

29<sup>th</sup> January 2007

## ACTIVITY STATEMENT FOR DECEMBER QUARTER 2006

### *Highlights*

- *New 31,000oz Resource at Wombola Dam, 'open' to South and East*
  - *Over 6,000m of RC drilling completed at North Monger*
  - *Encouraging rock chip results from Tambourah*
  - *Further drilling planned for January/February*

### *North Monger (CRC 90%)*

The Company maintained its aggressive exploration approach during the December quarter, completing 6,150m of RC drilling at 4 prospects. Results were announced to the Australian Stock Exchange in November.

The standout achievement has been at Wombola Dam, where many holes intersected encouraging grades. Gold mineralisation has now been identified over an area of ~250m x 200m at depths ranging from surface to ~50 vertical metres.

Following the successful drilling campaign, Cortona commissioned Resource Evaluations Pty Ltd of West Perth to assess the resource potential of the Wombola Dam prospect, resulting in the following estimate:

***407,000t @ 2.4g/t for 31,700 ounces of gold***

The inferred resource, which was announced late in November, more than doubles the Company's resource inventory, which now stands at:

***700,000t @ 2.5g/t for 58,500oz of gold***

Indications are that mineralisation remains open to the south and east, and Cortona will now extend the drilling to test these extensions.

A further six holes were completed at Wombola Pit, targeting the Southern Zone at Wombola Pit. Better intersections included **1m @ 15.7g/t Au, 2m @ 6.85g/t Au, and 5m @ 3.01g/t Au**. The results confirm the potential to extend the resource in this direction, despite difficulties achieving ideal drill positions adjacent to the pit perimeter which resulted in the program being cut short.

Twenty-two RC holes were drilled at **Hammer & Tap**, and eleven RC holes were drilled at Hoffmann. Better results at Hammer and Tap included **1m @ 10.8g/t Au, and 4m @ 4.89g/t Au**, whilst the drilling at Hoffman returned no significant gold values.

### ***Juglah Rocks (CRC 90%)***

No work was carried out at Juglah during the quarter.

### ***Tambourah (CRC 90%)***

In November the Company carried out an initial reconnaissance program at its Tambourah Project ~80km SW of Marble Bar in the Pilbara region of Western Australia.

The field work has confirmed the presence of intermittent historical workings over a distance of ~4km. The workings include mine shafts and exploration costeans, which typically range from 1m to 5m deep, although several are estimated to go to 20m or more. The workings are centred on shear zones and quartz veins in volcanic rocks that strike parallel to the adjacent N-S trending granite-greenstone contact.

A total of 89 vein and grab samples were collected from outcrop, historical pits, mullock heaps and RC drill cuttings, and analysed by fire assay for gold and base metals. Thirty five samples returned gold assays >1.0g/t, while **9 of those exceeded 10.0g/t Au**, including best results of **58.5g/t, 52.1g/t, and 49.4g/t**. One of the samples returned highly anomalous base metal results, **including 0.75% copper, 0.66% zinc and 0.63% lead, with 38g/t silver**.

### **Strategy: March Quarter 2007**

Cortona Resources is excited about its prospects for 2007. Opportunities exist to build on initial reconnaissance programs at both Juglah Rocks and Tambourah, and plans for follow-up programs are underway. A particularly tantalising aspect of the recent field work is the highly anomalous base metal (and silver) assay returned in one of the samples from Tambourah (TBX017), particularly in light of the recent increased interest in the base metal potential of the Pilbara region.

Most importantly however, the Company remains committed to, and acutely focussed on, its flagship North Monger Project, and has greatly enhanced its position in the area via the acquisition of 7 additional prospecting licenses. Furthermore, Cortona has commissioned structural and geochemical programs to commence early in the New Year. The results should greatly enhance the Kanowna Belle exploration model targeting multi million ounce deposits. Additionally, ~2,000m of RC drilling have been planned to explore for extensions to the Wombola Dam resource.

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")

31 December 2006

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(371)	(592)
(b) development	-	-
(c) production	-	-
(d) administration	(144)	(307)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	50	79
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(465)</b>	<b>(820)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) tenements	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(1)
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)	-	-
<b>Net investing cash flows</b>	<b>(1)</b>	<b>(1)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(466)</b>	<b>(821)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(466)	(821)
	<b>Cash flows related to financing activities</b>		-
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	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(466)	(821)
1.20	Cash at beginning of quarter/year to date	2,648	3,003
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	2,182	2,182

**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 \$17,789 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	350
4.2 Development	
<b>Total</b>	<b>350</b>

**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	45	74
5.2 Deposits at call	2,137	2,574
5.3 Bank overdraft		-
5.4 Other (provide details)		-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,182</b>	<b>2,648</b>

**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**

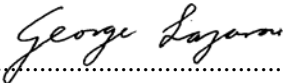
*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	29,750,000	19,750,000		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	14,875,001 3,000,000 1,000,000 75,000 75,000 100,000 50,000 50,000	14,875,001 - - - - - - -	<i>Exercise price</i> 20 cents 30 cents 40 cents 25 cents 25 cents 30 cents 25 cents 25 cents	<i>Expiry date</i> 31 March 2008 31 January 2008 31 December 2008 21 May 2009 21 May 2010 20 October 2008 27 March 2009 27 March 2010
7.8 Issued during quarter	75,000 75,000 100,000 50,000 50,000	- - - - -	25 cents 25 cents 30 cents 25 cents 25 cents	21 May 2009 21 May 2010 20 October 2008 27 March 2009 27 March 2010
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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: 29 January 2007  
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.