreciation of this location have been shown due to overprinting of probable east-west block movement of the subsurface at some stage prior to the formation of the placer gold distribution – a view more recently confirmed by close-spaced CSAMT geophysical traverses.

Mount Rommel asks for the opportunity to illustrate any of the above points (which are expanded in the attached pages) during conversation with any technical person chosen to review the merits of this renewal application.

We request that the appointed person be provided the means to enable travel (one day) so as to examine the field reality pertaining to EL 3821. We await further advice.

Yours sincerely,

F.L.Hunt

Attachment – expanded information, and diagram FLH020808

The Company enters in good faith into this arrangement, in the manner set out by Mining Warden Butler on 22 October 2014. The Company reserves its rights to publish the events in relation to the renewal of EL 3821, given the very direct relevance of the outcome of this decision-making procedure to future funding of exploration in the State of Victoria. The Company also reserves the right to abandon as unworkable the procedure arranged by the Warden, where the appointed technical person is found to have less than appropriate or relevant qualifications and / or experience. In this aspect, the Company anticipates use of the AusIMM procedures in place for such assessments.

ATTACHMENT FOR THE APPROPRIATE PERSON – 24 October 2014

There are in this State, locations where the sub-surface is more gold-enriched than others. The reason for this circumstance is not apparent. Industry people attempting to understand quite difficult geological problems find their work on the ground being controlled by two political factors – licence from the State and land owner/land manager consents – often one adverse to the other.

The notion of a maximum 10 year term for licences demonstrates very poor understanding of the pre-requisites where risk dollar investment is supporting search programs. The State will discover for itself that Industry requires tenure appropriate to the work to be undertaken – without doubt, the issue of the moment is Government asking for investment, but giving no appropriate continuity of tenure for major search programs. In this context, the lack of Ministerial power to extend the term of licences demonstrates minimal understanding about natural resources.

To Government officials, all licences are the same under the law.

To Industry, a licence is an area selected for work, (and on that account) selected for risk expenditure. There is no meaningful work without money flow, as we all know, but the State disregards risk money in its decision-making process. For the licence applicant, all licences are **not** the same, and in each commercial situation are money-dependent.

With respect to EL 3821:

1) The selected location for work is exceptional anywhere

A monument on the side of the road at Broomfield brings to the attention of all passing by just why this area is exceptional. The statement on this monument refers just the northern segment of a two-part placer gold province in aggregate responsible for 2.7 million oz gold (so far) of the gold yield of this State, for which there is no explanation as to source.

The purpose of EL 3821 has always been to explain the source of such abundant gold.

Prior to the grant of EL 3821, various Companies attempted the same task, drawn to the area by the unique circumstance. It is a fact that since the inception of exploration licences since 1966, this area has consistently been the subject of exploration attention – again, for good prospective reasons. Risk dollars expended by those previously interested in this area have value today as confirmed by the attachment diagram to this correspondence.

Those archive records of former EL holders are all available. Those same records will enable any independent enquiry to compare the advancement of knowledge under EL 3821 with that of all previous licence holders.

The selected location of EL 3821 began as 5 graticules, and was expanded to about 49 graticules. As work proceeded, it has been reduced to its present dimension. There is no value to anyone in further reduction in area for the short remaining term.

2) The geology of the area is unusual

The geology at surface is largely basalt, about which there is nothing especially unusual. The sub-surface geology is turning out to be quite unusual, in that the close folding common in goldfields of Victoria is not the case here. It can be stated that prior to the intensive drilling commencing in 1996, geological information below the basalt was non-existent. Every drill hole since 1996 has added fact data to the State geological records.

3) The search concept

Arising from the work by all previous tenement holders, the initial exploration activity naturally separated into two parts – both of which were largely influenced by BHP activities. The first 63 drill holes resulted in a total discard of one concept, along with relinquishment of the western half of the licence area. When a new licence holder was determined for that relinquished area, some 5000 metres of related core was transferred to that party.

The second concept – centred on the BHP work under EL 2258 – has been developed since about 2006 and remains the focus of attention. This concept has lately become “defined” by the

highly unusual results from CSAMT surveys, as those results are spatially associated with particular areas of gold enrichment. Thus, the objective of licence grant in 1996 was to first locate a zone worthy of intensive testing. The subsequent history of events for EL 3821 has shown that task to be burdened by considerable site-specific difficulties, both at surface and below the basalt.

Given the discard of the western part of EL 3821 after so much drilling there, it may be said that the State in one licence (EL 3821) has had the benefit of a work effort equal to that of two "standard licences".

The drilling traverse coverage of EL 3821 is comprehensively explained in numerous reports submitted to the Department. Any investigation will find there has been a systematic and progressive focus on gaining an understanding of the geological and geophysical environment at selected locations. Confirmation of same is clearly set out in independent reports – see references No. 1 and 2, copies of which are available from the Company.

Drilling remains to be done, for the same original purpose.

4) The Work Plan registered 27 February 2014

The Company lodged a Work Plan *for one hole only*. The processing activity required re-submission, for no reason of particular use to the licence holder. The process of approval was delayed, at a critical time in the life of the licence.

Immediately drilling could commence, meaning in the shortest possible time under law, drilling did begin – the Company being aware that other work was dependent on early confirmation of a perception that in EL 3821 there was a fold zone associated with the original placement of Bunyan's shaft (in Lot 16).

Today -

- Drilling hole EX14-01 has located a fold zone
- Drilling hole EX14-02 gave geological explanation to CSAMT pseudo-section data
- Other holes of that Work Plan registered 27 February 2014 are deferred pending the outcome of drilling further south. The zones of interest to the south are set out in Rutter, as Attachment 4 to the Technical Report, November 2013.

This exploration program was proceeding on its systematic basis. The next location requiring drilling requires consent of a separate landowner. No consent arrangement may be entered into until there is resolution to the state of tenure, EL 3821.

5) Exceptional difficulties

It appears there is a south-pitching mineralised environment passing below Lot 21 (access denied) into Lot 28. The depth below surface exceeds 100 metres. There is no easy means to test this interpreted horizon of interest.

The mineralised zone as interpreted is considered stripped off where passing through Lots 9 and 16. In Lot 28, and further south, the zone of interest is interpreted to be broken into blocks by cross-faulting. The cross-faulting is the explanation for the peculiar placer gold distribution in this vicinity. The cross-faulting is also an explanation for the failure of the BHP drilling program of EL 2258.

The special circumstance now arising is that the 800 metre long gold-in-soil anomaly (see attached page) as confirmed in EL 2258 reporting has support in CSAMT geophysical results, in an area of EL 3821 not covered by basalt.

It can be considered a similar situation may occur 1300 metres to the north (in Lot 4) to explain the placer gold enrichment just west of the shaft location, the former Kingston Park placer gold operation.

These points taken together amount to "exceptional circumstances" arising in the course of exploration activity under EL 3821.

Further that these "exceptional circumstances" would arise was anticipated.

The drilling in April 2014 confirmed a prediction that various anomalies of quite different origins would have a common linear characteristic likely due to folding viz:-

- points of significant enrichment, gold placer workings;
- orientation geochemistry, BHP, related to CSAMT results;
- gold-in-soil anomaly, BHP, and its offset pattern;
- offsets to the CSAMT anomalous trend in Lot 28 (2012/2013/2014);
- original CSAMT anomaly on Allendale Reservoir Rd (1997);
- gravity variance features, especially in Lot 28;
- the probable anticlinal fold location in Lot 28;
- the geophysics (CSAMT) and gravity within Lot 28 and part of Lot 21, shown to be exceptional with respect to the remainder of EL 3821.

The commercial value of such prospectivity should be considerable. It has, however, been seriously impaired by the stance of the Department, such that all recent expenditure on this licence has been written off (\$1.3 million) under duress. That too, is an “exceptional circumstance”, which in every way differs to expense written off at the time licence relinquishment occurs.

REFERENCES

(a) Those relating to general geology

Birch W.D. (Editor) 2003 Geology of Victoria, GSA Special Publication **23** pp 317 – 432

(b) relating to the current environs, EL 3821

- 1) Rutter H. *Independent Geophysicist's Report* – 5 October 2005
- 2) Gentle L.V. *Independent Geologist's Report* – 17 October 2005 (pages 11 to 15)
- 3) Hunt F.L. (compiler) *Annual Technical Report EL 3821* – November 2013
- 4) Benn C.J. for BHP Gold Mines Ltd – *Open File Report EL 2258* for the two six monthly periods 14 October 1989 and 14 April 1990
- 5) Target areas under consideration for drilling on the basis of CSAMT survey work-additional to the information in Rutter 2012 – as provided to the Company in March 2014 by the late Hugh Rutter.
- 6) <http://gutenberg.net.au/ebooks13/1304971h.html>

EXTRACT

For many years the alluvial deposits in Ballarat Proper have been exhausted, and the bulk of gold won in the Central Division has been quartz gold. This was foreseen in 1870, when the first edition of this History appeared; but a great revival of alluvial mining began in the Creswick Division in the early seventies. This was caused by the success of Graham, Brawn, and others at Broomfield Gully, in shallow ground. Their success led to the starting of the Lewer's Freehold Company on the 22nd July, 1872, the first party comprising Messrs. W.P. Jones, S. Fyson, H. Gore, T. Rossell, W. Curten, E. and G. Daws, Rev. J. Wagg, W.J. Gillard, R. Henden, J. Riordan, J.M. Davies, G. Westcott, Alex. Stewart, W. Saville, and Alex. Rogers. The first washing was on the 8th April, 1873, when 28 oz. of gold were obtained. This led to a great rush; the shallow ground was traced till the famous De Murska, Ristori, Lone Hand, and Madame Berry gutters were discovered, and nearly the whole of the country between Creswick and the Loddon taken up for mining. The rich deposits and the deep ground recalled the old days of Ballarat itself, and the locality is now the only largely productive alluvial field in Victoria. Fortunately, or unfortunately, the whole of the territory was private property, the Birches and the Hepburns, of the pastoral epoch, or their successors, vendees or assigns, being lords of the soil. The fortunate element was the freedom from the jumper and the other risks of Crown land regulations; the unfortunate element was the royalty tax imposed upon the miner by the land-owners. Early in 1875, by which time the shallow rush had reached the edge of deep deposits and given expectation of a large and profitable field, a band of Ballarat capitalists bought 6000 acres of Birch's estate, at £6 an acre, from Alexander Wilson, the owner at that time. This band consisted of Messrs. M. Loughlin, W. Bailey, E.C. Moore, J.A. Chalk, R. Orr, D. Ham, E. Morey, and H. Gore, who called their company the Seven Hills Estate Company. The company was registered under the Trading Companies' Statute, in 200 shares of £250 each, and their land was taken up by the famous Ristori, West Ristori, Loughlin, West Loughlin, Lone Hand, Lord Harry, Berry Consols, and Madame Berry G.M. Companies, upon whom a royalty of seven and a-half per cent. of the gold won was levied, with one per cent. extra when an extension of leases was required. In May, 1881, the Seven Hills Estate Company was registered in 10,000 shares of £20 each, but very few of the original company's shares changed hands, and the new company has never numbered more than fifteen shareholders. The company under its first organisation received £28,600 in dividends, and up to the 18th April last £138,885 under the new organisation, including £18,834 received as grazing rents from surface lessees. Thus we have an instance of a large sum (£148,651) being taken from the miner which, upon the theory that the gold belongs to the Crown, ought not to have been taken from him, and an instance of a very successful speculation which has already paid for the land more than four times over, and leaves still the estate intact, barring, indeed, some surface damage here and there, and the certainty of other mining royalties yet to accrue.

But the ability to pay such a large aggregate of royalty proves the richness of the alluvium and the success of the mining investors. Thus the dead Ristori Company (12,000 shares of £1) obtained 104,224 oz. 10 dwt. 12 gr. of gold, value £430,918 16s. 4d.; paid £32,153 14s. 2d. in royalty, and divided £16 14s. 5½d. per share. The dead Ristori West Company (20,000 shares of £1) obtained 38,491 oz. 5 dwt. of gold, value £158,409 15s. 1d.; paid £12,707 9s. 8d. in royalty, and £3 14s. 5½d. per 20,000th share in dividends.

The dead De Murska Company (8000 £2 shares) obtained £76,600 1s. 2d. worth of gold, paid £5743 9s. 10d. in royalty, and £28,200 in dividends upon £8800 called up. The dead Lone Hand Company (12,000 shares of £1 10s.) obtained 126,146 oz. 3 dwt. 3 gr. of gold, value £522,162 17s. 3d.; paid in royalty £39,163 1s. 3d., and in dividends £242,700, the paid up capital being £15,300. But the still live and flourishing Madame Berry Company (18,000 shares of £1 10s.) puts all the others into shadow, for it has obtained already 160,592 oz. 11 dwt. of gold, value £656,464 18s. 5d.; has paid in royalty £49,177 13s. 11d., and £21 8s. per share, or an aggregate of £385,200 in dividends, with only 17s. odd paid up per share. This was up to the 18th April last, and the company has apparently a long and prosperous life still before it. This is the richest of all the Kingston mines, and its works are extensive, as already (June 1887) there have been over nine miles of drives excavated in auriferous wash, a mile and a-half excavated in reef, or bed rock, and forty rises put up from six to 157 feet in height, or an average of 30 feet each. The West Loughlin and Berry Consols have not yet become productive mines. The Hepburn Estate is in gold, the Berry No. 1 is beginning to open up wash, and it and the Consols will soon, apparently, be productive, the Hepburn Estate and Berry No. 1 being liable to the same royalty rate as that in the claims before catalogued, though outside the Seven Hills Estate. The Lord Harry and Earl Beaconsfield mines are likely to be producing gold before long, and a host of progressive companies stretch out the line of ventures to the borders of the Loddon Valley.

CLOSING COMMENTS:

The dispute running since April has turned into a costly exercise. The Company believes it necessary to correct what it perceives to be inept management by Government of a licence, EL 3821. Warden Butler has very sensibly directed the Government towards another path, where the prospective natural resource is to be given consideration.

The Company presumes that either the Office of Warden or the Government will provide to the selected independent person copies of the various Submissions by the Company lawyers to the Warden in relation to this dispute.

Over a 30 year period, the writer has gained personal experience through directing exploratory drilling on four of the principal but abandoned goldfields within Victoria. Practical experience provides the basis for observing there is no model procedure to be followed in the exploration of EL 3821.

Work-based innovation is evident in the sequence of Annual Technical Reports. A means to manage progress despite changing variables should also be apparent.

The large lineal dimension of the search objective in this Allendale goldfield has presented various access constraints. These have arisen due to the small size of freehold allotments held by differing landowners. This exploration circumstance has resulted in a special concentration of CSAMT geophysics, applied in conjunction with other tools. It is thought that this collective approach (uncommon) has valuable application in EL 3821. Denial of renewal of EL 3821 amounts to denial of a timely opportunity to test these field procedures.

Evidence of placer gold local enrichment are available in various forms, extracted from public records of worked mines in this vicinity, the importance of which is made plain in the quoted references.

All the foregoing comments in relation to the natural gold resources require consideration in respect of land ownership. This licence at one time (1997) overlaid the various sized properties of 95 separate landowners. The wide-spread geophysics program involved large scale land owner consent procedures. Involvement with landowners has been a feature of this lengthy exploration program, and should not be underestimated as a significant issue. When the program is disrupted, the landowner goes about other pastoral activities, which may further delay return to that portion of the licence area. There are also tenants, of absentee landowners, The Company has reduced the number of properties of interest from 95 to about 6, the most southern being Lot 5, Parish of Spring Hill.

Drilling should have been completed by now in Lot 5, following on from the work in April, 2014, in Lot 16. The results from that intended hole would guide decisions about further drilling, especially those deeper targets indicated by the late Hugh Rutter, firstly on CSAMT traverse 2100, then elsewhere in Lot 28.

Prepared as an Attachment to the Letter to the Appropriate Person C/O the Mining Warden setting out "exceptional circumstances" applicable as and from 26 February 2014.

F.L. Hunt
Mount Rommel Mining Ltd

Attachment: Drawing FLH020808 (the anomaly of BHP as mentioned in Gentle L.V., at page 13)

