



QUARTERLY ACTIVITIES REPORT

PERIOD ENDING

30 SEPTEMBER 2006

COMPANY PROFILE:

- High grade resources (241,000ozs @ 29.7 g/t gold) at Co-O Gold Mine;
- Centrally located mill, multiple mines;
- Low cost production estimated at US\$200 per ounce cash cost;
- Extensive exploration acreage of >700 km² along 70 km strike of the richly endowed East Mindanao ridge;
- Regional assessment confirms excellent prospectivity;
- Exploration commenced aiming to complete 2,500 metres diamond drilling per month.

Shares: 59,656,676 ASX code: MML
Listed options: 22,640,398 ASX code: MML0
Unlisted options: 4,825,000

Geoff Davis
Managing Director

PO Box 860
Canning Bridge WA 6153
Telephone : +618 9367 0601
Facsimile : +618 9367 0602
Website : www.medusamining.com.au

KEY POINTS:

MINE DEVELOPMENT & PRODUCTION

- Co-O development and some stope ore processed by the Co-O Plant during the quarter totalled 11,833 tonnes at an average recovered grade of 9.3 g/t gold;
- Gold production totalled 3,522 ounces at average cash cost of US\$263 per ounce, generating income of approximately US\$2.17 million;
- Co-O 3W shaft currently at 107 metres, target depth 120 metres;
- Completion of large ball mill re-furbishment.

TAMBIS BANANGHILIG PROSPECT

- Development progressing, 1,080 tonnes of development ore at 6.26 g/t gold stockpiled.

BANBANON (SINUG-ANG) DRILLING

- High grade drill (to 5.75 metres @ 13.50 g/t gold) and underground sampling (to 1.50 metres @ 53.57g/t gold) results;
- +5g/t gold zone over 500 metres long (open) & from surface to 100 to 250 metres below surface;

REGIONAL TARGETS IDENTIFIED

- One known & six potential porphyry targets identified;
- Large Carlin-style disseminated gold target in sediments.

CORPORATE

- Approval by shareholders on 29 September to list the Company's securities on Alternative Investment Market ("AIM") of the London Stock Exchange
- 20 day Notice of Intention to List on AIM lodged on 24 October 2006. Listing is anticipated on or about 21 November 2006.



PROJECT OVERVIEW

The locations of the Company's projects are shown on Figure 1.

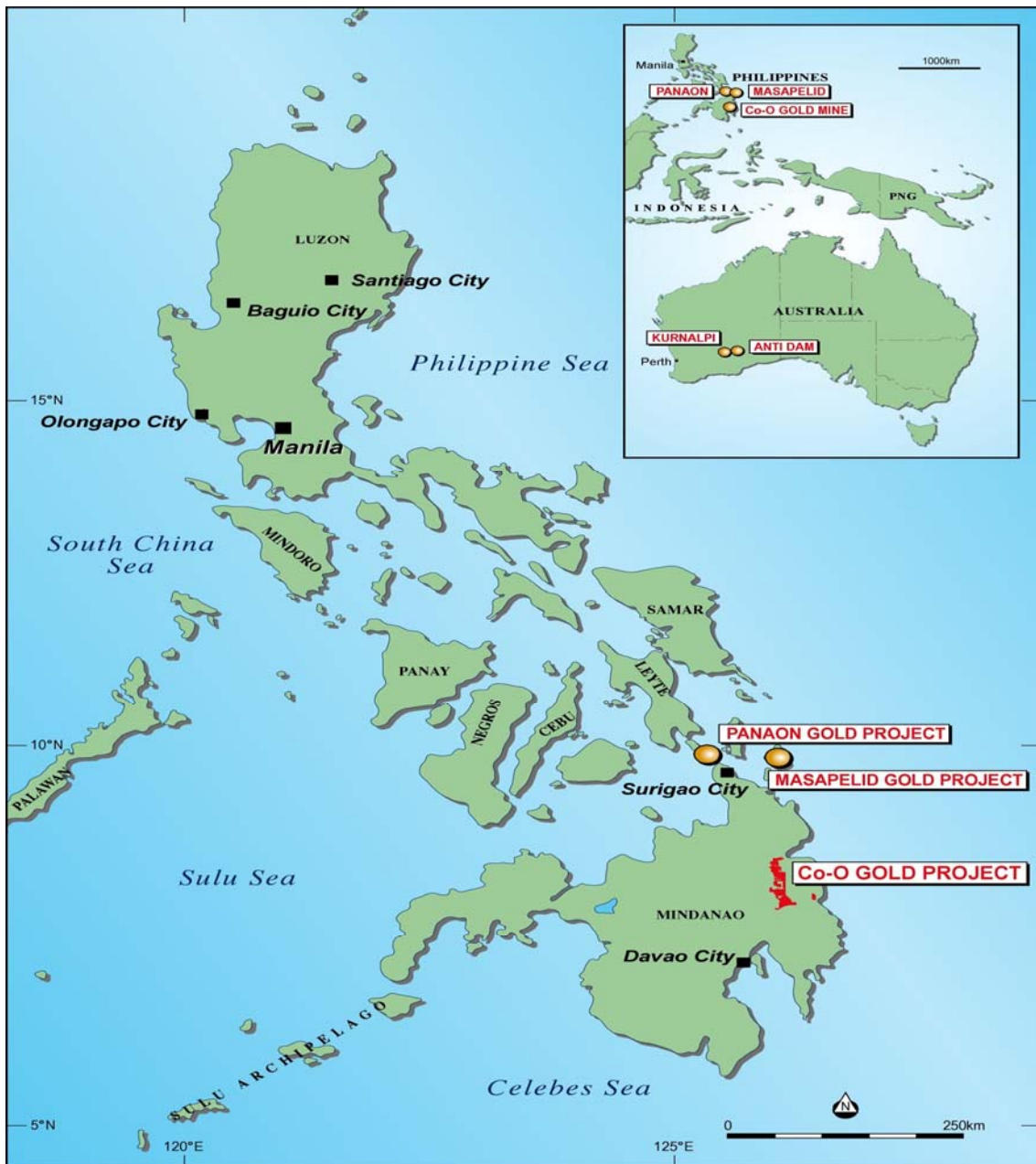


Figure 1: Location diagram

PHILIPPINES

Figure 2 shows the location of the Company's tenement interests in East Mindanao.

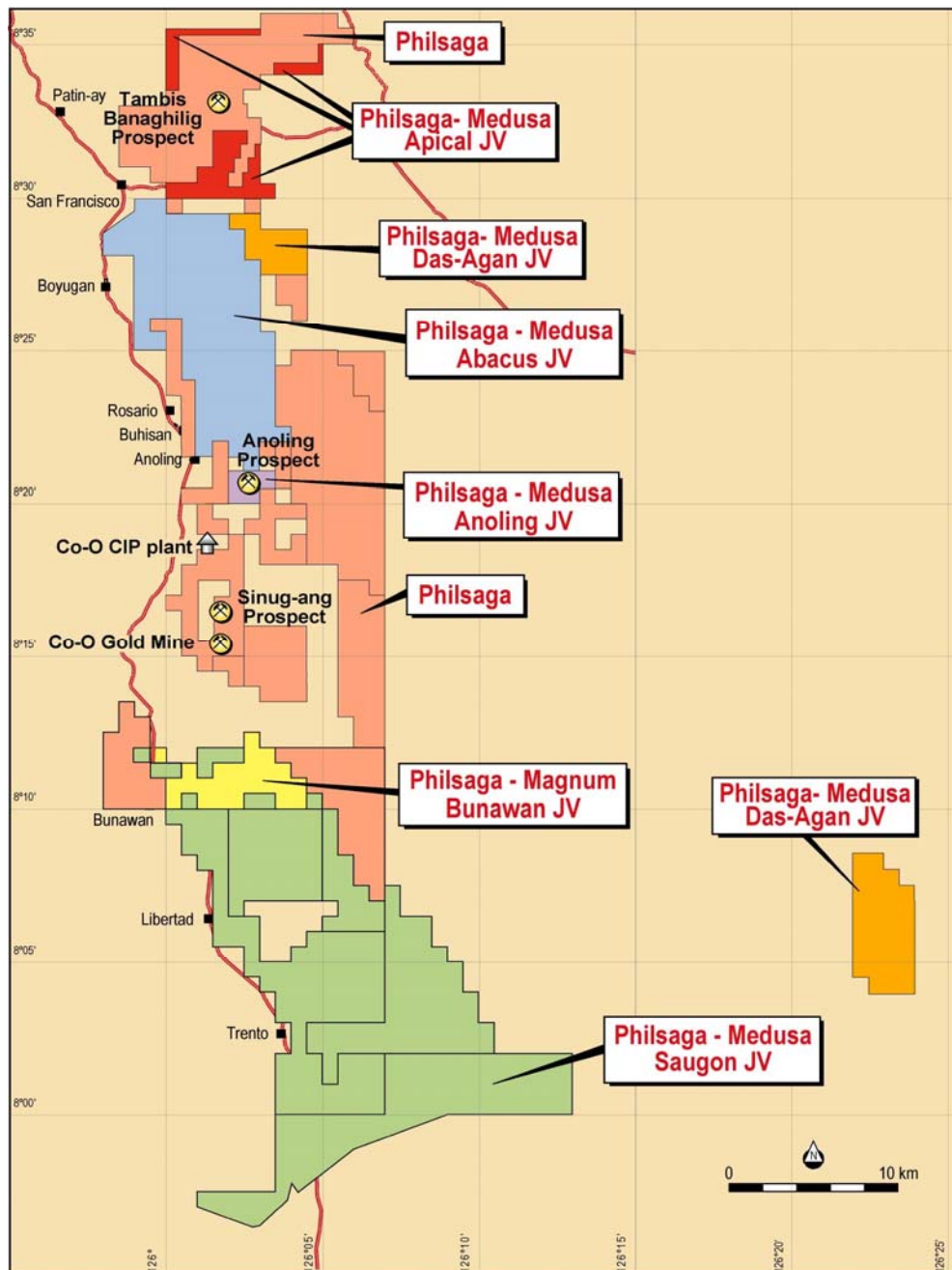


Figure 2: Regional tenement map

ORE SUPPLY AND GOLD PRODUCTION

The Company has continued to increase production from development during the September quarter.

For the September quarter, Philsaga processed 11,833 tonnes of predominantly development ore from the Co-O Mine in the Co-O Plant at an average recovered grade of 9.3 g/t gold. The Co-O Plant produced 3,522 ounces of gold at an average cash cost of approximately US\$263 per ounce, generating gross income of approximately US\$2.17 million. Approximately 686 tonnes of Co-O ore remained stockpiled and approximately 1,080 tonnes of development ore at 6.26 g/t gold from the Tambis Bananghilig Mine is stockpiled.

Table 1. Gold Production for 12 months from 1 October 2005 to 30 September 2006:

Period	Ore mined (tonnes)	Recovered		Cash costs (US \$ per oz)	Gold sales (US \$ million)	Comments
		grade (g/t Au)	ounces (ozs)			
Oct to Dec 2005	5,476	12.3	2,323	250	1.14	Development ore
Jan to Mar 2006	5,609	8.9	1,613	307	0.89	Development ore
Apr to Jun 2006	9,342	8.0	2,503	334	1.62	Development ore
Jul to Sept 2006	12,024	9.3	3,522	263	2.17	Development & some stope ore
TOTAL	32,451	9.5	9,961	285	5.82	

The large ball mill refurbishment has been completed and will be utilised when stockpiles build to a sufficient level. The smaller 200 tpd circuit is continuing to be used until the start-up of the large mill and the smaller circuit will be retained in its entirety as a backup.

PHILSAGA TRANSACTION

Medusa and Philsaga have agreed to proceed to completion of the Philsaga Transaction. The outstanding granting of the MPSA owned by Philsaga over the Co-O Mine is no longer a Condition Precedent for Completion. As Philsaga was granted a Special Mining Permit over the Co-O Mine in January 2006 allowing full scale mining to commence, the Philsaga Transaction will now proceed on a two stage basis as follows:

- On a successful listing and capital raising on Alternative Investment Market (“AIM”) in the second half of 2006, payment of the outstanding cash component of the acquisition of A\$13 million, comprising A\$12 million to the Philsaga Vendors and A\$1 million to contractors to purchase equipment to service the mine; and
- On Completion, issue the outstanding 25 million fully paid Medusa shares which will be held in a 12 month voluntary escrow period until the later of 12 months or the issue of the Supreme Court decision and granting of the MPSA, or upon a change of control in Medusa.

In addition the vendors will continue to receive:

- A royalty of US\$20 per ounce of recovered gold mined from the eastern side of the Oriental Fault, capped at US\$10 million; and
- A 10% share of any cash or shares received by Medusa in the event that a large deposit is discovered and subsequently acquired by a major company.

Co-O PLANT LEASE AND OPTION

Under the terms of the Lease and Option agreement executed on 5 August 2005 and completed on 27 September 2005, between Medusa and Philsaga, Philsaga agreed to provide Medusa with a three year Lease and Option to acquire Philsaga’s treatment plant and associated facilities (“Co-O Plant”).

Co-O MINE

Resource Estimation

Work has been postponed until more underground information becomes available.

Level development

To date the Company has completed over 3 km of new underground development.

Development on the 3117m level (the 10W shaft level) has now driven for 70 metres past the previous stoping areas and development of sub-levels has commenced. Vein thickening to approximately 10 metres wide has been located where the North and Central Veins merge between approximately 170 and 210 metres west of the 10W shaft. Open stoping has been taking place on the new high grade footwall vein below the 3117m level and on the Breccia Vein.

The 3W shaft has now reached 107 metres inclined depth (target inclined depth 120 metres) with recent progress slowed by excessive water and poor ground conditions. Once this shaft is operational, daily mine tonnages will increase and overall grades are expected to increase as higher grade ore from the 3050m level and below will become accessible.

Figure 3 shows the long-section of the Co-O Mine.

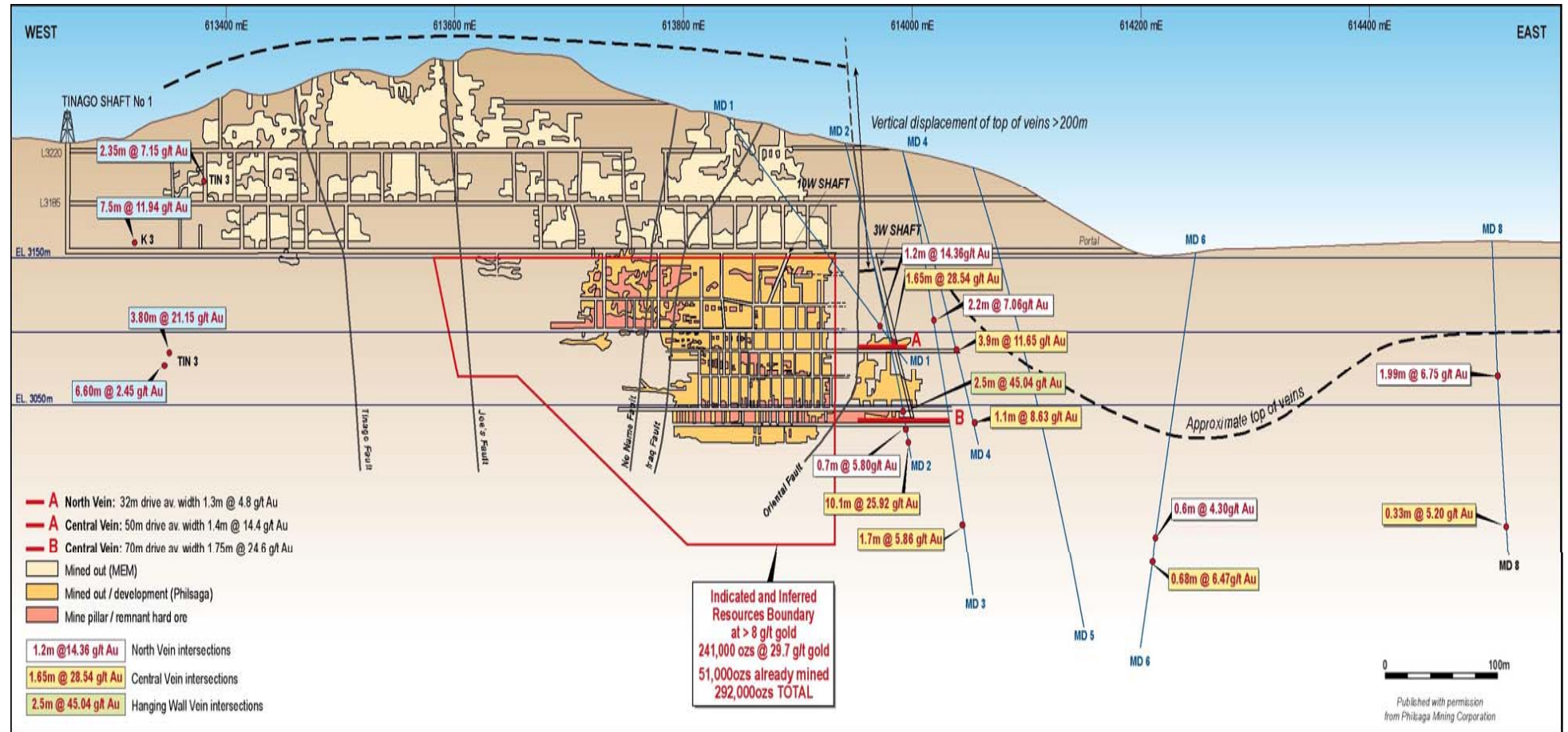


Figure 3: Co-O Mine longitudinal projection

SINUG-ANG PROJECT

The Sinug-ang Project, shown on Figures 2, 4 and 5, comprises two prospects being the Banbanon Prospect in the area of current drilling which was explored in the 1980s by surface sampling and drilling, and the Sinug-ang prospect located further to the north on the same vein system which trends in a NNW direction parallel to the Philippine Rift Fault trend. Some small scale mining activities of selected parts of the Banbanon Vein and with limited lateral extent have been undertaken to a depth of approximately 130 metres below surface.

Whilst the strike direction of the Sinug-ang Project is NNW, the Co-O Mine mineralisation is EW. Projection of the Sinug-ang vein system towards the south suggests it will merge with the Co-O mineralisation. Surface work and drilling are continuing to follow the vein system to the south.

Previous drill holes at Banbanon intersected the following:

Hole	North	East	Dip	Azimuth	From (m)	Width (m)	Grade (uncut) g/t gold
SD 1	915904	172495	60	70	46.50	1.00	8.29
					125.28	1.38	45.28
SD 2	915838	172581	60	70	122.00	1.50	4.49
SD 3	916094	172404	60	70	27.73	1.27	7.57
					142.16	1.44	7.73
SD 4	915752	172630	60	70	25.45	2.00	9.77
SD 5	916211	172478	60		139.00	1.30	5.76
SD 6	915874	172525	60	70	72.50	2.00	4.18
					102.15	3.32	11.88
					110.12	6.48	14.43
SD 7	915790	172597	60	70	40.83	0.10	81.70
					58.03	0.20	16.76
SD 8	915962	172480	45	70	143.50	2.00	17.00
SD 9	915874	172525	75	70	127.29	0.44	7.02
					136.94	1.61	6.40
SD 10	915790	172597	75	70	110.70	1.68	5.97
					114.78	5.46	52.41

Philsaga's recent drilling has intersected the following:

Hole	North	East	Dip	Azimuth	From (m)	Width (m)	Grade (uncut) g/t gold
<u>BANBANON</u>							
SNG 001	915810	172344	-50	70	374.20	0.70	2.70
					394.00	1.00	2.70
SNG 002	916029	172405	-60	90	298.45	0.20	2.83
					304.70	4.35	2.77
SNG 003	915448	172477	-55	70	227.85	5.95	5.86
				including	229.40	2.90	10.52
SNG 004	915810	172344	-50	62	374.90	1.65	3.32
SNG 005	915747	172476	-55	60	222.65	9.15	9.69
				including	226.05	5.75	13.50
SNG 006*	915748	172477	-54	80	239.95	1.05	1.10
					242.63	0.97	2.30
SNG 008	914987	172613	70°	-55°	127.90	0.30	4.20
					138.30	0.75	7.03
<u>SINUG-ANG</u>							
SNG 007	916712	172348	-55	90	Abandoned		
SNG 009	916069	172319			107.40	0.50	2.67

*Note: Hole SNG 006 intersected breccia of mixed vein and wall rock.

As shown on the longitudinal projection in Figure 5, it appears possible that the Banbanon mineralisation is contained within a large shoot which may be plunging gently to the north. The surface samples shown on the cross-section were taken from shallow adits and workings developed on the veins. The underground samples were taken during recent underground mapping and sampling work with the location of the samples restricted to the availability of sample sites, some of which were off-vein and hence were taken from wall rocks to the vein. All underground samples taken, including non-vein samples, are shown on Figure 5.

Continuing Program

Further drilling is in progress along strike to the south towards the Co-O Mine at the Banbanon prospect and drilling has commenced at the Sinug-ang prospect. The drilling and underground sampling results are currently being assessed with respect to the planning of underground exploration via a shaft to verify the mineralisation in preparation for a possible new underground mine initially on the Banbanon prospect being developed in Q2-Q3 2007.

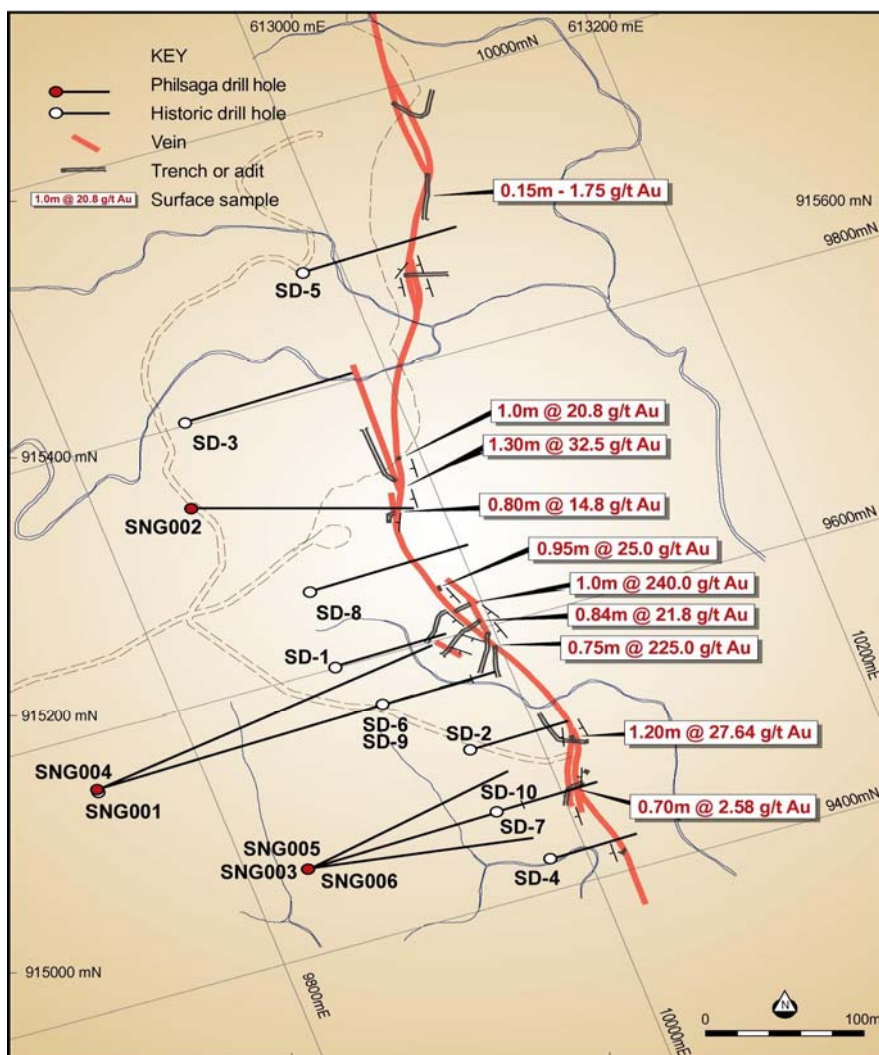


Figure 4: Surface geology of the Sinug-ang Prospect at the Sinug-ang Project

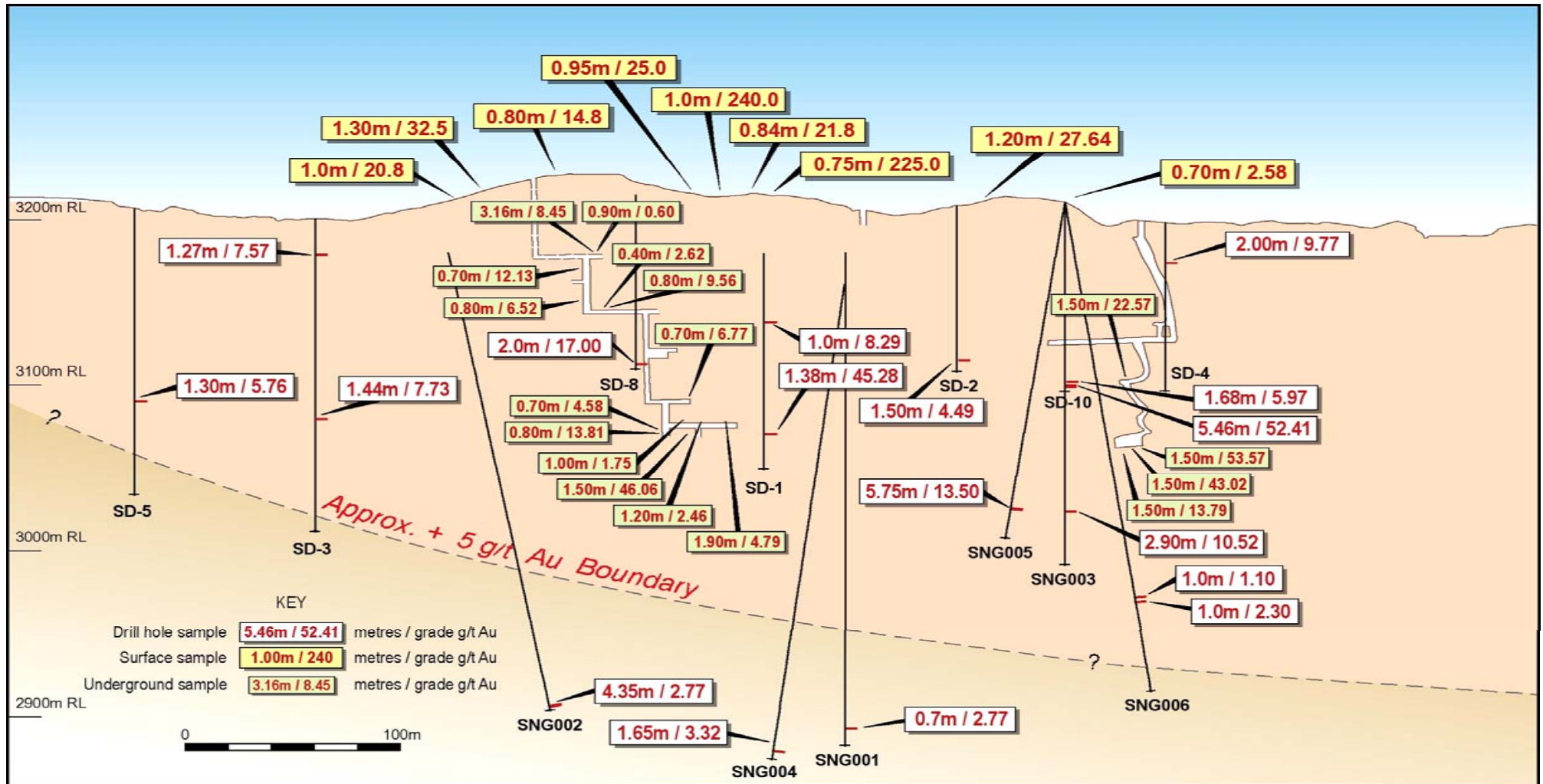


Figure 5: Longitudinal projection of the Banbanon prospect section of the Sinug-ang Project

TAMBIS BANANGHILIG MINE

Background

As shown on Figure 2 the Tambis Bananghilig Mine is located approximately 35 km by the National Highway to the north of the Co-O Plant.

During the late 1970s to 1990s, several companies evaluated the Tambis area as a bulk mining proposition. This resulted in the drilling of a total of 344 diamond and RC drill holes. Whilst significant tonnages of low grade material were defined, studies indicated it was subeconomic at that time.

A total of 29,476 metres of drilling in 344 holes has been previously completed comprising 117 diamond holes for 16,853 metres and 227 RC holes for 12,624 metres. The drill hole data base contains 81 intersections at a cut off of ≥ 1 metre at ≥ 10 g/t gold which are contained within 188 intersections of ≥ 1 metre at ≥ 5 g/t gold.

The weighted average of all intersections ≥ 1 metre at ≥ 5 g/t gold is 16.63 g/t gold uncut and 14.66 g/t gold when a top cut of 100 g/t gold is applied.

The area to the south of the drilling is covered by younger limestone and drilling clearly shows that mineralised veins continue below the limestone.

Development

Since the granting of Small Scale Mining Permits earlier this year, Philsaga has completed the L190 50 metres deep, 2 compartment inclined shaft and has completed approximately 700 metres of horizontal development at the recent rate of over 200 metres per month as shown on Figure 6. The shaft is set up with a haulage way for a 1 tonne skip on rails and a ladder way. From the bottom of the shaft, driving has advanced over 100m to the northwest where it is designed to crosscut a number of interpreted vein systems which were intersected in the previous drilling. After cross-cutting a number of these veins to gain an understanding of vein geometries and ground conditions, mining areas will be systematically set up.

A second drive is in progress to the east where it will branch with one drive to head south to crosscut high grade veins interpreted from drilling under the limestone, and a second drive to the northeast will connect with the L120 adit and become the main drainage tunnel.

The L120 Crosscut adit, as described above will be a main drainage, but is also designed to intersect a number of interpreted veins. Currently some development ore is being extracted from the southern section of a north-south vein system as underground exploration proceeds.

The North-south Vein adit on the north side of the Banaghilg River is developing the vein in this area where a sub-level have been commenced in conjunction with continued driving of the vein on the adit level. Topography here provides up to about 70 metres of backs above the adit level.

The L120 Crosscut adit and the North-south Vein adit are connected by a bridge across the Banaghilg River. The ore pad where the ore from both adits is loaded into trucks is approximately 30 metres above river level. The ore is hauled up the slope by exactly the same system as used in the L170 shaft, ie, a 1 tonne skip on rail. Currently manual trucking is used and this will be mostly replaced by small electric locomotives in the future.

As more veins are cross-cut in all areas of the mine and stoping areas set up, it is anticipated that production will progressively increase.

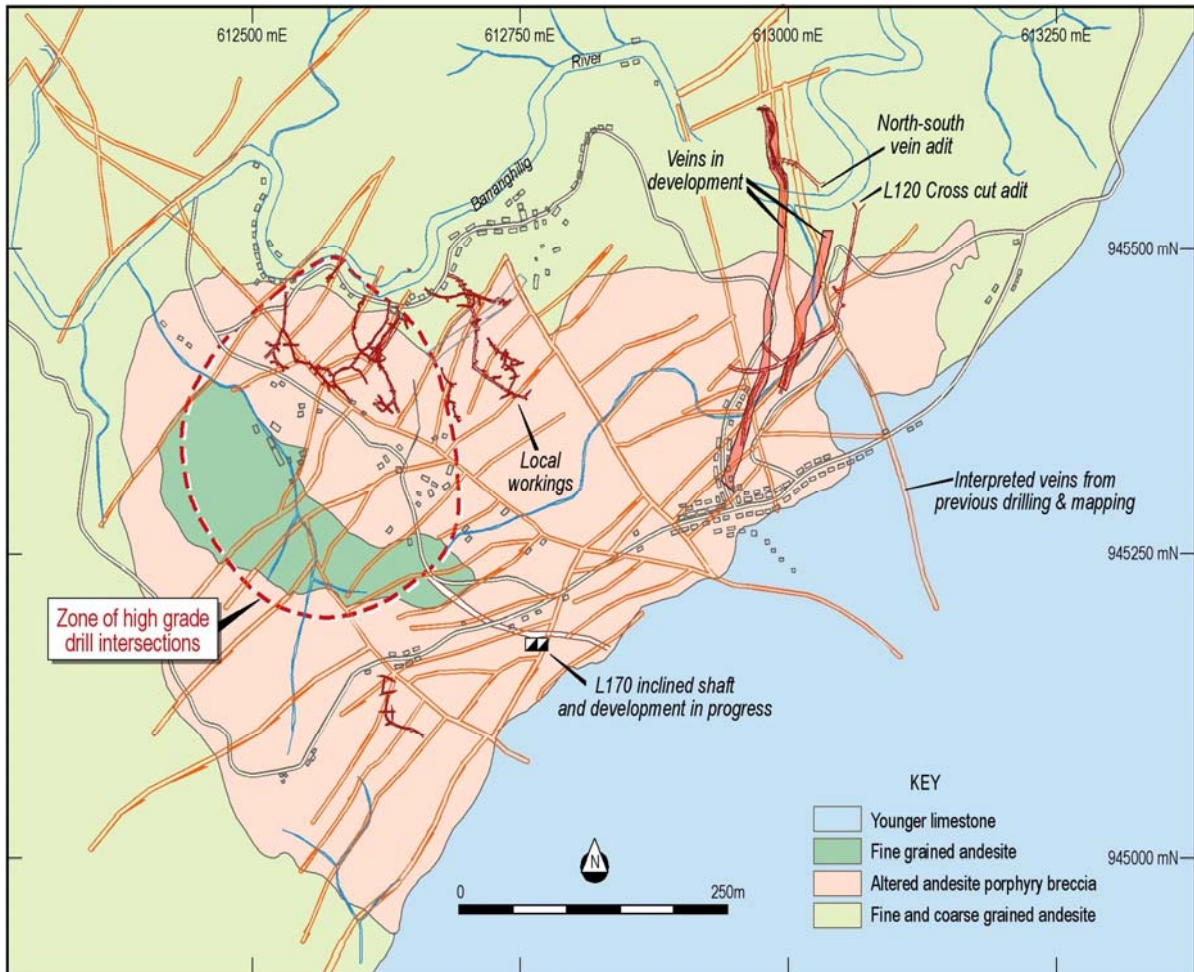


Figure 6: Tambis Bananghilig Mine surface geology

GAMUTON PORPHYRY PROSPECT

A diamond drilling program of 4 drill holes at the Gamuton Prospect west of the Co-O Mine has been completed as shown on Figures 7 and 8.

The Gamuton prospect area has a history of gold prospecting although no mining of substance has been carried out. The work completed by Philsaga has mapped a brecciated zone 50 to 100 metres wide trending E-NE and containing numerous semi-continuous quartz veins which appear to form a conjugate set. An adit is in progress at a horizontal depth of 7 metres from the portal on one of these veins along the interpreted footwall of the breccia zone and which is yielding consistent gold values from face chip samples of 6 to 14 g/t gold and over varying widths from 0.4 to 1.1 metres with the last sample at 7 metres returning 12.87 g/t gold over 0.45 metres.

The four hole program was completed along the breccia zone to investigate the veins at depth.

Hole GAM001 intersected a wide zone of intense propylitic alteration comprising intense epidote (up to 50 to 60% of the rock by volume) and silicification. Within the propylitic alteration is a zone of bleaching which contains strongly anomalous Au-Ag and sporadic narrow stringers and clots of copper as coarse-grained chalcopyrite within and outside the Au-Ag zone.

Hole GAM002 to the west also intersected the same zone, but less intense and less widespread propylitic alteration with similar gold and silver values and sporadic copper veinlets and clots.

Hole GAM003, directly under the adit referred to above, intersected several zones of anomalous gold and silver values with a 1 metre intersection at shallow depths returning 5.43 g/t gold.

Hole GAM004 intersected a wide zone of alteration and anomalous gold and silver values, also with sporadic narrow 1 to 2 cm stringers and clots of copper minerals. Most of the anomalous values occur within various breccia types including hydrothermal breccias.

The drill hole results are summarised below:

Hole No.	Northing	Easting	Dip	Azimuth	From (m)	Width (m)	Au g/t	Ag g/t
GAMD0001	914342	171237	-55	155°	109.90	16.3	0.50	10.73
GAMD0002	914369	171285	-50	155°	80.90	7.25	0.69	9.3
GAMD0003	914402	171330	-50	155°	46.40	3.10	2.19	<2
				including	46.40	1.00	5.43	2.0
					108.40	3.10	0.69	4.0
					196.30	4.70	0.29	6.9
GAMD004	914429	171373	-50	155	100.70	20.50	0.57	4.7

Discussion

The results from the first 4 holes will be assessed to determine the vectors which may indicate the presence of a possible porphyry copper body in the vicinity. To the west of the Gamuton prospect is an unaltered diorite intrusive which may be part of an intrusive complex associated with a mineralised porphyry system.

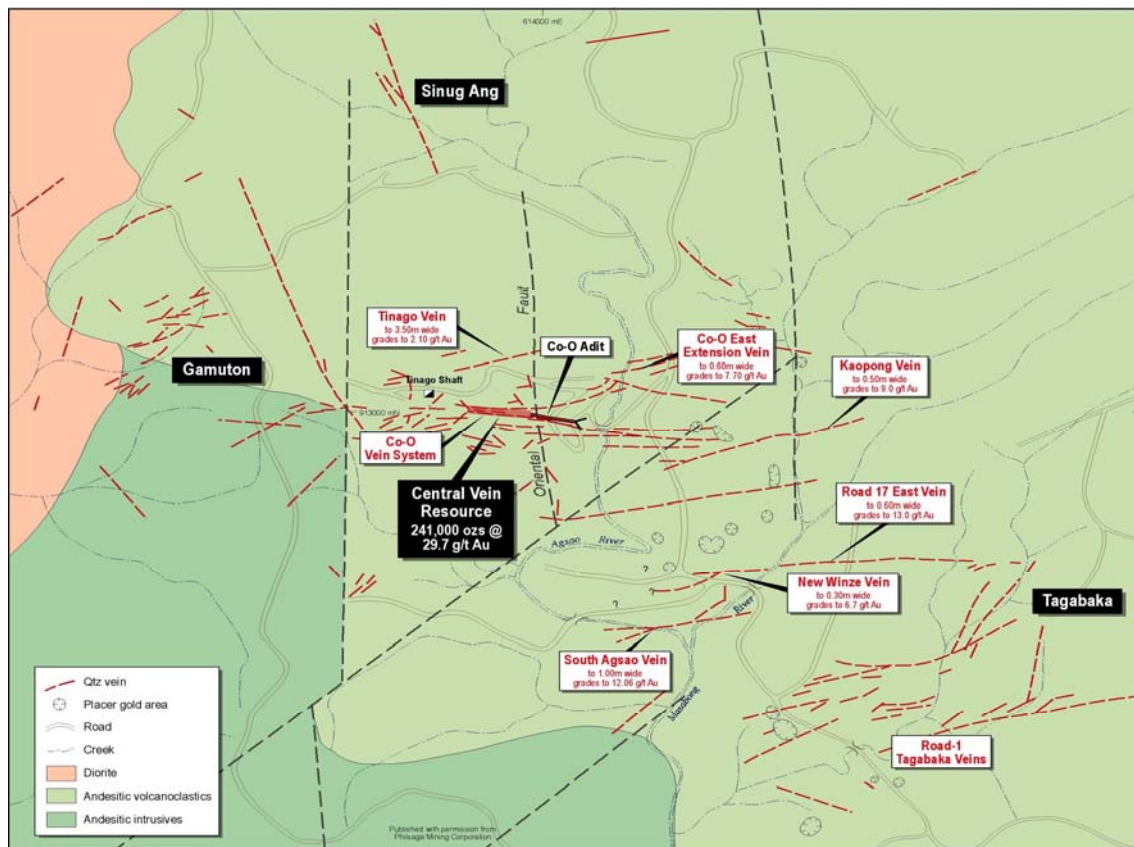


Figure 7: Co-O area surface vein and geology map

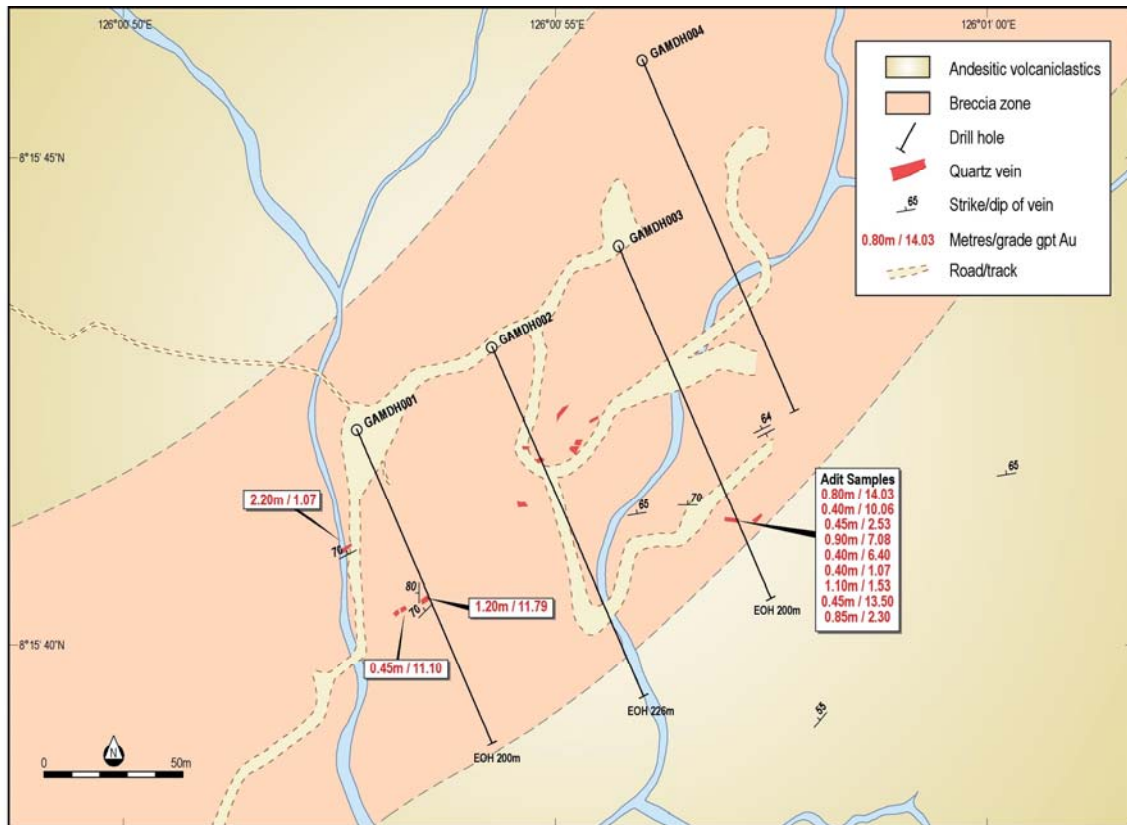


Figure 8: Gamuton Prospect surface map

OTHER PROJECTS

Abacus Project

The Mines Operating Agreement (“MOA”) with Abacus Consolidated Resources and Holdings Inc. covers Exploration Permit (“EP”) application number 000028-XIII situated in Agusan del Sur province in east Mindanao to the north of the Co-O mine and millsite as shown on Figure 2.

The granting of the Abacus EP will proceed when the court case involving resolution of mineral rights has been completed.

Anoling Project

The MOA with Alcorn Gold Resources Inc. covers Mining Production Sharing Agreement (“MPSA”) application number 039-XIII situated in the Agusan del Sur province in east Mindanao to the north of the Co-O mine and millsite as shown on Figure 2.

The granting of the Anoling MPSA will proceed when the court case involving resolution of mineral rights has been completed.

Granting of two Small Scale Mining Permits is expected to be completed during the December quarter.

Das-agan Project

The MOA covering MPSA application number 039-XIII situated in the Agusan del Sur province in east Mindanao to the north of the Co-O Mine and millsite as shown on Figure 2. The MPSA granting will proceed when the court case involving resolution of mineral rights has been completed.

Saugon Gold-Silver Project (Medusa 50%)

Relogging of drill core was completed and revised interpretations are in progress.

ASSESSMENT OF THE REGIONAL EXPLORATION POTENTIAL

Medusa and Philsaga completed an initial assessment of the known mineralisation and potential mineralisation targets within the group's 700 km² of tenements. The targets identified are shown on Figure 9 and include:

- One known porphyry copper prospect and six potential porphyry copper targets;
- One large Carlin-style disseminated gold target in sediments; and
- Multiple high grade vein targets.

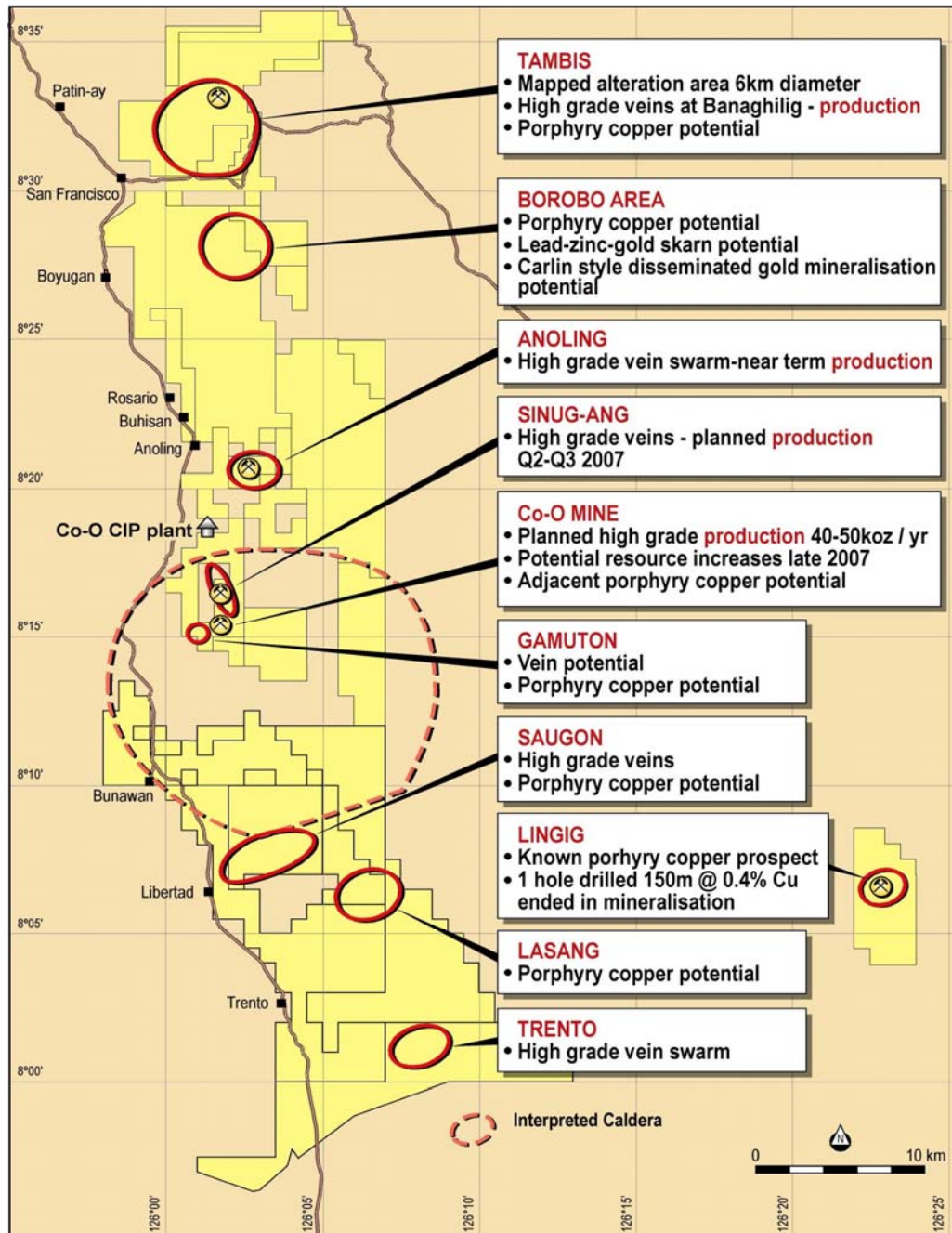


Figure 9: Regional mineralisation targets

Porphyry Copper Targets

Seven potential porphyry copper-gold targets are present in the group's tenements as described below:

- (i) **Lingig prospect:** The project was located as a result of an aid program between Filipino and Japanese geologists and technicians in 1972 to 1974 over eastern Mindanao. Subsequently a program of five holes was completed on five different targets defined based on Induced Polarisation anomalies and geochemical anomalies >200 ppm copper. Hole DDH1 intersected quartz diorite porphyry containing:

• 0 - 100 metres	Altered rocks
• 100 - 200 metres	100 metres @ 0.40 % Cu
• 200 - 248 metres	48 metres @ 0.50 % Cu, 0.1g/t Au
• 248 - 250 metres [End of Hole]	2 metres @ 4.93 % Cu, 0.5g/t Au

The quartz porphyry is located within an alteration area measuring at least 2.5 km x 3.5 km and open in most directions. The alteration and the porphyry position appear to be controlled by two parallel N-NE trending faults. The DDH1 drillhole results bode well for a fully preserved porphyry copper deposit which is exhibiting increasing grades with depth, and suggesting that DDH1 was stopped short of the high grade core that is commonly present in these styles of deposit. The other four holes to the south (DDH2 is the closest being approximately 250 metres to the south-west) intersected minor copper mineralization and significant molybdenum values to 100ppm which is interpreted to be leakages of molybdenum along structures away from the main mineralised porphyry.

- (ii) **Tambis area:** Work by previous operators and aeromagnetics have identified an area of at least 6km in diameter of intense argillic alteration within a larger area of weaker alteration. It is interpreted that this large alteration envelope is likely to result from the presence of an intrusive body that may contain porphyry style copper-gold mineralisation. The current Banaghilig narrow vein development is on the northern edge of the intense alteration envelope, and alteration in this area consists of silica-sericite-clay with a corresponding radiometric signature. Previous stream sediment and BLEG sampling geochemistry programs established a regional gold anomaly measuring approximately 20 km x 8 km using a BLEG threshold value of 61 ppb gold.
- (iii) **Borobo area:** Compilation of past exploration in the 1990s and further assessments indicate the presence of an altered diorite over an area of approximately 2 km x 3 km. This feature also has distinctive airphoto patterns.
- (iv) **Co-O Mine area:** The Co-O Mine and numerous associated veins are within a significant aeromagnetic anomaly indicating intense argillic alteration. The aeromagnetics do not, at the scale undertaken, identify a specific porphyry style target, however a drill hole in 2005 just east of the Co-O Mine intersected disseminated copper and gold style mineralisation in volcanic rocks over short intervals associated with porphyry style magnetite alteration.
- (v) **Gamuton prospect:** Recent drilling below quartz veins at Gamuton has intersected intense propylitic alteration as epidote associated with silicified zones and containing strongly anomalous gold and silver values, and irregular stringers and patches of copper minerals as chalcopyrite. Hydrothermal breccias and other styles of brecciation were also intersected. Further assessment is required to determine the likely position of possible porphyry intrusives.
- (vi) **Saugon area:** Work in 2004 identified a large area of altered rocks in the vicinity of the Saugon First Hit vein system, including argillic altered diorites and volcanics. Aeromagnetics show that the mapped alteration is part of a much larger alteration system trending northeast approximately 5 km long by 2 to 2.5 km wide and sandwiched between two northeast trending faults.
- (vii) **Lasang area:** Aeromagnetics indicate an intense argillic alteration area approximately 4 km x 2 km elongated northeast and with some internal magnetic signatures requiring further assessment. No field assessments have yet been completed.

Other styles of potential mineralisation

Carlin style disseminated mineralisation in sediments: In the Borobo area at the Guinhalinan Prospect, zones of gold mineralised silicification and replacement over an area of approximately 400 metres x 200 metres have been located in limestone and other sedimentary rocks and associated with prominent structures parallel to the Philippine Rift Fault direction and smaller conjugate structures.

Narrow vein systems

Besides the Co-O Mine and the surrounding vein swarm, the Tambis Bananghilig vein system and the Anoling vein system, other vein systems are known at Saugon and Trento. Initial work at the Saugon First Hit prospect in 2004 identified high grade mineralisation in underground exploration and drilling. This mineralisation is currently being re-assessed. At Trento field visits have confirmed the presence of local prospectors mining high grade veins within a large 15 km x 7 km aeromagnetic anomaly defining weak argillic alteration and which may also have porphyry copper potential.

AUSTRALIA

KURNALPI and ANTI DAM PROJECTS *(100% and 90% respectively)*

Subsequent to the end of the quarter, the Company completed the sale of these projects upon the successful listing of Fairstar Resources Limited with the Company due to receive \$50,000 and 1,000,000 fully paid shares in Fairstar Resources Limited.

BRAEMORE PROJECT

The Company relinquished all its interests in the project during the quarter.

CORPORATE

On 29 September 2006, shareholders at a General Meeting, approved the listing of the Company's securities on the Alternative Investment Market ("AIM") of the London Stock Exchange, the issue of up to 30 million shares to raise up to A\$15 million and the issue of 25 million shares to the Philsaga Vendors.

Subsequent to the end of the quarter, on 24 October 2006, the Company lodged the 20 day Notice of Intention to List on AIM. Listing on AIM is anticipated to be on or about 21 November 2006.

Yours faithfully



Geoff Davis
Managing Director

The information in the above announcement was compiled by Geoff Davis, who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Geoff Davis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98. 30/9/2001.

Name of entity

MEDUSA MINING LIMITED

ACN or ARBN

099 377 849

Quarter ended ("current quarter")

30 September 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
1.1 Receipts from product sales and related debtors	2,585	2,585
1.2 Payments for (a) exploration and evaluation	(1,009)	(1,009)
(b) lease payments	-	-
(c) operation	(1,463)	(1,463)
(d) administration	(328)	(328)
1.3 Interest and other items of a similar nature received	18	18
1.4 Other	-	-
Net operating cash flows	(197)	(197)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
1.5 Payments for (a) prospects	-	-
(b) equity investment	-	-
(c) fixed assets	(801)	(801)
(d) development	(1,218)	(1,218)
1.6 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) fixed assets	-	-
1.7 Loans to other entities	(26)	(26)
1.8 Loans repaid by other entities	-	-
1.9 Other (provide details if material)	-	-
Net investing cash flows	(2,045)	(2,045)
1.10 Total operating and investing cash flows (carried forward)	(2,242)	(2,242)

Appendix 5B
Mining exploration entity quarterly report

1.10	Total operating and investing cash flows (brought forward)	(2,242)	(2,242)
CASH FLOWS RELATING TO FINANCING ACTIVITIES			
1.11	Proceeds from issues of shares, options, etc.	21	21
1.12	Proceeds from sale of forfeited shares	-	-
1.13	Proceeds from borrowings	-	-
1.14	Repayment of borrowings	-	-
1.15	Dividends paid	-	-
1.16	Other (issue expenses)	(75)	(75)
Net financing cash flows		(54)	(54)
Net increase (decrease) in cash held		(2,296)	(2,296)
1.17	Cash at beginning of quarter/year to date	3,534	3,534
1.18	Exchange rate adjustments to item 1.20	32	32
1.19	Cash at end of quarter	1,270	1,270

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.20	Aggregate amount of payments to the parties included in item 1.2	126
1.21	Aggregate amount of loans to the parties included in item 1.10	-
1.22	Explanation necessary for an understanding of the transactions	
Salaries and consulting fees paid to Directors of the Company		

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	700
4.2 Development	200
Total	900

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	251	1,297
5.2 Deposits at call	1,019	2,237
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,270	3,534

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 +Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	59,656,676	59,656,676		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	27,465,398	22,640,398	<i>Exercise price</i> (see note 6)	<i>Expiry date</i> (see note 6)
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
2. This statement does give a true and fair view of the matters disclosed.



Sign here: _____ Date: _____
Company Secretary 31 October 2006

Print name: Roy Daniel _____

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
3. **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
4. The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
5. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

6. Options:

<u>Number issued</u>	<u>Exercise price</u>	<u>Expiry date</u>
<i>(a) Options issued and quoted as at 30 September 2006</i>		
22,640,398	\$0.2000	31 Jan 2007
<i>(b) Options issued but not quoted as at 30 September 2006</i>		
225,000	\$0.6072	31 Jan 2007
600,000	\$0.4334	23 Dec 2009
3,000,000	\$0.5764	16 Dec 2007
250,000	\$0.7200	02 Oct 2008
500,000	\$0.9000	02 Oct 2008
250,000	\$1.5000	02 Oct 2008