

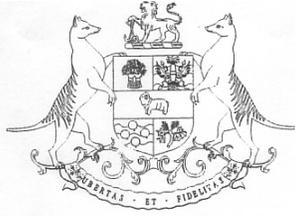
ZZ EXPLORATION_{Pty Ltd}

**PO Box 1603
Hobart, Tasmania**

**Comstock Mineral Field
Exploration Licence 30/2002
Annual Report For Period Ending
January 2005**

Prepared by
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March 2005



Oaths Act 2001
Statutory Declaration

I,

.....

.....

(name, address and occupation)

do solemnly and sincerely declare that

.....

.....

.....

.....

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.....

(facts)

I make this solemn declaration under the *Oaths Act 2001*.

Declared at.....

(place)

on

(date)

.....

(signature)

Before me

.....

*(Justice, Commissioner for Declarations
or authorised person)*

Table of Contents

TABLE OF CONTENTS	3
SUMMARY	4
INTRODUCTION.....	5
LOCATION.....	6
TENURE.....	7
PREVIOUS EXPLORATION AND MINING.....	8
GEOLOGY	8
REGIONAL GEOLOGY	8
WORK COMPLETED JANUARY 2004 – JANUARY 2005.....	8
REVIEW.....	8
REGIONAL EXPLORATION ACTIVITIES.....	8
<i>Assessment and part relinquishment report of EL30-2002.....</i>	<i>8</i>
<i>Balstrup Fault – Resources estimation and classification (JORC)</i>	<i>8</i>
<i>Balstrup Fault – Business Plan (Feasibility study)</i>	<i>9</i>
ENVIRONMENTAL DISTURBANCE AND REHABILITATION.....	9
CONCLUSIONS	9
EXPENDITURE	9
REFERENCES.....	10
LIST OF APPENDICES	11
 FIGURES	
FIGURE 1 - Location of ZZ Exploration Pty Ltd EL30/2002.....	6
FIGURE 2 - Land Tenure within and around EL30/2002	7
 TABLES	
TABLE 1 - Expenditure - January 2003 to December 2003	9

Summary

There is potential for the discovery of new economic metallic deposits within EL30/2002, and the opportunity to extract and process minerals from existing deposits with known resources. ZZ Exploration Pty Ltd (ZZ Exploration) has focused on finding small (<0.5Mt) to large-scale (>100Mt) economic resources based on the testing of previously identified geophysical and geochemical anomalies.

EL30/2002 is of primary interest to ZZ Exploration as it largely encloses current mining tenements held by Oceania Tasmania Pty Ltd (Oceania) and covers the strike extent of the dominant mineralised structures within the tenements.

Exploration completed on EL30/2002 during the period January 2004 to January 2005 include a) Economic business plan feasibility study to assess the direction and projections for Zeehan Zinc Limited that comprise wholly owned subsidiaries Oceania Tasmania Pty Ltd and ZZ Exploration Pty Ltd, b) collation and review of pre-existing datasets to review resources to JORC specifications, specifically, the Balstrup Fault and its extensions into EL30/2002, c) submission of a Relinquishment Area Application to Mineral Resources Tasmania; areas of interest to ZZ Exploration are the extensions of the Balstrup Fault from the Oceania Mining tenements, and magnetite-serpentine Skarn within EL30/2002.

ZZ Exploration aim to be one of the leading mineral explorers in the Zeehan area and explore EL30/2002 for Category 1 mineral resources for its Comstock Gravity Plant.

Introduction

Exploration Licence 30/2002 (EL30/2002) covers 8 square kilometres and is located directly west of Zeehan, western Tasmania (Figure 1). ZZ Exploration is a wholly owned subsidiary of Zeehan Zinc Limited, and holds the exploration rights to EL30/2002.

The main access to EL30/2002 is via Trial Harbour Road and a 4WD is required to negotiate the numerous partially overgrown former tramways that cross the area. EL30/2002 is dominated by flat open button grass plains, rolling hills, swamps, tea-tree scrubland and dense eucalyptus regrowth. The latter is particularly dense along creek beds and in other low-lying areas.

This report covers the period from January 2004 to January 2005. Work completed during this period includes:

- 1) Part-relinquishment report application over the Zeehan Mineral Field for ZZ Exploration's EL30/2002.
- 2) Review of resources and classification to JORC.
- 3) Zeehan Zinc Business Plan.
- 4) 5-year summary of Zinc-Lead-Silver Prices.

ZZ Exploration has focused on finding minable extensions of the known Devonian granite-related deposits extending from the Comstock Mining Leases, as well as deposits of similar and/or litho-stratigraphic position.

Location

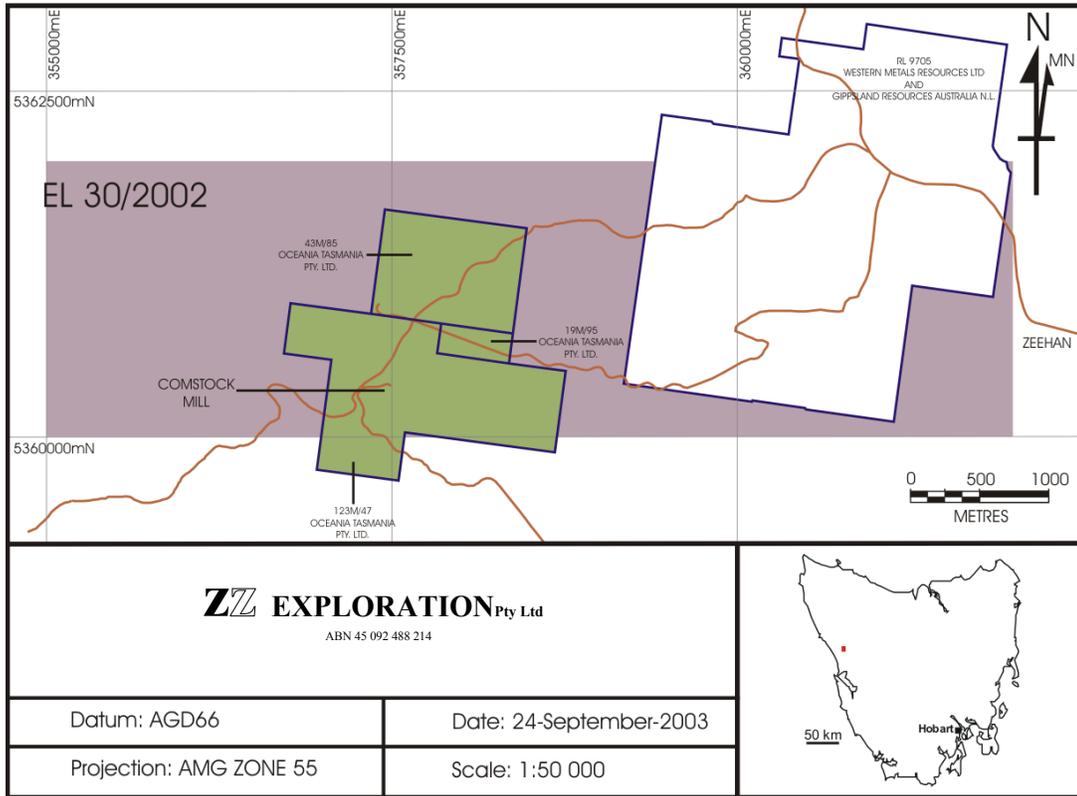


Figure 1. Location of ZZ Exploration Pty Ltd - EL30/2002 (**purple** = EL30/2002 held by ZZ Exploration Pty. Ltd.; **green** = ML's 123M/47, 19M/95, 43M/85 held by Oceania Tasmania Pty. Ltd.; **white** with blue outline = RL 9705 held by Western Metals Resources and Gippsland Resources Australia N.L; **red** = roads and tramways).

Tenure

EL 30/2002 was granted to ZZ Exploration on the 7 February 2003 for a period of five years and applies to all Category 1 minerals. The licence covers 8 square kilometres (Figures 1 & 2). Excluded areas are a) any land owned or leased by the Commonwealth of Australia, c) mining leases, d) retention licences and e) Crown reservations. Refer to Appendix 1 for the EL30/2002 Schedule.

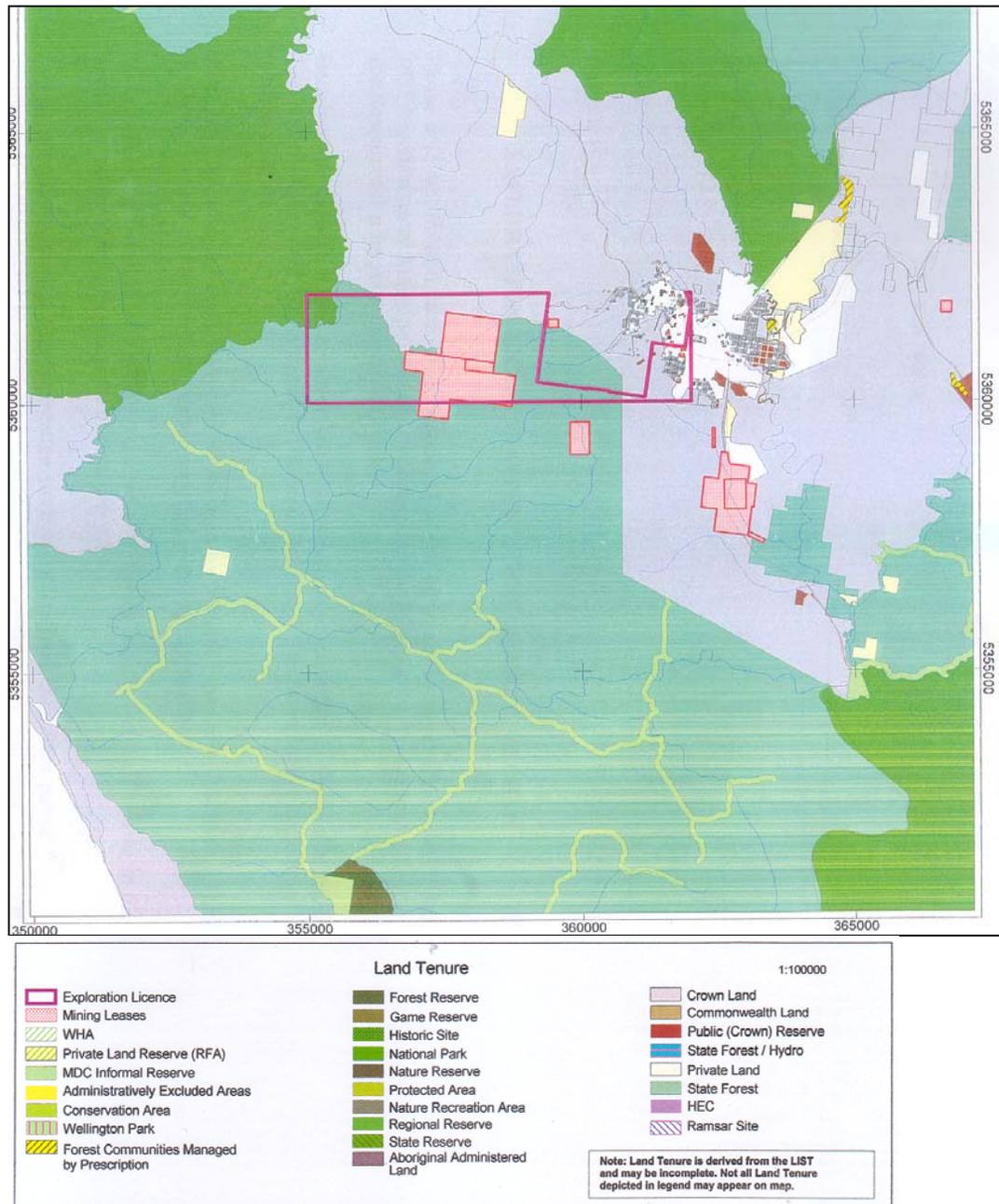


Figure 2. Land Tenure within and around EL30/2002.

Previous Exploration and Mining

A review of previous mining and exploration is documented in Farrell (2001), Taylor, (1993) and Crossing (1992).

Geology

Regional Geology

EL30/2002 is geologically complex. It is dominated by deformed turbidites, carbonates and volcanics of the Neoproterozoic Oonah Formation. Sediments and volcanics of the Crimson Creek Formation and Dundas Group occupy the central and eastern portions; while gabbros, basalt flows and massive serpentinite of the McIvor Hill Complex (bounded by the Tenth Legion Fault) crop out in the SW portion of EL30/2002. Siluro-Devonian sediments of the Zeehan Sub-basin including the Crotty Quartzite, Amber Slate, Keel Quartzite, Austral Creek Siltstone, Florence Quartzite and Bell Shale are exposed in the eastern portion of EL30/2002. An ENE-trending Devonian granitoid spine associated with the Heemskirk Granite is shown to extend beneath EL30/2002 (Leaman & Richardson, 1989). The regional geology is described in Farrell (2001), Taylor (1993), Crossing (1992) and Blissett (1962).

Work Completed January 2004 – January 2005

Review

ZZ Exploration is in the progress of reviewing Devonian granite-related sediment-hosted (carbonate and shale) metallic minerals (specifically Zn-Pb-Ag-Fe), Ni enriched base-metal deposits associated with Devonian granite-related hydrothermal fluids interacting with Cambrian Mafic-Ultramafic Complexes and Ordovician carbonate-hosted (Irish-type?) Pb-Zn-Ag deposits within the Gordon Group Limestone and correlates.

ZZ Exploration's program has focussed on 1) open file search and compilation of newly acquired data and models into coherent maps and sections, 2) ground testing of geological fact and interpretive maps, including structural assessment and interpretation, 3) review of regional and localised magnetic, electromagnetic and gravity anomalies identified from data collation to evaluate the base-metal priority target definition potential, 4) examination of possible geophysical and geochemical anomalies, that comprise down-hole geochemical analysis (Heath 2004).

Regional exploration activities

Assessment and part relinquishment report of EL30-2002

An investigation of geophysical, image, company and map data has determined a) areas of greater significance for future exploration b) prioritise ground held under EL 30/2002 and c) facilitate decisions regarding future possible relinquishments.

The relinquishment report attached as Appendix 3 show areas of greatest significance for ZZ Exploration Pty Ltd future resource development. These are the 1) Balstrup Fault extensions into EL30/2002 and 2) Magnetite-serpentine Skarn.

Balstrup Fault – Resources estimation and classification (JORC)

Zeehan Zinc requested Cotlco Pty Ltd during December 2004 to carry out a review of resources estimation and classification over Exploration Licences: 20/2002 and 30/2002, and Mining leases: 43M/85, 19M/1995, 123M/47 and 9M/2002. Results are tabulated in Appendix 4. The Balstrup Fault has been reviewed to have an inferred resource of 4.6Mt at 5.7%Zn, 3.3%Pb, and 35g/t Ag.

Balstrup Fault – Business Plan (Feasibility study)

The Zeehan Zinc Business Plan sets out the direction and conservative projections for Zeehan Zinc Limited over the next 10 years. This includes focusing on deposits such as the extensions of the Balstrup Fault for future resource into Zeehan Zinc Gravity Separation Plant. An assessment of potential resources is contained in the Business Plan (Appendix 5), however, Cotlco Pty Ltd have reviewed and updated these resources attached as Appendix 4.

Environmental disturbance and rehabilitation

Exploration over EL30/2002 was environmentally low impact due to the existence of numerous sealed and unsealed roads and tracks. ZZ Exploration is confident that the experience of developing the Comstock Mine will greatly assist in exploring the potential of EL30/2002 and that any future developments will be carried out in an environmentally sensitive, responsible and competent manner.

Conclusions

During 2004, ZZ Exploration has focused on reviewing the mineral deposits within EL30/2002 (Appendix 2). These investigations have established priority areas (Appendix 3) that could contribute resources to the nearby Comstock Plant. These priority areas are shown as part of Appendix 3.

ZZ Exploration intends to carry out exploration for all category 1 minerals over EL30/2002. Several short-term targets have been prioritised which include:

- 1) Infill drilling the extensions of the Balstrup Fault at 50m spacing to evaluate to open cut resource potential within EL30/2002.
- 2) Metallurgical and core density studies from core recovered.

Commodity prices have continued to rise during 2004-05. Appendix 6 shows the 5-year prices for Zinc, Lead and Silver. Currently, Zinc is around US\$1300 per tonne.

Expenditure

Table 1. Expenditure - January 2004 to January 2005

Expenditure Statement	Q1	Q2	Q3	Q4	Total
Geology	8,658.90	21,955.60	10,792.46	10,000.00	51,406.96
Geochemistry					-
Geophysics - air					-
Geophysics - ground					-
Feasibility studies		3,549.05			3,549.05
Rehabilitation					-
Drilling (metres)					-
Gridding (line km)					-
Administration	865.89	1,506.13	828.24	495.42	3,695.68
Other		32,770.00	11,752.00	3,480.00	48,002.00
Deduct GST error		-589.44			
Total	9,524.79	59,191.34	23,372.70	13,975.42	\$ 106,064.25

References

Blisset, A.H. 1962. Geology of the Zeehan sheet, 1- mile Geological Map Series K/55-5-50, Explanatory Report, Geological Survey of Tasmania.

Crossing, D. J. F. 1992. EL 42/87, Incorporating ML 43/85 and 123/47 – Zeehan Area – Annual report for the period – October 1991 to September 1992. Report No. T/92/17.

Farrell, J. N., 2001. The structure of the Comstock Zn-Pb-Ag Deposit, western Tasmania. Unpublished. University of Tasmania.

Heath, P., 2004. Zeehan Mineral Field, Exploration Licence 20-2002, annual report for period ending December 2003.

Leaman, D. E & Richardson, R. G. 1989. The granites of west and north-west Tasmania – a geophysical interpretation. Bulletin of the Geological Tasmanian Survey, 66, 146p.

Taylor, M. I., 1993. Skarn and sulphide mineralisation of the Sylvester prospect, Zeehan, western Tasmania. Unpublished. University of Tasmania.

List of Appendices

- Appendix 1** Schedule from Exploration Licence 30/2002.
- Appendix 2** Location of Deposits within EL30/2002 (MIRLOCH mineral locations).
- Appendix 3** Heath, P. 2004. Zeehan Mineral Field – Exploration Licence 30-2002 (Part relinquishment).
- Appendix 4** Cotlco Pty Ltd., 2005. Resources Estimation and Classification (Mining Leases: 43M/85, 19M/1995, 123M/47, 9M/2002 and Exploration Licences: 20/2002 and 30/2002). Unpublished Report.
- Appendix 5** BDR Consulting Pty Ltd. 2003. Zeehan Zinc Business Plan. Unpublished Report.
- Appendix 6** Zinc Prices (London Metal Exchange) – Feb 24, 2000 to Feb 22, 2005.
Lead Prices (London Metal Exchange) – Feb 24, 2000 to Feb 22, 2005.
Silver Prices (London Fix) – Feb 25, 2000 to Feb 23, 2005.