

31st October 2006

ACTIVITY STATEMENT FOR SEPTEMBER QUARTER 2006

Highlights

- *Wombola Pit Resource Upgrade*
- *Black Hill Nickel Laterite Resource Confirmed*
- *New Prospect highlighted by mullock sampling at Hoffmann*
- *Encouraging rock chips and mullock samples from Juglah Rocks Project*
 - *7,000m of RC Planned and Underway*
- ***Wombola Pit Resource Upgrade***

In September, the Company announced an independent resource estimate for Wombola Pit:

304,000t @ 2.7g/t for 26,800 ounces of gold, including an upgrade of 11,000 ounces to the indicated category.

The estimate by Resource Evaluations Pty Ltd in West Perth provides an increased level of confidence in the resource and its earnings potential. The findings also highlight possible target areas with the potential to further upgrade the resource.

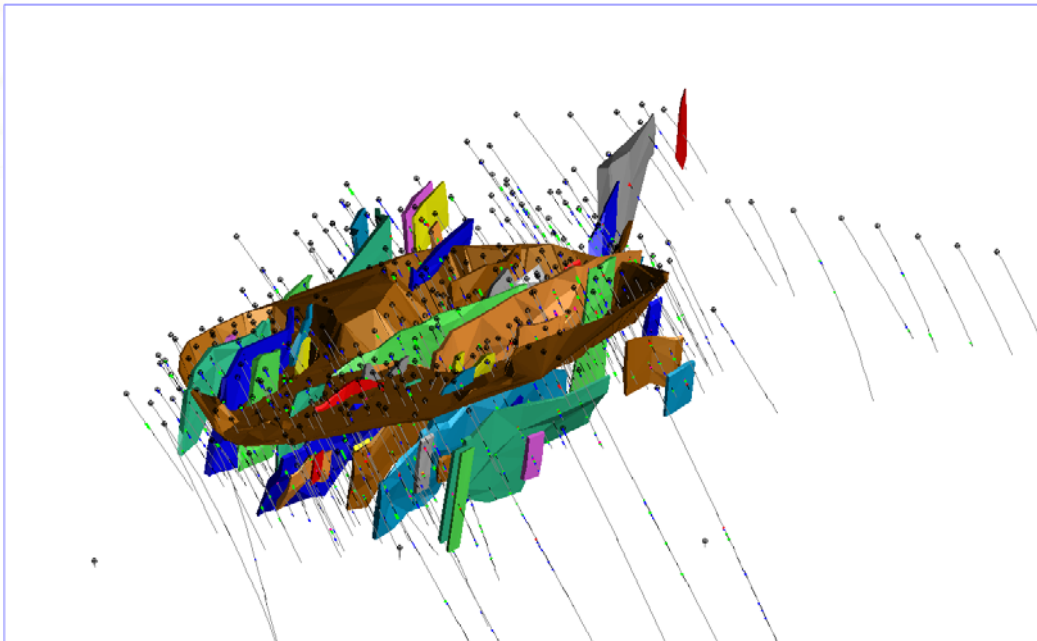


Figure 1: 3D model of Wombola Pit resource highlighting the multiple lodes interpreted from Pit mapping and RC drilling. Length of pit is approximately 300m.

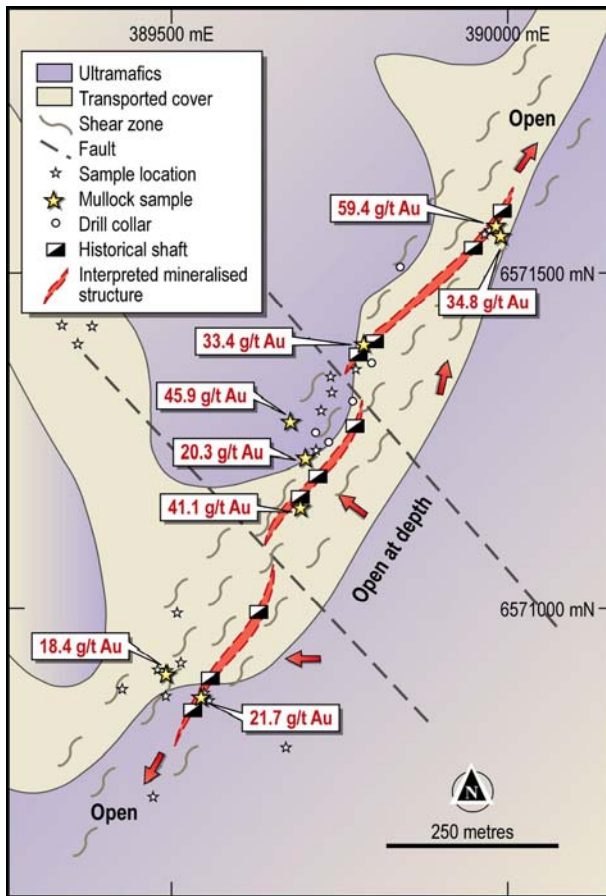
- **Black Hill Nickel Laterite Resource Confirmed**

As part of a review of the North Monger inventory Cortona commissioned Resource Evaluations Pty Ltd to calculate a resource estimate for the Black Hill nickel laterite that was discovered by AMX in 1997, resulting in the following figure which was announced to the ASX in September:

**30Mt @ 0.64%Ni for 192,800t of contained metal
(Inferred Resource, 0.5% Ni cut-off, undiluted)**

Although the resource estimate is below the grades currently deemed economically viable, it contains several higher grade intersections that indicate further drilling may outline higher grade components within the broader resource outline.

- **New Prospect highlighted by mullock sampling at Hoffmann**



Cortona carried out mapping and mullock sampling at the Hoffman prospect, which lies within the NE structural corridor that hosts the Wombola prospects at North Monger. Historic shafts in ultramafic schist occur along more than 900m strike. The depth of the workings is unknown, and the Company knows of only 6 drill-holes at the prospect, which remains untested along much of its length.

Encouraging results were announced to the ASX in September. Twenty-five of fifty-nine mullock samples returned gold grades >1.0g/t, including **59.4g/t, 45.9g/t and 41.4g/t**. In light of these findings, Cortona has added this target to its upcoming RC drilling program planned for the December quarter 2006.

Figure 2 Schematic plan of the Hoffmann prospect.

- **Encouraging rock chips and mullock samples from Juglah Rocks Project**

Cortona also announced the results of reconnaissance work at the Juglah Rocks Project situated ~50km ESE of Kalgoorlie and ~7km NNW of the Trojan mine (3.1Mt for 211koz). Several minor shafts were located in an area of sparse outcrop, and samples of quartz veining were collected both from mullock and outcrop.

Eight samples returned gold values >1.0g/t, with a maximum value of **91.7g/t**. The company is encouraged by these results, and is planning follow-up work for 2007.

- **Luccia RAB Drilling**

In September, the Company reported results of a 43-hole RAB drilling program at the Luccia prospect at North Monger. The program was designed to target anomalous rock chips discovered late in 2005. No subsurface mineralisation was encountered, and the source of the surface anomalism remains unexplained. In light of this outcome, the Company is re-evaluating the target.

- **RC Drilling Underway**

Finally, RC drilling has commenced at North Monger, where 7,000m of drilling will continue exploration of the Wombola Pit and Dam prospects, and also expand exploration to include the Hammer & Tap and Hoffman prospects.

Yours Faithfully

Peter van der Borgh
Managing Director

Competent Persons: The contents of this report that relate to geology and historical exploration are based on information compiled by Mr Peter van der Borgh, who is a Professional Geologist and Fellow of the Geological Society of London. He has sufficient experience relevant to the style of mineralisation and types of deposit under consideration and to the activity being undertaken to qualify as a 'Competent Person' as defined in the 2004 Edition of the Australasian Code for Reporting Results, Mineral Resources and Ore Reserves. Peter van der Borgh consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

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

CORTONA RESOURCES LIMITED

ABN

98 117 848 790

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 related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(213)	(213)
(b) development	-	-
(c) production	-	-
(d) administration	(171)	(171)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	29	29
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – (provide details if material)	-	-
Net Operating Cash Flows	(355)	(355)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) tenements	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Net cash acquired on acquisition of subsidiary	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(355)	(355)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(355)	(355)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - costs of share issues	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(355)	(355)
1.20	Cash at beginning of quarter/year to date	3,003	3,003
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,648	2,648

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
1.23	Aggregate amount of payments to the parties included in item 1.2	67
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 Includes salaries and superannuation contributions for all directors and fees of approximately \$16,616 paid to Mining Corporate Pty Ltd for ongoing accounting and company secretarial services. George Lazarou is a director of Mining Corporate Pty Ltd.

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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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	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	500
4.2	Development	-
Total		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	74	216
5.2	Deposits at call	2,574	2,787
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		2,648	3,003

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	Nil			
6.2	Interests in mining tenements acquired or increased	Nil			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

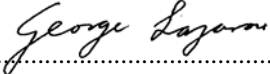
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
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	29,750,002	19,750,000		Fully Paid
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>	14,875,001 3,000,000 1,000,000	- - -	<i>Exercise price</i> 20 cents 30 cents 40 cents	<i>Expiry date</i> 31 March 2008 31 January 2008 31 December 2008
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: 31 October 2006
Director

Print name: George Lazarou

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.