

ZEEHANZINC

Zeehan Zinc Limited ACN 089 093 943

Business Plan

October 2005

October 2005 Update of Financial Aspects



Confidential

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Revision	Revision Date	Details	Authorised	
			Name	Signature
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1. Scope of This Update

The Zeehan Zinc Limited (ZZL) Business Plan developed by BDR Consulting Pty Ltd (BDR) in conjunction with ZZL and issued in February 2003 (Zeehan Zinc Limited Business Plan February 2003 Rev 0.0 issued 28 February 2003, "February 2003 Plan") contained financial projections based on parameters (eg for metal prices, exchange rates) prevailing at the time.

ZZL recently requested BDR to rerun these financial projections, utilising typical calendar year 2005 values for certain parameters, and report the results.

This October 2005 Update of Financial Aspects ("October 2005 Update") presents the results of the revised projections.

Only the revised financial projections are reported herein. These should be read in conjunction with the February 2003 Report, and due consideration given by the reader to any other factors that may have changed in the interim.

2. Parameter Values and Assumptions

The financial models that were previously used to develop the ZZL Business Plan were rerun for the purpose of this report with the following changes and assumptions.

Price of Zinc	US\$1300/mt
Price of Lead	US\$900/mt
Price of Silver	US\$7.25/oz
Exchange Rate	AUD\$1.00 = US\$0.75

Operating and forward capital costs were escalated from the February 2003 Plan values to the current model date at the escalation rate previously used in the model. Forward capital costs were otherwise assumed to be as per the February 2003 Plan in terms of value and (relative) timing.

Sunk costs were not changed from the February 2003 Plan value at \$5.552M.

Smelting charges were adjusted using metal prices as above applied to the formulae used for the February 2003 Plan.

All other input values and assumptions remained unchanged from the February 2003 Plan.

The full update results of the Investment Analysis from the three scenarios considered in the February 2003 Plan are attached to this report for reference.

It is again emphasised that the reader should carefully consider the assumptions shown therein, and the data that has been carried forward from the February 2003 Plan.

3. Updated Results

3.1 INVESTMENT ANALYSIS SUMMARY

The October 2005 Update of the table contained in Section 1 – Executive Summary within the February 2003 Plan is as follows:

10 Years (\$M)	Scenario 1 Base Case 200,000 TPA	Scenario 2 350,000 TPA	Scenario 3 350,000 TPA & Flotation ⁽¹⁾
NPAT	66	110	176
EPS (CENTS PA AVGE)	27	46	73
NPV@10% ⁽²⁾	46	72	108
IRR ⁽²⁾	2792%	2725%	2694%
CAPITAL EXPENDITURE ⁽³⁾	3.1	3.1	7.3

(1) grinding & flotation at Comstock

(3) excluding sunk costs

(2) after interest & tax, excluding sunk costs

As would be expected in the prevailing 2005 environment for metals, the projections have become significantly more attractive. All scenarios require a short term (<12 months) availability of \$2.5M working capital.

3.2 FINANCIAL ASPECTS

The October 2005 Update of the Section 12 – Financial Aspects within the February 2003 Plan is as follows:

3.2.1 Financial Analysis

The attached Investment Analysis (Appendix 1) has been compiled using the information and Implementation Plan as described in the February 2003 Plan. It has been extended for a period of 10 years at an annual production of 350,000 tonnes. In addition to the assumptions detailed in the Investment Analysis, the following parameters are highlighted:

Assumption	Value	Discussion
Annual mining production	350,000 tonnes	Nominal plant capacity is 50 tph which allows maximum production of 350,000 tpa
Mining method	Open-cut	Decision will be made during the period as to whether open-cut or underground is preferable as the ore bodies deepen
Milling and flotation of pre concentrates	Rosebery assumed	May not be the option selected, but is the option used in the Analysis
Capital costs (Historic)	\$5.55 million	Sunk costs, but included in the model as base case
Metal Prices	Refer to Section 2 of this report	Based on calendar 2005 price history
Tax loss carried forward	0	Conservative approach

The first full year of production shows an Earnings Before Interest and Tax (EBIT) of \$15.2 million, with an after tax profit of \$11.6 million. The average annual Net Profit After Tax (NPAT) over the 10 years of the model is \$17.6 million per annum.

At a nominal discount rate of 10%, the Net Present Value (NPV) after interest and tax is \$108 million and the nominal Internal Rate of Return (IRR) is 2694%.

3.2.2 Capital Expenditure

Refer to Section 2 of this Report.

3.2.3 Cash Flow

The Financial Model provides a monthly cash flow for the first 14 months (by which time the cash flow is positive), and yearly cash flows for the 10 year projection.

The operating budget for mining and milling of ore ranges from \$6.5M to \$21M per annum depending on production rate, depth of ore, and the extent of processing on site.

The analysis projects a working capital requirement of \$2.5 million.

3.2.4 Capitalisation

Capitalisation has not been revisited for this Update Report

APPENDIX 1 - Investment Analyses

This replaces Appendix 3 of the February 2003 Report.

- **Executive Summary**
- **Scenario 1 – 200,000 tpa**
- **Scenario 2 – 350,000 tpa**
- **Scenario 3 – 350,000 tpa and flotation**

ZEEHAN ZINC LIMITED
COMSTOCK MINE
INVESTMENT ANALYSIS - EXECUTIVE SUMMARY
AS AT 16 SEPTEMBER 2005

10 YEARS (\$M)	SCENARIO 1 - BASE CASE 200,000 TPA	SCENARIO 2 - 350,000 TPA	SCENARIO 3 - 350,000 TPA + FLOTATION#
EBIT	95	158	252
NPAT	66	110	176
EPS (CENTS PA AVGE)	27	46	73
NPV @ 10%*	46	72	108
IRR*	2792%	2725%	2694%
CAPITAL EXPENDITURE**	3.1	3.1	7.3
ROSEBERY CHARGES^	86	141	26

#grinding & flotation at Comstock

*after interest & tax, excluding sunk costs

**excluding sunk costs

^transport to Rosebery, toll & charges