



QUARTERLY ACTIVITIES REPORT

PERIOD ENDING

30 JUNE 2006

COMPANY PROFILE:

- Production commencing Q3 at +40,000 ozs annualised;
- High grade resources (241,000ozs @ 29.7 g/t Au) at Co-O Gold Mine;
- Centrally located mill, multiple high grade mines nearby;
- Low cost production at < US\$200 per ounce;
- Extensive exploration acreage of >700 km² over 70 km strike of the richly endowed East Mindanao ridge;
- Porphyry copper-gold intersections and targets; and
- Intensive exploration commenced.

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

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Managing Director

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KEY POINTS:

MINE DEVELOPMENT & PRODUCTION

- Development ore delivered to Co-O Plant during the quarter totalled 9,342 tonnes at an average recovered grade of 8.0 g/t Au;
- Gold production totalled 2,503 ounces at average cash cost of US\$334 per ounce, generating income of approximately US\$1.62 million;
- The Company is on track to annualise its production during Q3 at 40,000 ozs pa;
- Updated Co-O Mine resource estimation in progress.

TAMBIS BANAGHILIG PROSPECT

- Philsaga advised acquisition of 344 drill hole data base with 188 intersections ≥ 5 g/t Au averaging 16.65 g/t Au uncut;
- Preparations for maiden resource estimation in progress;
- Underground exploration by adits and shaft in progress.

Co-O REGIONAL CONSOLIDATION & DRILLING

- Joint Venture Agreement for Apical Project and royalty agreement for Sinug-ang Prospect;
- Drilling underway at Sinug-ang and Gamuton Prospects.

PANAON & MASAPOLID GOLD PROJECTS

- Panaon underground and surface drilling of high grade veins in progress;
- Masapolid data assessment commenced prior to drilling.

CORPORATE

- Appointment of Dr Robert Weinberg as London based Non-Executive Director;
- Raising of A\$3.356 million before expenses by placing 5,593,334 shares at A\$0.60 per share;
- Appointment of Ambrian Partners Limited to undertake MML's London Alternative Investment Market listing.



PROJECT OVERVIEW

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



Figure 1: Location diagram

PHILIPPINES

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 Mining Limited (“**Medusa**”) and Philsaga Mining Corporation (“**Philsaga**”), Philsaga has agreed to provide Medusa with a three year Lease and Option to acquire Philsaga’s treatment plant and associated facilities (“**Co-O Plant**”).

ORE SUPPLY AND GOLD PRODUCTION

The Company is on track to commence production from the Co-O Plant in the September quarter at the annualised rate of 40,000 ounces per year.

The refurbished ball mill has successfully completed its test run and is awaiting delivery of steel balls to commence operation. As is common elsewhere in the industry, unforeseen delays have been experienced in the delivery of consumables on schedule. In the meantime the Company will continue to process ore at the rate of approximately 200 tpd.

For the June quarter, Philsaga supplied 9,342 tonnes of development ore to the Co-O Plant at an average recovered grade of 8.0 g/t Au. The Co-O Plant produced 2,503 ounces of gold at an average cash cost of approximately US\$334 per ounce, generating gross income of approximately US\$1.62 million.

Table 1. Gold Production for 9 months from 1 October 2005 to 30 June 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
TOTAL	20,427	9.6	6,439	297	3.65	

PHILSAGA TRANSACTION

The Company is still awaiting the satisfaction of an outstanding Condition Precedent (“CP”) and has agreed in principle with the principal shareholders of Philsaga to discuss and revise the original terms of the Share Purchase Agreement upon resolution of the CP and the granting of a Mining Production Sharing Agreement (“MPSA”) on the Co-O Gold Mine.

The CP involves an issue between surface rights and mineral rights where by a timber concession holder is attempting to link surface rights to mineral rights. In the constitution of the Republic of the Philippines, the separation of surface rights and mineral rights is governed by the Regalian Doctrine. The case bought by the timber concession holder was one in two lower courts by Philsaga, will the litigant subsequently lodging a case in the Supreme Court against the Department of Environment and Natural Resources in attempt to prevent the department from issuing the MPSA to Philsaga. The outcome of the case is awaited.

The period of satisfaction of the CP has been extended to 21 August 2006.

Co-O REGIONAL TENEMENT CONSOLIDATION

As shown on Figure 2, tenement consolidation continued within trucking distance of the Co-O Plant. The Apical Joint Venture Agreement (“JVA”) with MRL Gold Corporation, the Filipino subsidiary of Canadian listed Mindoro Resources Limited, was signed during the period.

The JVA covers Mining Production Sharing Agreement application (“APSA”) number 0028-XIII situated in the provinces of Agusan del Sur and Surigao del Sur in east Mindanao to the north of the Co-O mine and millsite. The MPSA comprises approximately 2084 hectares (20.84 km²) and covers extensions of the favourable geology found further south and in the Tambis area.

The key terms of the JVA are as follows:

- Medusa has the right to earn a 70% interest by:
 - (i) In narrow vein deposits, by commencing narrow vein development and earning its interest by producing the first 500 tonnes of ore, after which MRL has the option to contribute to ongoing expenditure or reduce to a 3% Net Smelter Royalty (“NSR”);
 - (ii) In large bulk tonnage deposits such as porphyry copper-gold deposits or disseminated gold deposits, by completing of a Bankable Feasibility Study, after which MRL has the right to contribute to ongoing expenditure or dilute to a 3% NSR.
- Medusa is required to spend US\$300,000 within 3 years of grant of the APSA, and spend a minimum of US\$150,000 per year subsequently.

- Medusa will issue to the underlying claim holder fully paid shares in Medusa to the value of US\$50,000 once the project has been assigned to the joint venture company and registered with the Mines and Geosciences Bureau.
- Medusa will be responsible for all costs incurred to progress the APSA to granting.

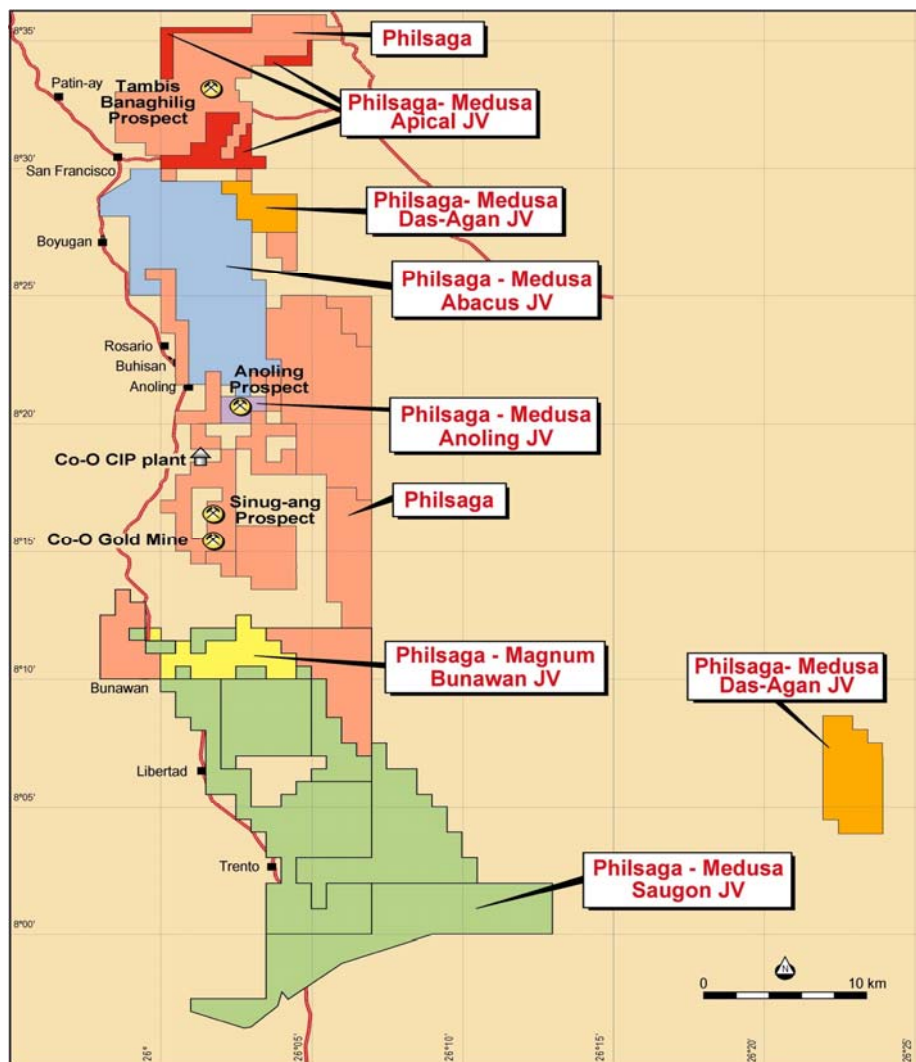


Figure 2: Regional tenement diagram

Co-O Mine and surrounds

Resource Estimation

Work is in progress to complete an updated resource estimation for the Co-O Mine which will include resources to the east of the Oriental Fault and resource additions in other parallel veins where development has started to provide data.

Level development

Development on the 3117m level has been completed accessing remnant ore west of the shaft and is proceeding to access vein extensions further west of previous development. Development is also underway on a new high grade footwall vein and the Breccia Vein.

Limited level development has been undertaken on the east side of the Oriental Fault due to restricted haulage capacity. The 3W shaft has been delayed at 80 metres inclined depth (target inclined depth 120 metres) due to temporarily reduced winder capacity and is expected to be completed during August-September. Figure 3 shows a plan view of the underground workings at adit level (3150m level) and the location of the collars of the new shafts.

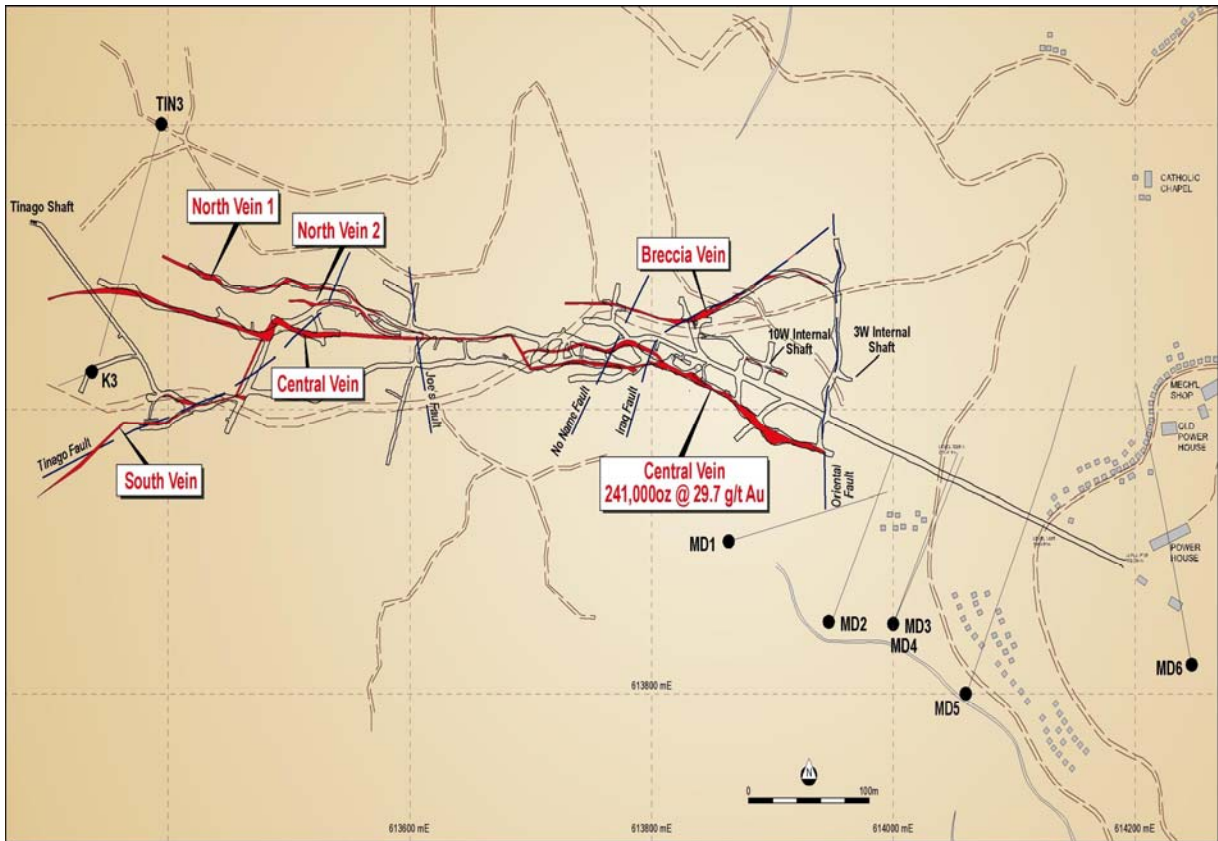


Figure 3: Co-O Mine surface projection of veins and 3150m level workings with shaft positions

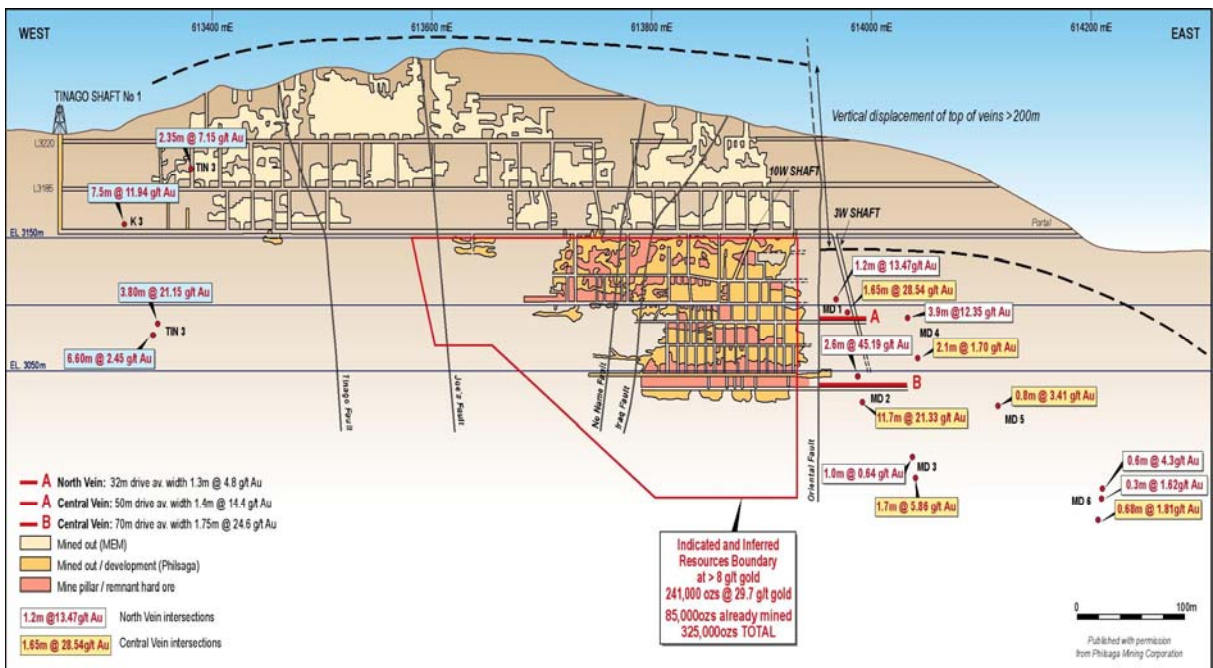


Figure 4: Co-O Mine longitudinal projection

Drilling

At the Co-O Mine, further to the drill hole intersection in TIN 003 (3.80 metres @ 21.15 g/t Au on Figures 3 and 4) reported in the March quarterly report, additional drilling at shallower depths has obtained narrow intersections but not confidently established the orientation of the zone containing the above intersection. It will be subject to further exploration conducted from underground.

Tambis Banaghilig Project

Background

Philsaga has advised that it has received all final approvals for two Small Scale Mining Permits within Mineral Production Sharing Agreement (“MPSA”) application 000022-XIII of 6,853 hectares to conduct exploration on the Tambis Prospect located approximately 35 km by all weather road north of the Co-O processing plant (Fig. 4).

The Tambis area has been a source of alluvial gold since Spanish times, and alluvial mining is still taking place in many creeks around the area.

During the late 1970s to 1990s, several companies evaluated it 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 estimated, studies indicated it was subeconomic to mine at that time.

Philsaga recently obtained the complete drill hole data base and has commenced validation and evaluation.

Geology and mineralisation

The main Tambis prospect is exposed on a ridge where younger overlying limestones have been stripped by erosion. This erosion has exposed an area of several square kilometres of intensely sericitically and argillically altered volcanics, various breccias and possible andesitic intrusive rocks. Previous airborne radiometric surveys show this area exhibits an intense potassium anomaly.

The area has also been subject to artisanal mining activities, generally only to shallow depths with most workings stopping at the water table. These workings provide confidence that significant grades are present in the veins as the artisanal miners depend on grades of >20 g/t Au to be economic.

To the south is a large area of younger limestone with some drill hole vein intersections positioned under the northern edge of this younger cover. There is little doubt that the intense alteration zone containing this extensive vein system will extend some distance to the south below the limestone cover.

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 attached Appendix contains the 81 intersections at a cut off of ≥ 1 metre at ≥ 10 g/t Au which is contained within a much larger tabulation of 188 intersections of ≥ 1 metre at ≥ 5 g/t Au. The balance of 107 intersections between 5 and 10 g/t Au over ≥ 1 metre have not been included in the Appendix. A selection of the intersections are contained in Table 2 below.

Table 2. Selection of drill hole intersections from Tambis Banaghilig Prospect:

Width (metres)	Grade (g/t Au)	Width (metres)	Grade (g/t Au)
2.00	61.00	3.00	21.84
8.00	22.76	1.28	60.94
1.00	68.61	13.86	13.52
3.50	27.19	8.90	18.99
2.00	21.70	2.00	50.30
2.40	38.63	1.00	94.89
2.43	186.51	1.00	188.90

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

Work is in progress for the estimation of a maiden JORC compliant resource estimate.

Sinug-ang Prospect

The Company has been advised by Philsaga Mining Corporation that it has recently gained access to the Sinug-ang Prospect adjacent to and of the Co-O Mine (Fig. 2) by executing an agreement with an underlying Small Scale Mining Permit owner in exchange for a 5% NSR royalty from 20 metres below existing underground workings.

The Sinug-ang Prospect was explored in the 1980s by surface sampling and drilling and is shown on Figures 5 and 6. The vein zone is over 1,000 metres long trending in a NNW direction parallel to the Philippine Rift Fault trend. Some small scale mining activities of selected parts of the vein over a strike length of approximately 600 metres have been undertaken to a depth of approximately 175 metres below surface.

Samples from surface and shallow workings over a strike length of 600 metres include:

Width (metres)	Grade (g/t Au)	Width (metres)	Grade (g/t Au)
1.20	27.60	0.75	225.00
0.84	21.80	1.00	240.00
0.95	25.00	0.80	14.80
0.60	32.50	1.00	20.80

Ten drill holes over the same 600 metres strike length intersected the following:

Hole	North	East	Dip	Azimuth	From (metres)	Width (metres)	Grade (uncut) g/t Au
SD 1	915238	613026	60	70	125.28	1.38	45.28
SD 2	915173	613026	60	70	122.00	1.50	4.49
SD 3	915428	612933	60	70	27.73 142.16	1.27 1.44	7.57 7.73
SD 4	915088	613162	60	70	25.45	2.00	9.77
SD 5	915545	613007	60		139.00	1.30	5.76
SD 6	915208	613057	60	70	72.50 102.15 110.12	2.00 3.32 6.48	4.18 11.88 14.43
SD 7	915125	613129	60	70	40.83 58.03	0.10 0.20	81.70 16.76
SD 9	915208	613057	75	70	127.29 136.94	0.44 1.61	7.02 6.40
SD 10	915125	613129	75	70	110.70 114.78	1.68 5.46	5.97 52.41

Philsaga has commenced drilling below old workings with an initial three hole program.

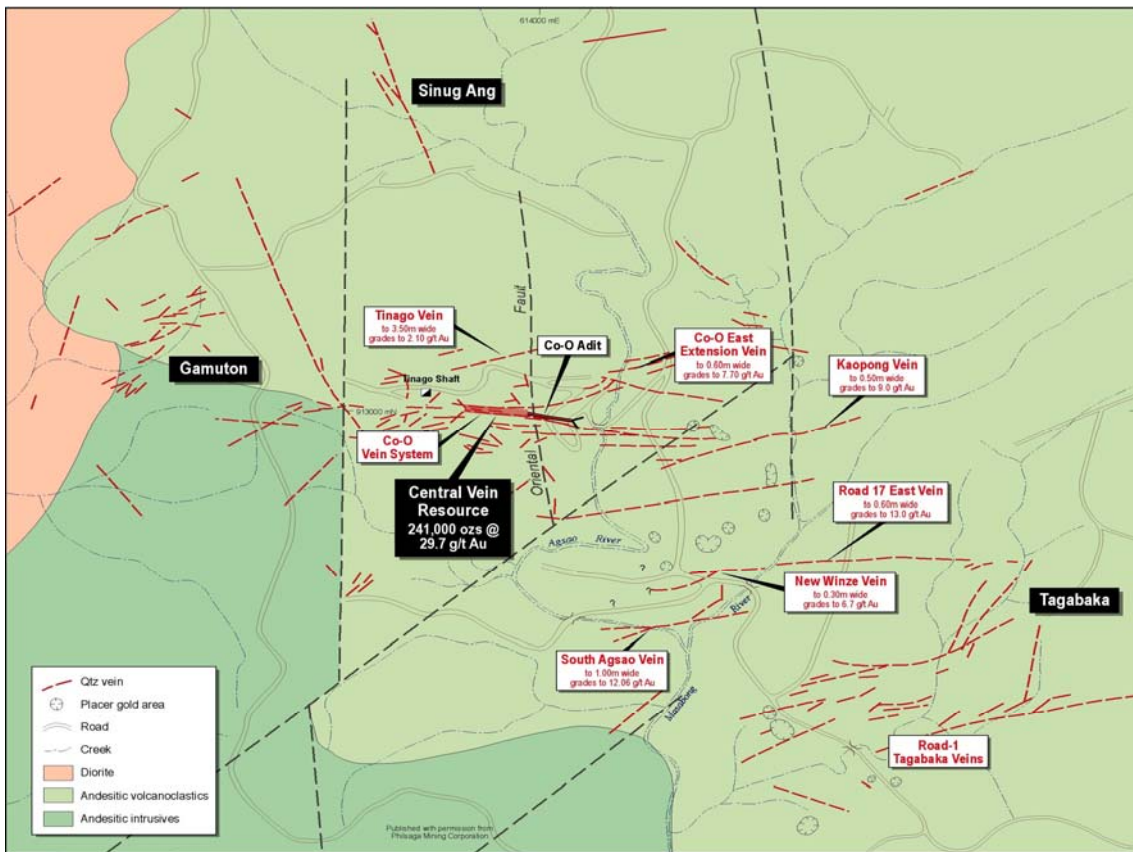


Figure 5: Co-O area surface vein and geology map

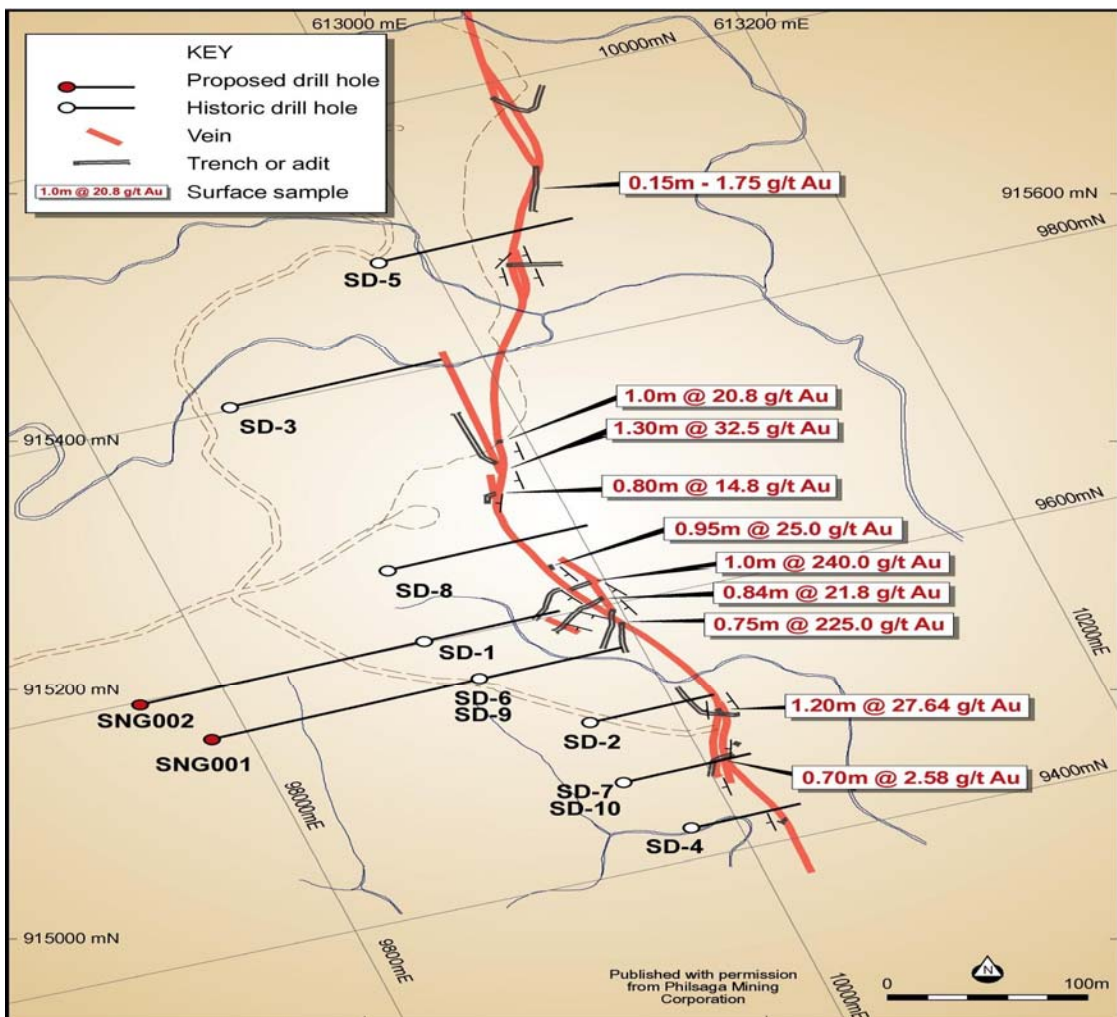


Figure 6: Sinug-ang Prospect surface map

Gamuton Prospect

The location of the Gamuton Vein system is shown on Figure 5. Surface work on this prospect has outlined a section of gold-bearing vein approximately 200 metre long with values to 11.2 g/t Au over 1.2 metres wide in trenches. The vein lies along the footwall of an extensive westerly trending breccia zone which is up to approximately 50m wide. Other veins occur in the breccia zone.

Initially sites have been prepared for three holes with first hole in progress.

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 EP covers approximately 8,100 hectares (81 km²) and covers extensions of the favourable geology found further to the south.

The granting of the Abacus EP will proceed when the condition precedent to the Philsaga Transaction involving resolution of mineral rights has been completed as this will set the precedent for many tenements in the area.

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 MPSA comprises approximately 405 hectares (4.05 km²) and covers mineralised extensions of the favourable geology found further south.

The granting of the Anoling MPSA will proceed when the Condition Precedent to the Philsaga Transaction involving resolution of mineral rights has been completed as this will set the precedent for many tenements in the area.

Das-agan Project

The MOA covering 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 MPSA will proceed when the Condition Precedent to the Philsaga Transaction involving resolution of mineral rights has been completed as this will set the precedent for many tenements in the area.

SAUGON GOLD-SILVER PROJECT *(Medusa 50%)*

Work during the period was limited to field reconnaissance and commencement of relogging of drill core.

MASAPOLID GOLD PROJECT *(Medusa earning 84%)*

Data compilation and confirmation is well advanced in preparation for a confirmatory drilling program utilising the surface rig currently at Panaon when the Panaon program is completed.

PANAON GOLD PROJECT *(Divesting 50%)*

The first surface and the first underground drill holes have been completed with extremely low core recoveries in the zones of interest. The second underground hole achieved improved recoveries of +80% with assay results awaited.

BARLO COPPER-GOLD-ZINC PROJECT

The Company has been advised that the Appeal to the Office of the President by claim owner Pyro Copper has not been successful consequently the Company has withdrawn from the project.

AUSTRALIA

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

The Company has been verbally advised that Fairstar Resources Limited which holds the Option to Purchase the projects is on track to complete an IPO in the near future.

BRAEMORE PROJECT *(Various interests)*

The Company is still in discussions with third parties to vend or sell the project.

CORPORATE

Appointment of Director

During the quarter the Company appointed Dr Robert Weinberg as a Non-Executive Director of the Company after he completed a site visit during June. The appointment is effective from 1 July 2006.

Dr Weinberg brings a wealth of gold marketing and investment banking experience to the Company having held executive positions that include being Managing Director of the World Gold Council from 2000-2004, Director for Deutsche Bank AG London – Investment Banking Division 1997-1999 and Equities Division 1995-1997, Director for S. G. Warburg Securities as Sector Head of global mining research 1994-1995, for James Capel & Co as Head of International Mining Department and Mining Marketing and Sales 1988-1991, and for Anglo-American as Marketing Manager - Gold and Uranium Division, 1973-1985.

Dr Weinberg is currently a Non-Executive Director of Solomon Gold plc, Non-Executive Director of Falkland Gold and Minerals Ltd and a committee member of the Association of Mining Analysts.

Funding New Developments

The Company has raised A\$3.356 million before costs by the issue of 5,593,334 shares at \$A0.60 to sophisticated investors from the UK and clients of State One Stockbrokers and Delta Securities.

The proceeds raised through the placement will be used to embark on a program of resource expansion at the Co-O Mine, underground exploration and development at the Tambis Banaghilig and Anoling Prospects, and investigation of porphyry copper-gold targets with the Lingig Prospect receiving priority.

Appointment of Nominated Advisor & Broker – AIM, London

On 13 June the Company announced the appointment of Ambrian Partners Limited as Nomad and Broker to undertake Medusa's listing on the Alternative Investment Market in London in the second half of 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 A: Summary of Tambis Banaghilig Prospect drill hole results $\geq 1\text{m}$ @ $\geq 10\text{g/t Au}$:

Hole No.	From	Intercept	g/t Au	East	North	Dip	Azimuth
DD26-24	14.0	1.0	10.41	612680	945129	-60	130
DD26-24	48.0	1.0	13.48	612680	945129	-60	130
DD26-24	55.0	1.0	11.20	612680	945129	-60	130
DD26-28	96.0	1.0	19.71	612637	945168	-60	130
DD34-1	9.0	1.0	14.00	612535	945405	-45	130
DD34-1A	9.0	1.0	14.00	612537	945406	-48	130
DD34-1A	22.0	1.0	23.00	612537	945406	-48	130
DD34-2	9.0	1.0	23.73	612578	945368	-45	130
DD34-2A	27.0	2.0	61.00	612576	945366	-50	220
DD34-3	98.0	1.0	20.21	612487	945442	-45	130
DD34-3	127.0	2.0	85.86	612487	945442	-45	130
DD34-3	144.0	1.0	54.53	612487	945442	-45	130
DD34-46A	17.0	8.0	22.76	612515	945426	-45	130
DD34-46A	56.0	2.0	18.27	612515	945426	-45	130
DD34-50	19.0	1.0	14.04	612461	945465	-50	130
DD34-50A	131.0	1.0	22.41	612461	945465	-65	130
DD36-34A	34.0	1.0	13.22	612663	945336	-85	130
DD36-46A	53.0	1.0	10.76	612528	945452	-55	130
DD36-46A	136.0	1.0	10.87	612528	945452	-55	130
DD36-48	70.0	1.0	18.25	612507	945460	-60	130
DD37-18	43.0	2.0	43.24	612865	945184	-50	130
DD38-1	1.0	1.0	12.00	612599	945425	-45	130
DD38-1	88.0	1.0	10.00	612599	945425	-45	130
DD38-2A	59.0	1.0	20.00	612562	945460	-45	220
DD41-18	221.0	1.0	13.21	612902	945242	-60	130
DD42-2A	122.0	1.0	41.37	612573	945537	-45	310
DD46-36A	29.0	1.0	68.61	612736	945470	-50	330
DD48-32A	131.7	3.5	27.19	612809	945454	-90	0
DD49-59	88.0	1.0	27.51	612508	945728	-50	210
DD56-32	57.0	1.0	18.41	612871	945559	-60	130
DD58-28	97.0	1.0	10.14	612937	945530	-60	90
DD58-28	100.0	1.0	16.16	612937	945530	-60	90
DD60-19	15.0	2.0	21.77	613077	945476	-85	210
DD60-19	139.0	1.0	14.23	613077	945476	-85	210
DD63-30	94.0	2.0	16.93	612967	945967	-75	90
DDH-A3	15.0	3.0	12.77	612506	945434	-65	84
DDH-A3	75.3	1.7	16.71	612506	945434	-65	84
DDH-A4	22.4	3.0	11.06	612506	945434	-65	203
DDH-B1	61.0	2.4	38.63	612543	945366	-90	0
DDH-C3	42.0	3.0	10.70	612619	945401	-76	346
DDH-D1	43.9	1.5	19.90	612556	945466	-38	131
DDH-D2	22.6	1.8	14.86	612556	945466	-65	131
DDH-D4	107.3	3.7	12.13	612556	945466	-65	93
DDH-D5	-	2.4	186.51	612556	945466	-65	171
DDH-D5	68.7	2.4	11.52	612556	945466	-65	171
DDH-D7	15.0	3.0	12.69	612556	945466	-90	0
DDH-D7	57.0	3.0	21.84	612556	945466	-90	0
DDH-E3	30.5	1.3	60.94	612603	945416	-35	91
DDH-G1	7.1	13.9	13.52	612542	945409	-80	90
DDH-G1	44.3	8.9	18.99	612542	945409	-80	90
DDH-G2	18.0	3.0	30.02	612542	945409	-40	90
DDH-G2	36.0	3.0	12.38	612542	945409	-40	90
DDH-G3	4.8	2.2	18.22	612542	945409	-80	30
DDH-G3	87.8	1.5	10.18	612542	945409	-80	30
DDH-G3	104.0	3.0	20.17	612542	945409	-80	30

Hole No.	From	Intercept	g/t Au	East	North	Dip	Azimuth
DDH-G4	61.8	3.0	20.88	612542	945409	-80	150
RC30-20	21.0	4.0	19.00	612768	945135	-60	130
RC30-24	34.0	1.0	10.98	612724	945221	-60	130
RC30-26	17.0	2.0	50.30	612705	945186	-60	130
RC30-26	39.0	1.0	94.89	612705	945186	-60	130
RC30-26	45.0	1.0	10.57	612705	945186	-60	130
RC30-34	48.0	1.0	23.28	612610	945265	-60	130
RC32-34	35.0	1.0	25.04	612628	945287	-60	130
RC32-46	65.0	1.0	10.24	612488	945407	-60	130
RC34-23	43.0	1.0	23.07	612779	945202	-60	130
RC34-34B	28.0	1.0	13.45	612651	945307	-90	0
RC34-38	28.0	1.0	13.45	612608	945349	-60	130
RC38-22	41.0	1.0	27.45	612819	945245	-60	130
RC38-26	58.0	1.0	10.05	612780	945279	-60	130
RC38-35	4.0	1.0	413.54	612680	945342	-60	130
RC38-35	30.0	1.0	47.95	612680	945342	-60	130
RC38-35	51.0	1.0	10.55	612680	945342	-60	130
RC40-16	43.0	1.0	188.90	612908	945212	-60	130
RC40-24	23.0	1.0	10.78	612821	945286	-60	130
RC50-18	32.0	1.0	11.39	612974	945345	-60	270
RC52-18	32.0	1.0	14.57	613007	945362	-60	130
RC54-14	35.0	1.0	146.00	613069	945353	-60	130
RC54-14	42.0	1.0	12.12	613069	945353	-60	130
RC56-16	30.0	1.0	14.92	613064	945390	-60	130
RC56-22	34.0	2.0	13.14	612994	945451	-60	130
TDH002	241.4	3.0	14.50	612850	945189	-50	130

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")

June 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
CASH FLOWS RELATING TO OPERATING ACTIVITIES		
1.1 Receipts from product sales and related debtors	2,106	4,845
1.2 Payments for (a) exploration and evaluation	(694)	(3,632)
(b) lease payments	-	(3,000)
(c) operation	(1,127)	(3,276)
(d) administration	(281)	(1,097)
1.3 Interest and other items of a similar nature received	10	73
1.4 Other (working capital)	222	2,096
Net operating cash flows	236	(3,991)
CASH FLOWS RELATING TO INVESTING ACTIVITIES		
1.5 Payments for (a) prospects	(52)	(52)
(b) equity investments	-	-
(c) fixed assets	(341)	(568)
(d) development	(1,228)	(2,770)
1.6 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) fixed assets	-	-
1.7 Loans to other entities	-	-
1.8 Loans repaid by other entities	-	-
1.9 Other (provide details if material)	-	-
Net investing cash flows	(1,621)	(3,390)
1.10 Total operating and investing cash flows (carried forward)	(1,385)	(7,381)

Appendix 5B
Mining exploration entity quarterly report

1.10	Total operating and investing cash flows (brought forward)	(1,385)	(7,381)
CASH FLOWS RELATING TO FINANCING ACTIVITIES			
1.11	Proceeds from issues of shares, options, etc.	3,371	11,024
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)	(11)	(422)
Net financing cash flows		3,360	10,602
Net increase (decrease) in cash held		1,975	3,221
1.17	Cash at beginning of quarter/year to date	1,572	331
1.18	Exchange rate adjustments to item 1.20	(13)	(18)
1.19	Cash at end of quarter	3,534	3,534

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
1.2 Aggregate amount of payments to the parties included in item 1.2	126
1.2 Aggregate amount of loans to the parties included in item 1.10	-
1.2 Explanation necessary for an understanding of the transactions	

Salaries, management 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

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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

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+ 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	750
4.2 Development	750
Total	1,500

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	1,225	992
5.2 Deposits at call	2,237	580
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,462	1,572

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note 2)	Interest at beginnin g 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	(i) Apical Project MPSA 0028-XIII	Joint Venture Agreem't Earn In	-	-

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	5,593,334 150,342 66,501	5,593,334 150,342 66,501	\$0.60 \$0.53 \$0.20	\$0.60 \$0.53 \$0.20
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	(66,501)	(66,501)	\$0.20	-
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 July 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 June 2006</i>		
22,640,398	\$0.2000	31 Jan 2007
<i>(b) Options issued but not quoted as at 30 June 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