Zelos Resources NL

EL 37/2004 Dazzler Range

Year 1 Annual Report

For the period 1 July 2005 to 1 March 2006

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15 February 2006

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Abstract

Inspiration for exploring the EL 37/2004 Dazzler Range comes from several factors.

The MRT recently acquire airborne magnetic and other geophysical surveys.
The newly proposed geology of the suture of the eastern and western geological boundary being shifted to the west and being in the centre of the Dazzler Range.
Abundant stressful faults aligned north-west to south-east in parallel with this suture.
Existing minor anomalies with in the EL and the Beaconsfield Gold Mine nearby.

The EL 37/2004 Dazzler Range area is very near the north coast of Tasmania, 40km NW of Launceston. The exploration licence covers 158 square km of mainly State Forest between Port Sorell and the Yorktown in the north and Frankford in the south east. The entire EL lies close to and west of the Tamar River Valley.

Past work has been carried out by major companies such as BHP and Geopecko who both conducted major regional geochemical stream sediment surveys.
Beaconsfield Gold Mines LTD carried out BLEG sampling and detailed mapping.

Zelos Resources NL commissioned several geological consultants to analyse previous work and recommend further exploration. A geophysical interpretation of the available data was also made at the company's request. Several field work projects were carried out.

Assay results form field sampling work was disappointing.

Follow up field word recommended is proposed in the future.

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DAZZLER RANGE
EL 37/2004
Scale 1:100 000
1cm = 1km
West Head
Badger Head
Little Badger Head
ASBESTOS RANGE NATIONAL PARK
Greens Beach
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Sea Hill
Archers Knob
Point Vision
Flowers Hill
Port Sorell
PORT SORELL
Marshalls Hill
Squeaking Point
Eagle Point
Ironstone Hill
Scotts Hill
Dans Hill
Barnes Hill
Simmonds Hill
Dalgarth Forest Reserve
Sugarloaf
Rubicon Hills
Portview Hill
Cottons Hill
Observatory Hill
Eagle Gorge
Holwell Gorge State Reserve
Kellys Lookout
York Town

1 Introduction

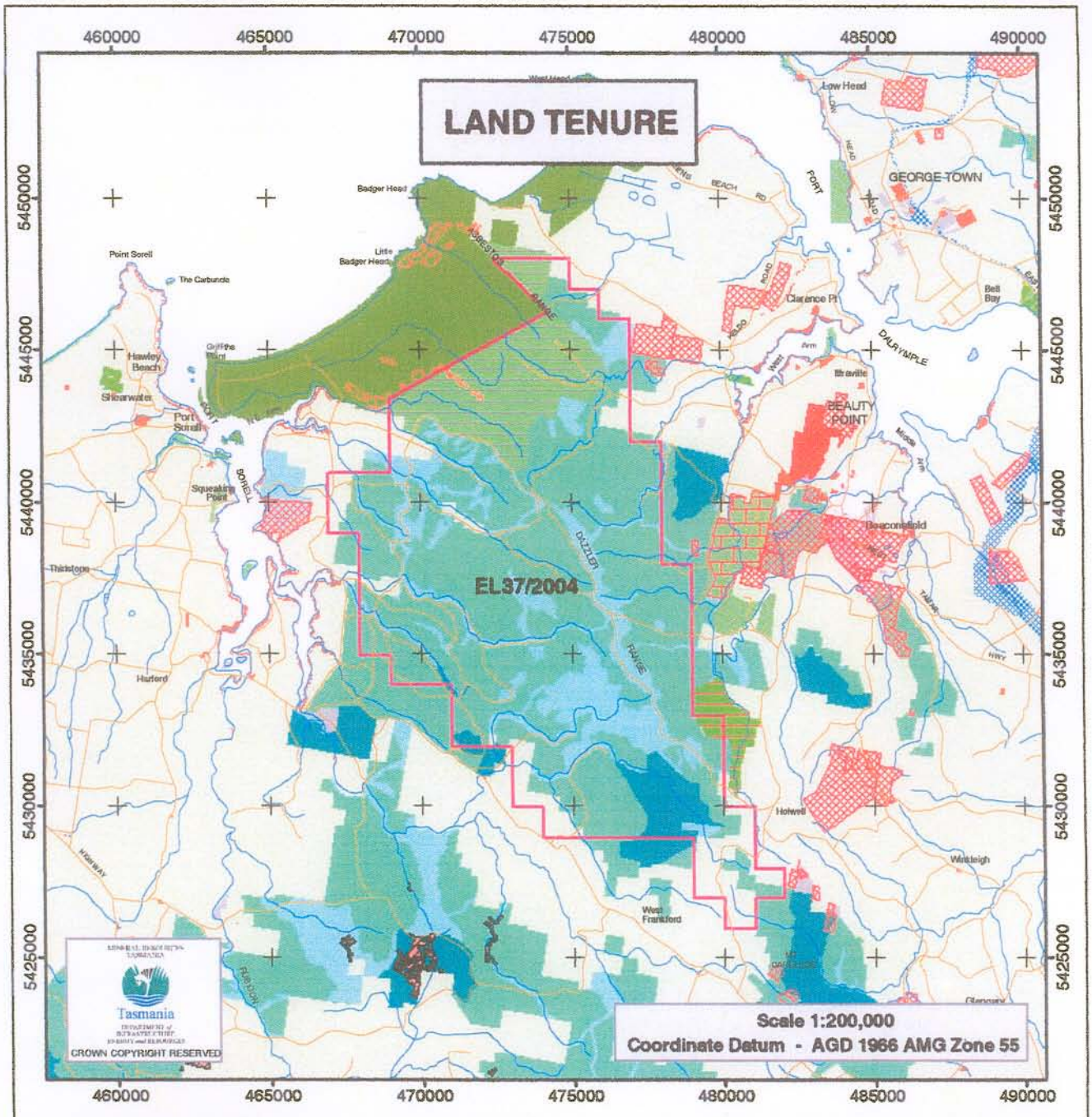
1.1 Exploration Rational

In recent time there has been very little exploration done for any metals within the exploration licence area and the Dazzler Range region. There are no gold prospects or historic gold the diggings known within the EL. Recent regional mapping by the MRT has provided some evidence that the structural histological analogies to the setting which hosts the Tasmanian Reef at Beaconsfield are likely within the region, some of these are at locations which have seen very little gold exploration.

Recently acquired AGSO aeromagnetic / radiometric surveys and combined with high-quality field mapping from the MRT and unexplained stream sediment anomalies from previous exploration conducted by such companies as BHP, Geopecko etc provide ideal regional scale data information which can be used as a base on which to build further field exploration and perhaps structural and geological interpretation maps. It also allows areas which have been under explored as targets for more intensive exploration purposes.

Another inspiration for exploration within the EL is the new geological thinking that the suture (long suspected to be the Tamar River Valley) separating the eastern Tasmanian geology from the west has moved westwards by some 10km and resides in the middle and under the Badger Head Formation in the centre of the Exploration Licence area. This major structural feature has many sympathetic and parallel faults with it which may be weakness channels or locations for mineralization.

The most recent explorer in the region was Beaconsfield Gold NL.
Owing to financial problem they relinquished the area in 2003.



Land Tenure / Special Management Areas (Guide Only)

- Exploration Licence
- Mining Lease
- Fossicking Area
- Gas Pipeline Corridor
- RAMSAR Site
- Phytoph Cin Management Zone
- * Suspected Phytoph Cin region
- Forest Communities Managed by Prescription
- * MDC Informal Reserve
- State Forest / Hydro
- * State Forest
- * Forest Reserve
- Administratively Excluded Areas
- Aboriginal Administered Land
- * Private Land
- Proposed Private Land Reserve (RFA)
- Private Land Reserve (RFA)
- Crown Land
- Public (Crown) Reserve
- Conservation Area
- * Regional Reserve
- Nature Recreation Area
- National Park
- * State Reserve
- Game Reserve
- Historic Site
- Private Nature Reserve
- Nature Reserve
- Private Sanctuary
- Proposed Reserve
- Wellington Park
- Hydro/Transend/Aurora Land
- Commonwealth Land

Relevant tenement land tenure / land management area indicated *

Note: Land Tenure is derived from the LIST and other sources and may be incomplete.
Not all Land Tenure depicted in legend may appear on the map.

1.2 Tenement Information

The EL 37/2004 Dazzler Range area is very near the north coast of Tasmania, 40km NW of Launceston. The exploration licence covers 158 square km of mainly State Forest between Port Sorell and the Yorktown in the north and Frankford in the south east. The entire EL lies close to and west of the Tamar River Valley.

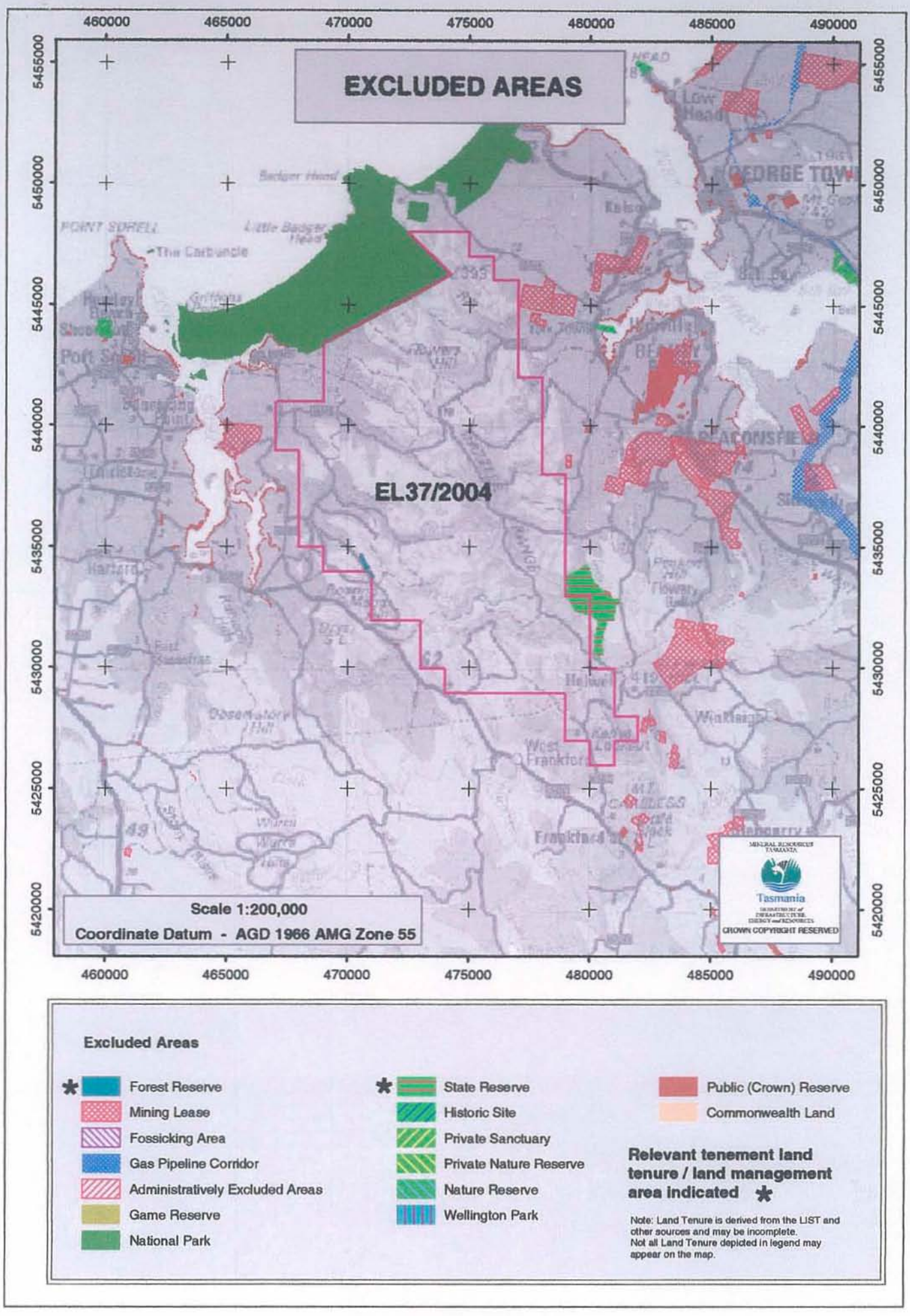
The EL abuts the southeast boundary of the Asbestos Range National Park now renamed Narawntapu National Park and is approximately 24 square km in the north of the EL, A total of 79 hectares are excluded from the EL, comprising a 12 hectare gravel mining lease (14M/93), the 17 ha of the Dalgarth Forest Reserve and the 50 ha Howwell Gorge State reserve.

Approximately 12% of the EL is on private land comprising 13 disconnected parcels of farmland around the edges of the EL.

The licence was issued in 1st March 2004 for a 5 year term , expiring on 28 the February 2010. It is held 100% by Zelos Resources NL (formally and at the time of application known as Zinico Resources NL.)

The EL is accessible all year round via an extensive network of gravel forestry roads connected to the sealed highways: the Frankfort Road and the Yorktown - Kelso Road. Wood production and pine and eucalypt tree plantation establishment are active over most of the area covered by the EL.

It should be noted that the Zelos Resources NL was listed on the stock exchange the 25th August 2005 and current exploration didn't really commence until September 2005 therefore the current reporting period covered is from the 1st of July 2005 to 1 March 2006.


EXCLUDED AREAS
EL37/2004
460000
465000
470000
475000
480000
485000
490000
5455000
5450000
5445000
5440000
5435000
5430000
5425000
5420000
Scale 1:200,000
Coordinate Datum - AGD 1966 AMG Zone 55
Tasmania
CROWN COPYRIGHT RESERVED
Excluded Areas
Forest Reserve
Mining Lease
Fossicking Area
Gas Pipeline Corridor
Administratively Excluded Areas
Game Reserve
National Park
State Reserve
Historic Site
Private Sanctuary
Private Nature Reserve
Nature Reserve
Wellington Park
Public (Crown) Reserve
Commonwealth Land
Relevant tenement land tenure / land management area indicated *
Note: Land Tenure is derived from the LIST and other sources and may be incomplete.
Not all Land Tenure depicted in legend may appear on the map.

2 Review of Previous Work

2.1 Regional Geology

Exploration Licence 37/2004 covers all the available (for exploration) rocks which comprise the tectonic terrane known as the Badger Head Inlier, an eastern segment of the Sheffield Element or the Badger Head Block. The rocks are predominantly a suite of poly deformed low-grade metamorphosed turbiditic sandstones and lutites assigned the unit name Badger Head Formation by Elliott (1993).

The Badger Head Formation has not been directly dated but correlates on combined structural , lithological and detrital zircon age evidence with the Burnie Formation, a Late Proterozoic (minimum age of 725 +/- 25 million years) polydeformed metaturbidite unit in the west of the Sheffield Element some 60 km west of Badger Head.

Geological Survey mapping shows that in detail,a multiple number of slivers of probable early panniers of Early Palaeozoic marine sediments and serpentinised ultramafics are inter faulted with "conventional" Badger Head Formation metaturbidites in the eastern part of the BHF.

The Badger Head Block extends to the coast in the north and at its southern margin is overlapped by Carboniffeous - Permian Tasmania Basin sedimentary rocks, which are extensively intruded by a Jurassic dolerite.

Two distinctly different allochthonous mélanges of Palaeozoic rocks are faulted against the Badger Head Block and its western and eastern margins. In the west, the Badger Head Block is faulted over the Port Sorell Formation, a wedge of deformed probably mainly Cambrian marine sediments, volcanics and dolerite which dips east under the Badger Head Formation according to Elliott et al (1993).

Zengerer (1999) interprets a different fault boundary relationship from modelling gravity and magnetic data, with the Badger Head Formation dipping west, under the younger Port Sorell Formation.

At the eastern margin the Badger Head Block is in fault contact, over a broad zone, with base in units of the western thrust slice of the Beaconsfield Block (Elliott et al, 1993). The Anderson Creek Ultramafic complex is considered to be in the early to middle Cambrian greenstone basement to the Cambrian –Devonian stratigraphic sequence represented in the 4 or 5 imbricate thrust slices which constitutes the Beaconsfield Block, and which host the known gold mineralisation around Beaconsfield.

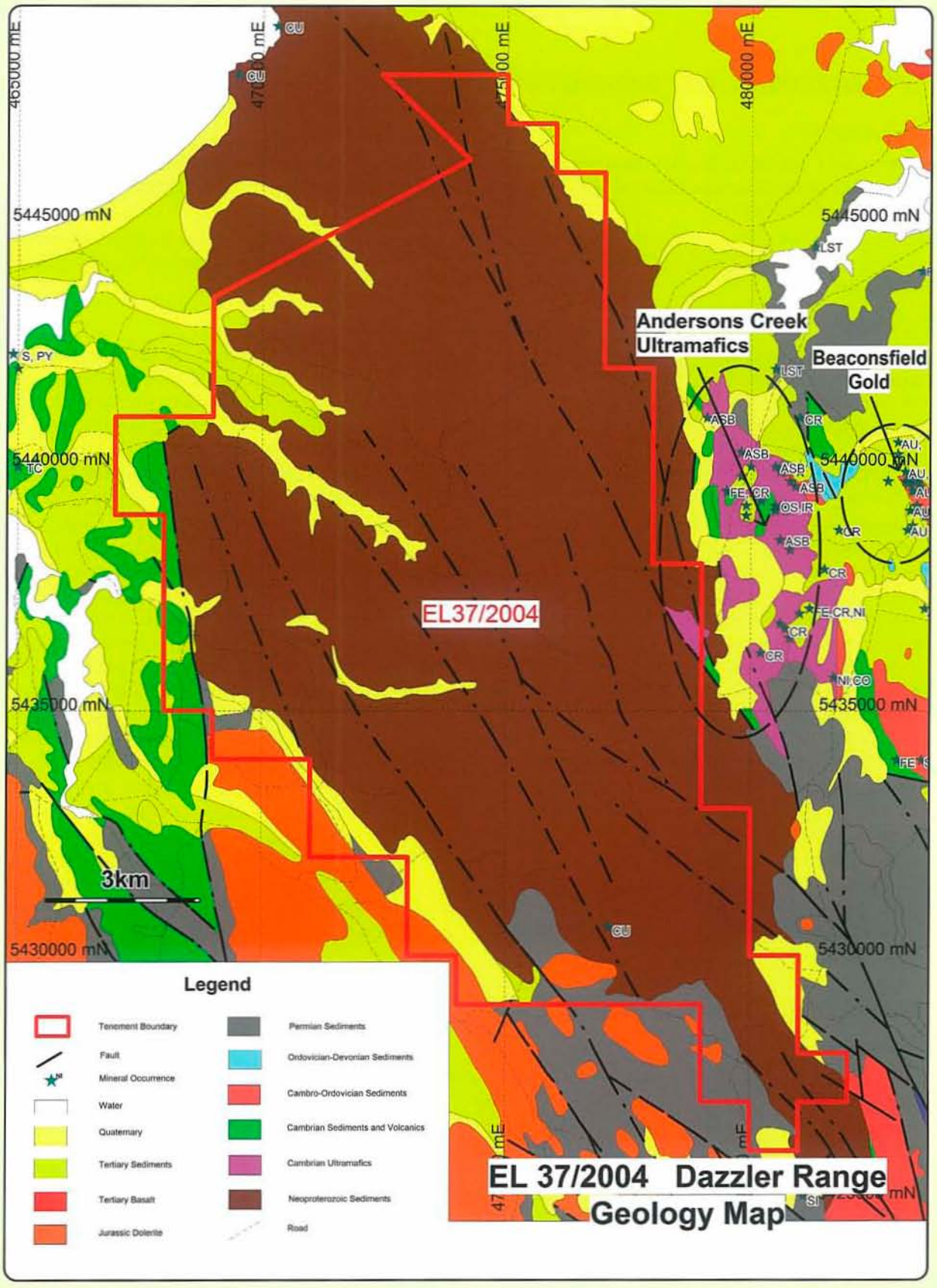


Figure 3: Dazzler Range Geology Map

The complex is an association of partly serpentinised and rhodingised ultramafic and mafic ophilites and marine benthic sediments which may be partly contact metamorphosed by the igneous rocks (Green 1957), suggesting that the coherent fragments of Cambrian sea floor oceanic crust have been preserved during tectonic transport to their present location. There is some evidence that the Anderson Creek Ultramafic Complex rocks were re heated post emplacement, because metasediments interlayered with the ultramafics gave K-Ar biotite ages of 477-496 My (Middle Ordovician).

The geometry of the eastern fault margins of the Badger Head Block is also uncertain. Elliott et al (1993) interpreted easterly dip, structurally conformable to the other thrust in the allochthonous terrane between Ports Sorell and the Tamer River, and this is consistent with the middle Cambrian west - directed thrusting evident postulated by Berry and Crawford (1988) to explain the distribution of all the allochthons of Cambrian mafic-ultramafic complexes in western Tasmania. In contrast, sectional modelling of magnetics and gravity data by Zengerer (1999) produced the best fit geometry involving a contact of the thrust faults within the Anderson Creek Ultramafic Complex. West of this contact, Anderson Creek Ultramafic Complex rocks dip west, under the Badger Head Block and east of the contact, they dip east, as the basal unit in a conformable Beaconsfield Block strategically.

The faulted eastern margin of the Badger Head Block extends well south of the outcropping Anderson Creek Ultramafic Complex. Its expression has been interpreted as the Bald Tier Fault, Purvis (1998) near the Mt Careless, some 10 km from the nearest outcropping ultramafics.

Deformation of the Badger Head Formation shows evidence of at least three tectonic folding events (Elliot 1993).

1 Small-scale recluse faults (the oldest) which have been refolded, and schistosity oblique to bedding in pelite layers

2 East facing, recumbent folds (implying east - directed thrusting in addition to the broadly accepted WSW direction) with non penetrative axial plane or crenulation cleavage.

3 Large upright folds with steep, originally persisted, penetrative axial plane crenulation cleavage. Fold axis plunge steeply to the NNW and locally parallel the F2 axes. Locally at least two generations of kinking over print these large-scale folds.

A late Middle Cambrian age for the west- directed and emplacement of the Andersons Creek Ultramafic Complex, as proposed by Berry and Crawford (1988), is consistent with the presence of ultramafic clasts in polymict conglomerate at the base of the Cambrian Blyths Creek Formation, south the Beaconsfield (McDonald 1998) but the deformation structures in the post Middle Cambrian rocks in the region require more than one pre Late Cambrian fold event. Exploration mapping and core logging in the Beaconsfield region requires the Blyths Creek Formation to include the Dally's Siltstone and probably the Ilfracombe Slate of Green (1957). The Blyths Creek Formation is probably a gross correlate of the Dundas Group (Hills and McDonald (1999).

Zengerer (1999) synthesised the tectonic histories of previous workers and concluded that the Badger Head Block has experienced six Palaeozoic deformations up to the Middle Devonian (D6 = the mineralizing event at Beaconsfield) and two Mesozoic –Cainozoic faulting events. The synthesis involves Cambrian west- directed thrusting emplacing the Andersons Creek Ultramafic Complex (D1), and an early Devonian east- west directed thrusting, producing in the east facing recumbent folds (D3) then a SW- directed Devonian thrusting causing the final emplacement of the Badger Head Block (D5), pre the compression and faulting associated with mineralization.

Reed (2000) mapped the structural geology of the Badger Head Block for the MRT and said there are four significant pre-Jurassic events and a weak folding (D3) which is generally not expressed inland from the coast.

The D1 (probably Delmarion) is a north- south compressional event, and is also recognised by previous workers, has produced early isoclinal folds but it is the other three events which have the most direct potential in gold exploration.

D2 - NE- directed thrust producing east facing folds, maybe a secondary Delmarian event or maybe a younger Jukesian event and also a correlate of the Haulage and top Turquoise Bluff Slate Unconformities. If D2 is Jukesian it may also correlate with some of the Victorian slate belt gold mineralisation.

D4. - Middle Devonian thrust event which correlates with the NW-SE striking structures at Beaconsfield. The largest structure of this type on EL. 37/2004 is the Copper Mine Creek/Pandora's Box trend.

D5- NE-SW dextral conjugate fault offsets to D4. These are probably relatively younger Middle Devonian faults and may correlate with the reef position at Beaconsfield. The equivalent structures east of the Tamar River tend to strike east-west and show sinistral displacement.

2.2 Previous Exploration and Mining

Only one abandoned mine site has been identified within the licence area. The Pandora copper workings, located on the eastern bank of Copper Mine Creek consists of two adjoining standards and several small shafts and winzes.

An elongate stack of mixed wall rock and vein quartz exists along approximately 50m of the creek bank, immediately downstream from the adits. It has been partly eroded by the creek during floods but its shape suggests it was built by hand pushed dump carts traveling on rails. Some of the vein quartz contains visible pyrite +/ - chalcopyrite but pits, cavities and honeycomb texture with abundant iron hydroxide, probably after sulphide, are much more common . The workings are developed on quartz veined, cleaved quartz sandstones and carbonaceous schists typical of the Badger Head Block rocks. Mineral Resources Tasmania mapping suggested the site is in the immediate hanging wall to a major reverse fault which can be traced along strike to the NNW several kilometres and clearly controls the drainage orientation. The two adits trend to the NE and the SE and are unsafe to enter at present. At the entrances relatively unde formed sandstone dips at 21° /185 AGM but locally the rocks close to quartz veins are intensely folded, crenulated and sheared. Both low angle, near bedding parallel, and steeply dipping quartz veins, all in the 5mm to 25cm width range, are exposed near the adit entrances. Both adits are dry at their entrances but a shaft in the creek bed, some 50 m downstream from the adits, is water filled to the surface and is emitting heavily iron hydroxide coloured drainage.

Nye (1924) reported that the mineralisation was probably discovered "in the 1880s". The Pandora mine was working when Montgomery (1893) visited the site. He reported that the NE- drive extended For 32m and that the flat lying quartz veins up to 1.2m thick, but very irregular were exposed. Although a 5 tonne parcel of mineralised quartz grading 7.75% copper had been hand-picked from the production, Montgomery was pessimistic about the long-term viability of the operation. Later in 1893 the mine closed. It reopened briefly in 1897 and 1913, both times under new companies which were unsuccessful.

The examples of mineralised quartz taken by Montgomery in 1893 and mining in 1923 showed a zero to trace concentrations of gold and silver. The vein quartz samples taken during a stream sediment survey by Geopecko in 1983 assayed up to 6600 ppm Cu and 10 ppb Au (Perry 1983).

In 1955 Ben Lomond Mining Co Ltd explored a pyrite occurrence within Port Sorrel Formation black slates in Branches Creek, just west of the EL. They estimated that a deposit of pyrite suitable for sulphuric acid manufacture may exist and in 1968 the EZ Company of Australia Ltd extended exploration over a 500 m section of Branches Creek, again just outside the EL. They concluded that sulphur recoveries were too low and ceased work (Hackett 1968) but importantly there is no indication in the literature that either company tested the pyritic slates for gold. In 1997 a stream sediment survey by

Resolute Ltd produced some week gold anomalies upstream from the pyrite prospect and inside the EL.

Several companies have conducted cursory regional scale drainage surveys, with no prospect recognised and no follow-up was conducted.

In 1967 the BHP Co Ltd conducted a stream sediment survey of the Badger Head region within their EL. The sampling and analytical methods were not specified but mapped results for hydrochloric acid leachable nickel, zinc and copper are presented. Two adjacent samples in the SE of the EL about 1200m east of the Pandora workings, returned elevated zinc values (175-355ppm) but no follow-up work is recorded from BHP.

No further work of exploration occurred until 1983, when Geopecko conducted a combined pan concentrate and -80 mesh drainage survey within their EL. The Pre Permian rocks of the Badger Head - Port Sorrel region were divided into two areas for the analysis and interpretation of results and, a substantial portion of both areas A and B occur within the EL 37/2004, the more conservative of the anomaly threshold values picked from class interval frequency distributions by Geopecko, are the basis of the anomalies shown on Morrison's map 1. Copper, lead and zinc thresholds of 65, 35 and 100 ppm respectively are adopted as the basis for the anomalies reported on Morrison's map 1.

Elevated base metal values occur at three main areas within the EL. Coppermine Creek in the SE, the Little Branches Creek - Dalgarth area in the SW and Little Browns Creek in the NW. Of the 18 sites with above threshold base metal values, 7 were anomalous for copper, 2 for lead and 10 for zinc including one site with anomalous copper and zinc. Geopecko did follow-up work on barite anomalies and the Branches Creek pyrite occurrence, all in Cambrian rocks outside the EL, but were not impressed by the elevated base metal results from drainage on the Badger Head Block rocks.

It is significant that neither the BHP or Geopecko drainage surveys included gold.

Between 1987 and 1997 two BLEG gold surveys were conducted over large areas, including parts of EL 37/2004.

During 1987 to 1989 Beaconsfield Gold mines Ltd took 6 kg minus 6mm samples from widely scattered sites within their EL.17/73 in the West Tamar region (Hicks 1989). 15 of the 175 sample sites in this survey occur within the EL.37/2004. Five samples scored above level of detection, with values ranging from 0.1 to 1.35 ppb. These sites are tightly grouped about a section of the Yorktown Rivulet and tributaries, beside Asbestos Road. The fact that three of the gold highs occur in tributaries on the NW side of Yorktown Rivulet suggests that contamination from road gravel is not the source of the gold.

No follow-up of the Yorktown Rivulet anomaly occurred until 1996-97 when Resolute Ltd conducted and 83 BLEG sample survey within their EL, including 60 sites inside the area now covered by the current EL. The Yorktown Rivulet anomaly was checked with six samples and the anomaly was not repeated. Sample size and the resolute survey was only 1 kg of -3 mm sediment and the company expressed some doubt about the effectiveness of the BLEG in Tasmanian streams. Despite these concerns, a group of samples in the Branches Creek, Little Branches Creek area, the SW of the EL and upstream from Branches Creek pyrite occurrence, re turned gold values of 0.2 to 0.6 ppb (level of detection 0.1 ppb) and these were the only weak anomalies generated by that survey within the area of the current lease EL 37/2004.

Resolute concluded that no further work was justified and the ground was relinquished in June 1997. The subsequent ETA was not taken up and the ground remained vacant until Beaconsfield applied and was granted a licence from June 1999.

2.3 The Beaconsfield Gold Exploration Results

Compilation of the results from previous stream sediment surveys shows four areas with gold or base metal anomalies. The preliminary results of regional scale structural mapping undertaken by Dr Alistair Reed were provided to Beaconsfield Gold NL by MRT Tasmania and the four exploration leads are each based on the co incidence of geochemical anomalies and major Devonian structures. Two of the leads (Yorktown Rivulet and Branches Creek) comprise gold anomalies which remain unexplained and Pandora is a site of significant vein style copper mineralisation clearly relating to thrusting which correlates with the Devonian thrusting at Beaconsfield. The fourth site, Little Brown Creek, is a weaker base metal anomaly.

Six composite samples of vein quartz, iron and manganese oxide were taken from the stacked material outside the Pandora workings and assayed for gold and arsenic. All samples returned less than 10 ppb (level of detection) gold, and arsenic range up to 240 ppm. These results confirm the lack of associated gold in the Pandora copper mineralization.

Beaconsfield curtailed the programme due to budget constraints, and exploration ceased around May 2000

3 Current Exploration

3.1 Literature Review

The Minerals Resources Tasmania library was visited and copies of open files of past reports and maps were purchased.

These reports included the Badger Head report 1983, the Bell Bay area report 1996, and the Dazzler Range report 2000. These reports are listed in detail in the references.

The detail and discussion on these reports is contained in the sections reported above on regional and local past exploration. Zelos company reports are also listed and will be discussed below.

Visits were also made to the Tasmanian Lands Department to purchase the local topographic maps at 1:100 000 and 1: 25 000 scales which cover the Dazzler Range area.

3.2 Regional Exploration Activities

Three visits were made to the region as part of the initial reconnaissance of the area. The first involved orientation of the local road system, the geography, the infrastructure and the resources locally available in the townships etc.

The second was an initial geological orientation and prospecting trip to further check the road network of the EL and in particular the extensive Forestry Tasmania service roads.

The third was a reconnaissance of the eastern side of the Dazzler Range for the same purposes as above.

3.3 Prospect-based Exploration Activities.

1 Dr Richard Keele a Hobart resident Geological Consultant (and with CODES attached to the University of Tasmania) who is a specialist in Structural Geology and Geochemistry was commissioned to carry out an assessment of the mineral potential of the exploration area.

He studied all the past exploration results of geochemistry samples taken by all the companies who operated in the region in the past.

He put this data on a computer data base and constructed sample sites, stream catchments areas and also colour coded anomalous areas for those metals that reported assay results above background levels.

Based on these findings Dr Keele made several recommendations for follow up stream sediment sampling in the eastern side of the EL and also for soil sampling within the EL.

He was commissioned to do further work including being involved in the supervision of the proposed field work he recommended, but his unfortunate untimely death prevented any further involvement. His report is appended and his results are discussed below.

2 A one day reconnaissance was made to the old Pandora's Box copper mine. There are two tracks into the mine both with fallen trees hindering vehicular access. The old mine adits were located, entered and their backs sampled. As per the literature there was no discernable gold recorded and assays of the samples collected confirmed that the mine does not have any gold. A suite of assays were run and results discussed below. Full details are in the attached report and assay results.

3 The company commissioned a Consulting Geophysicist to obtain magnetic and other geophysical data from the MRT open file system covering the EL.

This task was in effect a desk top study and was carried out in December 2005.

He was asked to do a geophysical interpretation report of this data and how it may impact on the EL. A description of the process, notes on which surveys were accessed is noted.

Filtration of data and its effects were all discussed. Geology affecting the geophysics was discussed as was mineralization, targets and recommendations.

The report was presented in person at a technical meeting of Zelos consultants for the design of a field programme to carry out the recommendations.

In the period under discussion no recommended field work from this report was carried out. The report in full is appended.

4 A stream sediment sampling programme was recommended to collect 23 samples sites along and within the eastern boundary of the EL. Dr Keele suggested the sample sites in his report (see above; point 1) to test for the presence of nickel.

This task was carried out in early December 2005 and the 15 collected sample sites were noted geologically and the sediment sent to Burnie Laboratories Ltd for assay. The seven uncollected sites were in very rugged terrain and are only accessible with extreme difficulty and would require a fully equipped sampling team.

4 Discussion of Results

1 The report by Dr Richard Keele showed on a map of the EL all stream sediment sample site of the historic sampling done by all explorers in the past.

Metallic elements plotted were Cu, Zn, Ni, Mo from BHP in 1965.
Au, As, Cu, PB, Zn from Beaconsfield in 1989 and Au, As, Sb by Resolute in 1997.

The BHP survey showed anomalous nickel results in the eastern side of the EL and adjacent to the Anderson's Creek Ultramafic Complex. Dr Keele recommended that 21 sites within the EL be sampled and analysed for Nickel. This was subsequently carried out in December 2005.

The Beaconsfield survey results pointed to one anomalous gold sample site in the northern part of the EL. This site has not yet been followed up.

The Resolute survey gave very low values and there were no significant trends in the data.

2 At Pandora's Box mine site adits eight rock chip samples were taken. Of these four were from in situ wall rock and four from came from mullock heaps.
Descriptions and location details are in the table attached to the report in the appendix.

A full table of the details of the assay results is also attached to the report in the appendix. The assay suite analysed 26 metals including gold. No sample returned better than 0.01ppm Au.
The mineralized samples (Dz4- Dz8) are quart-pyritic sulphide veins, and the remaining samples (Dzi-Dz3) are from Badger Head graphitic carbonaceous schists and turbidide sandstones. All are indicative of a stressed fracture zone that has been intruded by mineralized fluids.

No gold was reported, and on surface there remains no further interest. However the mine is located on a major north west- south east fault, and the rocks clearly show stress.
The surface mineralization is indicative of fracture leakage and weeping and maybe indicative of further mineralization at depth : that maybe tested in the future with deep drilling.

3 The geophysical report mainly used airborne magnetic data but needed to use filters to show 1st and 2nd vertical derivative images owing to the low amplitude anomalies to background. Images thus produced are in the report and feature faults at 300 degrees magnetic and major lithologies at 340 degrees.

Pandora's Box Copper Mine is noted in the linear features but has no magnetic signature. The gold stream sedimentary anomalies at Yorktown Rivulet have no geophysical signature.

The gravity image suggests a linear trend from the Beaconsfield Gold mine east of the EL to well within the EL. It was recommended this and other linear trends from east to west be followed up on the ground comprising stream geochemistry, geology mapping etc.

More detailed gravity surveying was suggested as being of help to define major structures particularly along strike from Beaconsfield. The full report is appended.

4 The geochemistry results from this sampling exercise is disappointing as no anomalism was found. Background readings were recorded for gold <0.01 ppm and also for nickel mostly around 10 ppm, one sample reported 38ppm.
A full suite of the geochemistry results is appended.

5 Conclusions

The results of the field work to date have been disappointing.

The stream sediments collected and assayed in the east of the EL did not show up much potential for nickel. The Andreson's Creek deposit is lateritic and the Ultramafic source rocks if they extend into the EL do so at an indeterminate depth and were not readily detected. No drilling is justified on this target at this time.

A further field visit should be made to the eastern boundary area of the EL to re asses the potential for nickel laterite within the boundary of the EL adjacent to the Anderson's Creek nickel laterite deposit.

The field visit to the Pandora's Box old copper mine adits found copper as expected but also confirmed that there was no gold at or near surface. The area does show weeping/leaking of copper mineralization in this fault zone and maybe indicative of a minralised source at depth. A deep drill hole to find out cannot be justified at this time.

The geophysical interpretation of the magnetic data suggested follow up of the linear trends that are east west in orientation and "point " to the Beaconsfield mine area. These lineations need to be closely investigated in the field and should be carried out when practical.

The gold anomalies found at Branches Creek and Yorktown should also be followed up in the field.

6 Environment

There has been no environmental disturbance of any kind within the EL boundary other than the clearing of felled trees across the two tracks leading to the Pandora's Box mine.

7 Expenditure

Total Expenditure accrued to EL 37/2004 (including GST) for the reporting g period is $ 17 705

Major Expenditure Items are listed below and include GST

Geology	$	7 564
Geophysics		3 152
Geochemistry		1 380

8 References

MRT Open File Reports

83-1949
PERRING RJ — Badger Head EL 24/80
Final Report — November 1982

96-3920
PURVIS JG — Bell Bay EL 21/94 & Pipers River EL 22/94
Report on Area Relinquished — October 1996

00-4456
MORRISON K — Dazzler Range EL 2/99
Year 1 Annual Report — May 2000

ZELOS RESOURCES NL In House Commissioned Reports

TEAR S
Zinico Resources NL : Prospectus — August 2005

KEELE R
An Assessment of the Mineral Potential of EL 37/2004 — August 2005

COAST and MOUNTAIN EXPLORATION
MEMO on the visit to the Pandora Copper Mine — August 2005

GREENER S
Preliminary Report on Stream Sediment Survey — December 2005

HUNGERFORD N
Geophysical Interpretation Report — December 2005

DAZZLER RANGE EL 37/2004

LOCATION

The centre of this large (158km²) exploration licence application, EL 37/2004, is approximately 10km west of Beaconsfield and close to the north eastern Tasmanian coast and the coastal towns of Georgetown and Port Sorell. Road access in most areas, based on reviewing published maps, is considered acceptable with possibilities of timber trails created by forestry companies greatly helping.

GEOLOGICAL SETTING AND MINERALISATION

The main geological unit within the tenement application area is the Badger Hill Block. This is an allochthonous Neoproterozoic inlier thought to be have been emplaced in Early Cambrian times within the North East Tasmania Stratotectonic Element. The formation is comprised of turbiditic sequences with minor carbonaceous mudstone units. A series of major north-northwest striking faults cut through the tenement. It has been postulated by Geoscience Australia and other independent authors that the Badger Hill Block lies above the main suture zone between West and East Tasmania, previously thought to be the Tamar Valley, 20km to the east. The area has endured uplift and deformation caused by the Devonian-aged Tabberabberan Orogeny, the latter of which is believed responsible in part for the gold mineralisation at Beaconsfield.

Peripheral to the Badger Head Block are a range of formations including the Cambrian-aged Anderson Creek Ultramafics to the immediate east, Permian sediments in the south and a mixture of Jurassic dolerite and Cambrian sediments and volcanics to the west. Minor areas of Quaternary cover occur usually in river valleys. Weathering conditions in the past have affected the Anderson's Creek Ultramafics to produce the Anderson's Creek nickel laterite deposit (circa 10Mt) just east of the licence.

A review of the airborne magnetic data and the geological maps indicates that a small portion of the Anderson Creek Ultramafics occur near surface within the licence boundary and therefore has potential to host nickel mineralisation. In fact the magnetic data shows the rest of the Dazzler Range area to be magnetically flat and that reprocessing of the magnetic data to exclude the 'swamping' effect of the ultramafics is considered essential in order to attempt geological delineation and structural target identification.

One mineral occurrence for copper, called Pandora, is recorded from within the licence; whilst two copper occurrences in carbonaceous mudstones, Badger Head and Little Badger Head, exist just north of the licence. There are reports of chalcopyrite-bearing amphibolites adjacent to the ultramafic contacts on the eastern margin of the licence.

EXPLORATION PROGRAMME

Zinico's exploration plans and strategies (as advised to the Author) for this area commence with reprocessing of the regional airborne magnetic data as part of a 3D-structural interpretation. This can lead to better geological definition within the Badger Head Block and such work can help to locate major fault systems and structural geometries likely to be associated with possible gold and/or copper mineralisation. Cross-referencing this work with mapping will improve the interpretation and identify targets for follow up geochemical sampling, geophysical surveys and reconnaissance drilling. Obtaining favourable outcomes will result in more detailed follow up including diamond drilling.

The proposed programme and budget is considered by the Author to be appropriate for the level of work intended. The project will be results driven and thus some modifications to the programme may be required as field results are obtained.

EXPLORATION POTENTIAL

Recent seismic studies by Geoscience Australia have shown that the geological boundary, or suture, between eastern and western Tasmania lies further west, by some 20 kilometres, than originally thought. The implication from this is that the suture represents a zone of fundamental crustal weakness that now lies beneath the Badger Hill Block. This weakness zone in combination with Devonian igneous activity and deformation could have given rise to major faults acting as pathways for mineral fluids, which ultimately could assist the formation of mineral accumulations, particularly mesothermal gold and sedimentary copper deposits. In the past there has been very little previous exploration and this tenement is very much a grassroots play.

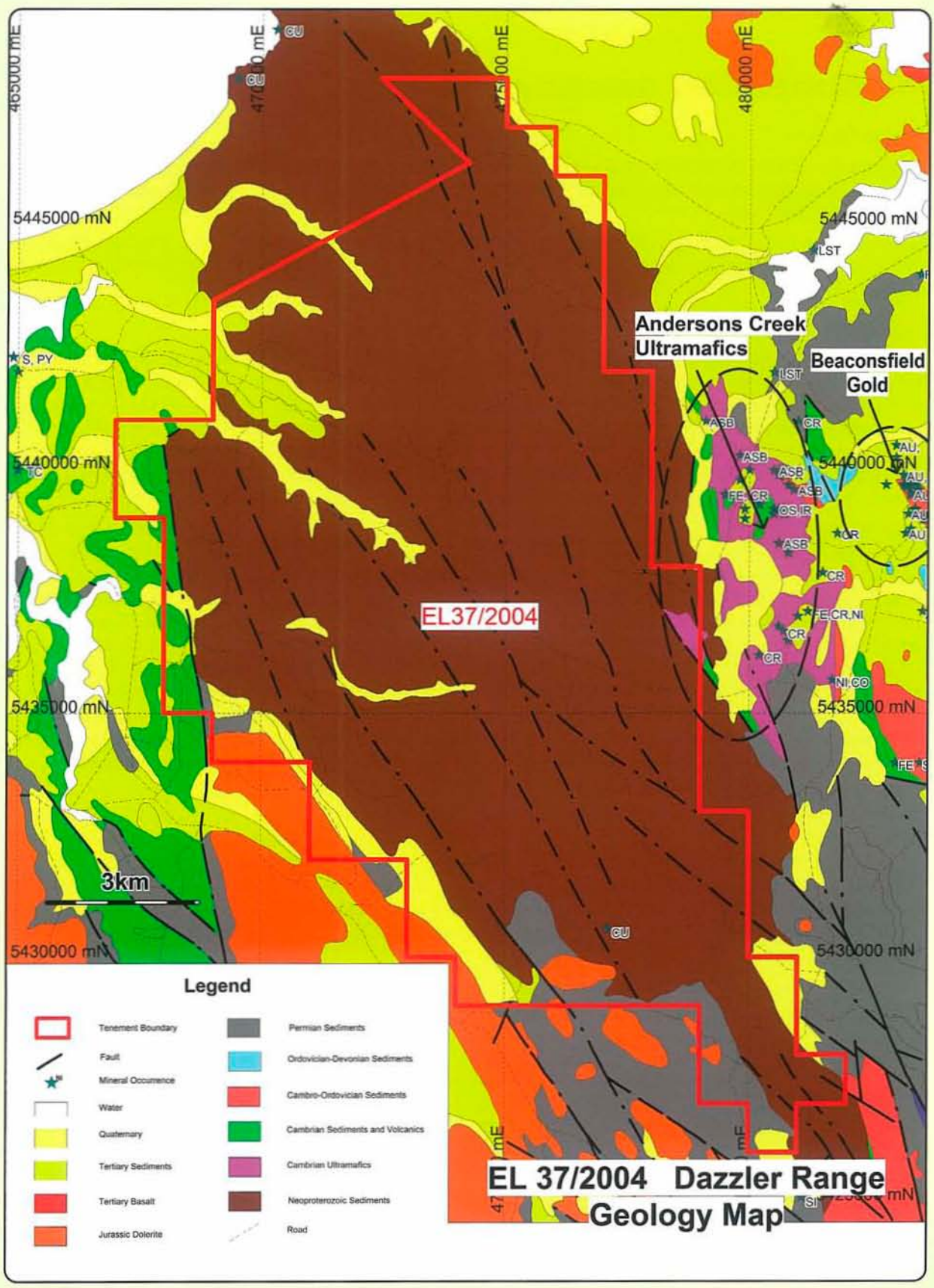


Figure 3: Dazzler Range Geology Map

TITLE:

AN ASSESSMENT OF THE MINERAL POTENTIAL OF EL'S 37/2004 (DAZZLER RANGE) & 45/2004 (WINKLEIGH) USING HISTORIC STREAM SEDIMENT SURVEYS

A report for Zinico NL

By Dr. Richard A. Keele, MMMM (144 Brisbane Street, HOBART, Tasmania

Date 18 August 2005

1.0 SUMMARY

The results of three historic stream sediment surveys by BHP, Beaconsfield Gold Mines and Resolute Limited have been investigated. The geochemical data from stream catchments have been gridded and the outputs are shown in coloured GIS map form in order to highlight nickel, gold and arsenic anomalism on EL's 37/2004 (Dazzler Range) and 45/2004 (Winkleigh). Nickel anomalism on the eastern side of the Dazzler Range tenement is associated with the Anderson Creek Ultramafic complex and requires follow-up. Further drainage sampling is recommended here. The gold and arsenic anomalism in Winkleigh, along the southern extension of the Beaconsfield Gold corridor, require follow-up with overburden penetrating MMI (Mobile Metal Ion) and/or Enzyme-partial leach technologies. Links to relevant sites are given in the text.

2.0 INTRODUCTION

Several historic stream sediment surveys in the Badger Head-Port Sorell block provide useful data for assessing the exploration and mineral potential of EL's 37/2004 (Dazzler Range) and 45/2004 (Figure 1).

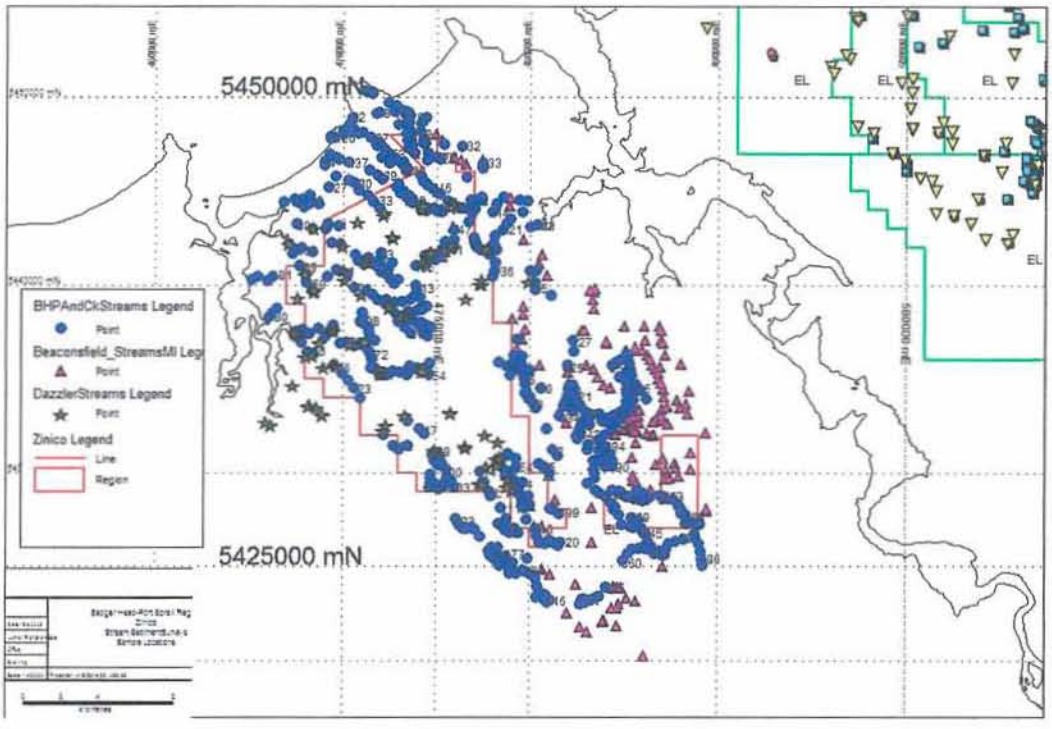


Figure 1 Sample locations for three historic stream sediment surveys (see text for explanation)

3.0 THE DATA

The author investigated three geochemical stream sediment surveys. These are (Figure 1):

1. 1. BHP survey over the Port Sorell-Badger Head Block in 1965 (Gebert, 1967). Cu, Zn, Ni & Mo were analysed.
2. 2. Beaconsfield survey over the areas to the west and south of the mine (Hicks, 1989). Au, As, Cu, Pb & Zn were analysed
3. 3. Resolute survey conducted over an area of the Badger Head region similar to the BHP survey, (Macdonald, 1997). Au, As & Sb were analysed.

A fourth survey conducted by Peko-Wallsend was not investigated.

4.0 RESULTS

The significant results of the three surveys are given below.

4.1 BHP Survey

Catchments with higher than usual nickel contents (Figure 2) occur on the eastern side of 37/2004, adjacent to the Anderson's Creek Ultramafic occurrence, which is located east of the tenement. A portion of this Ultramafic Complex crops out in Zinico's tenement (Figure 3).

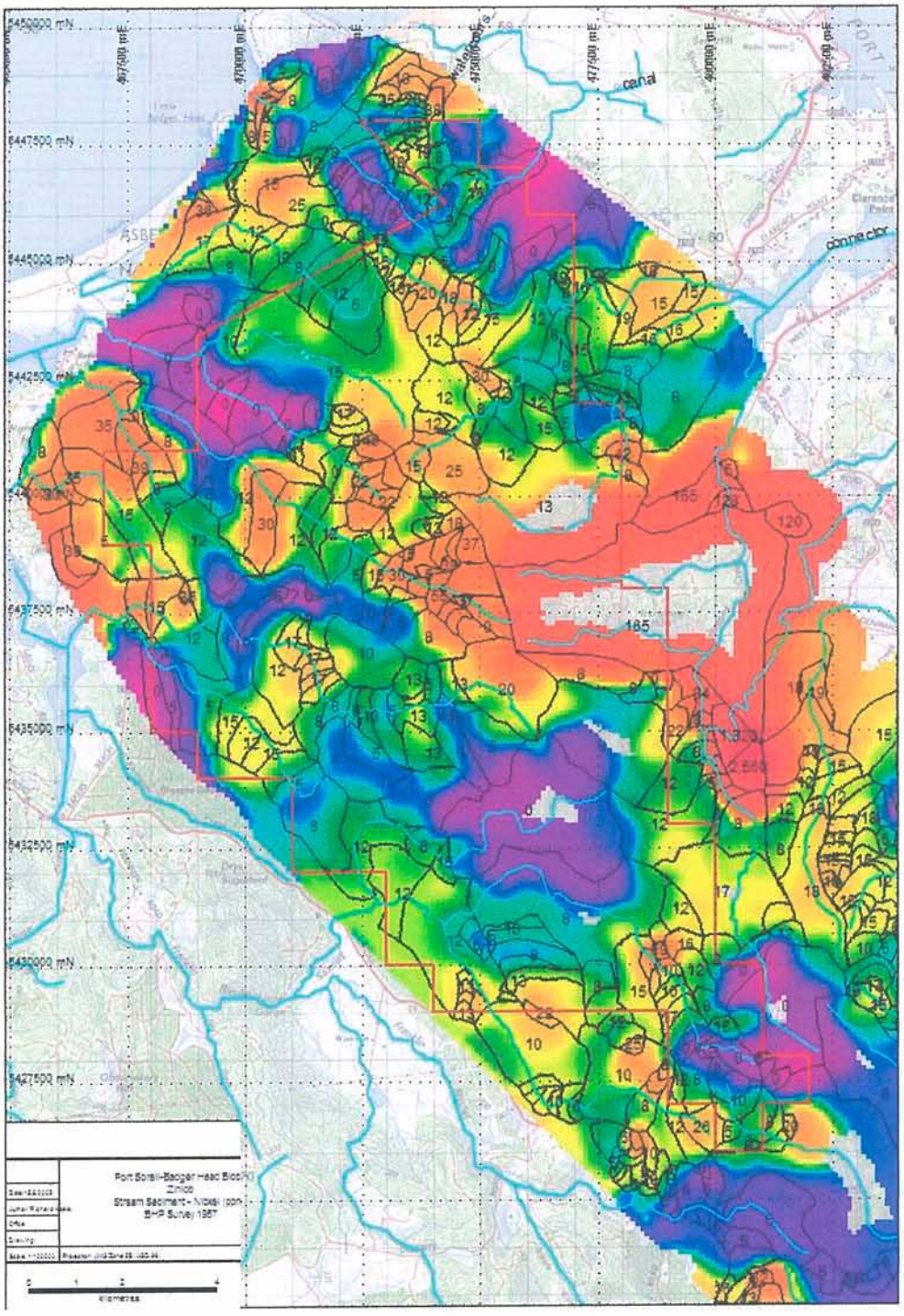


Figure 2 Stream catchments (black, Ni ppm) and gridded Z-values (Ni, red-highest purple-lowest) for Dazzler Range EL 37/2004. Data are from Gebert (1967).

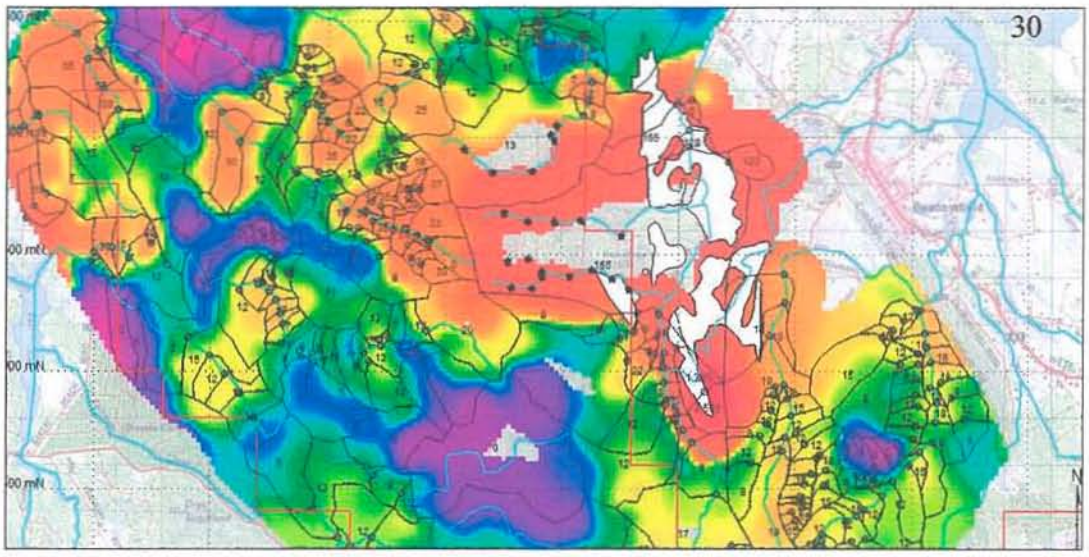


Figure 3 Close-up of Stream Sediment Anomaly (Nickel in ppm) showing insufficient catchment sampling on Zinico's tenement EL37/2004 (data extracted from BHP, Gebert 1967). White areas represent outcropping/subcropping ultramafic rock. The suggested sample locations for stream sediment follow-up are shown as black stars.

4.2 Beaconsfield Gold Mines Limited Survey

The Beaconsfield survey was a disappointment to its original author (Hicks, 1989). However, given that the extension to the Beaconsfield gold-bearing corridor continues under cover into 45/2004, this opens up the possibility of locating Beaconsfield –type targets under recent cover. This is supported by an analysis of the Beaconsfield data (Figures 4 & 5).

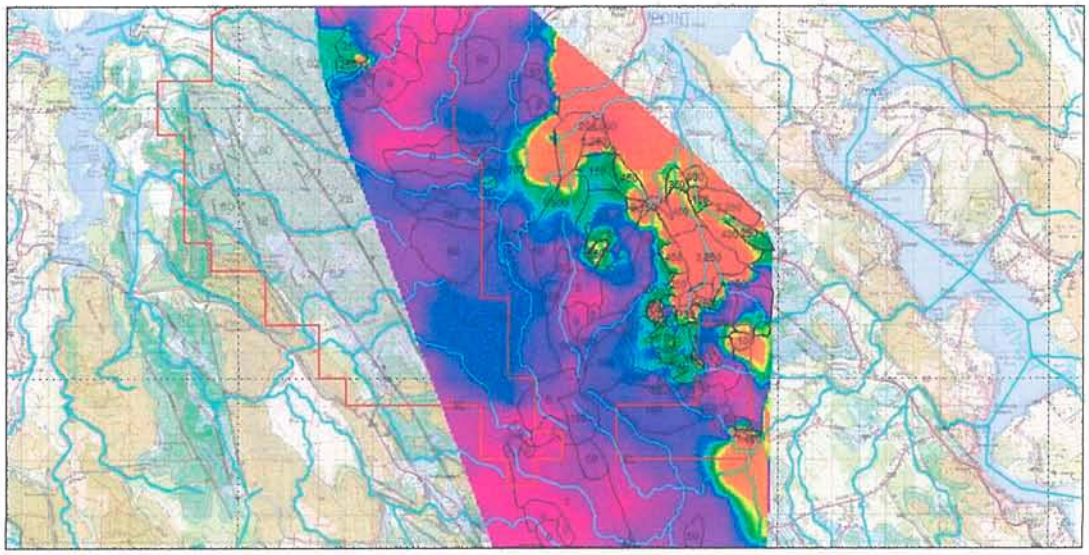


Figure 4 Beaconsfield Drainage Survey (Hicks, 1989). Gridded data is for Au BLEGS (in parts per trillion; red - high, blue-purple - low). Two anomalous samples (1100 &1400 ppt Au) require follow-up in EL45/2004 (Winkleigh). A third anomalous sample in the northern sector of EL37/2004 should also be looked at.

4.3 Resolute Limited Survey

This survey analysed for Arsenic, Antimony and Gold (two determinations). The result of the Arsenic survey is shown (Figure 6). The two gold determination techniques – BLEG and B/ETA – gave very low values (< 1ppb Au in all cases) and no significant trends in the data are evident.

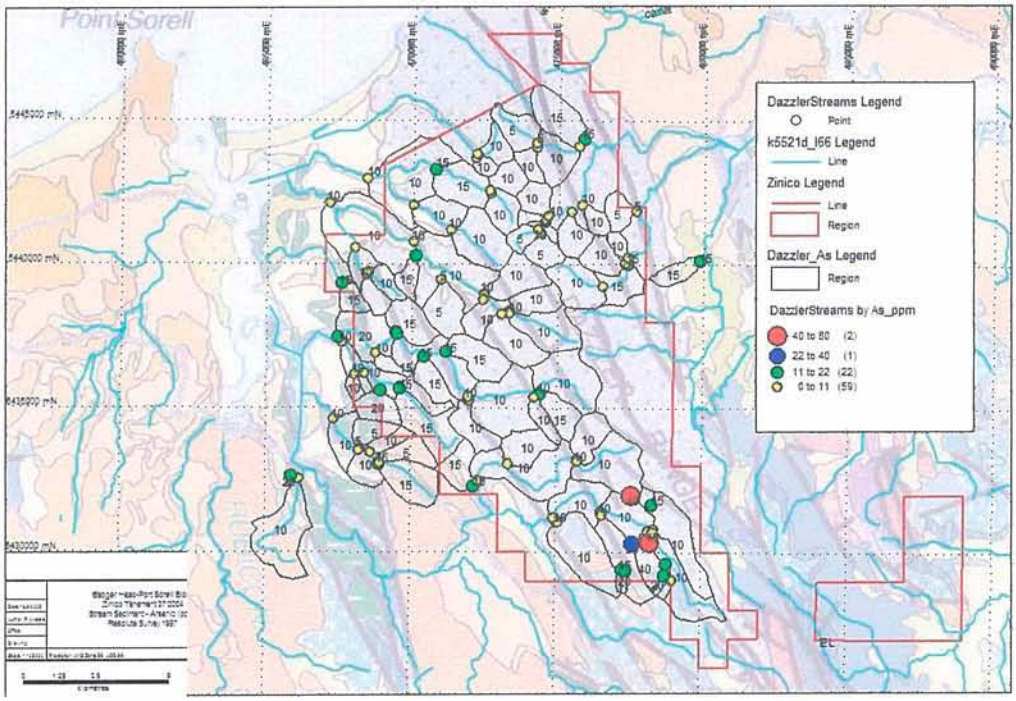


Figure 6 Stream catchments in EL37/2004 showing sample sites with thematic in Arsenic (ppm). Results from the Resolute stream sediment survey 1996 (Macdonald, 1997)

5.0 RECOMMENDATIONS

1. 1. Follow-up stream sediment sampling programme is recommended for the three catchments that drain the western side of the Anderson's Creek ultramafic body. A Programme totalling 21 stream sediment samples from the eastern side of EL37/2004-Dazzler Range is shown in Figure 3.

□.2. Follow-up the anomalous Au and As drainage samples on Winkleigh (EL45/2004) with deep-penetrating geochemical soil techniques, such as MMI or Enzyme and partial leach. http://www.mmigeochem.com/manual5-04.pdf and □.http://www.alschemex.com/downloads/newsletters/ALSC%20Newsletter%20Issue%20102.pdf and http://www.actlabs.com/docs/Enzyme%20Leach%20Minerals%20PDF.pdf

1. 3. A conventional soil follow-up programme is recommended for the Arsenic anomaly at the southeast corner of EL37/2004. Existing, and new gold assays, should be considered in the light of any significant new results.

2. **6.0 REFERENCES**

Gebert (1967). Report to Tasmanian Mines Department on Exploration Licenses 3/65 & 14/65, BHP (Report No. 67_0465) Hicks, J.A. (1989). Exploration Report for the Period October 1987 to January 1989. Beaconsfield Gold Mines Limited (Report No. 89_3011)

MacDonald G., (1997). EL 1/96 "Dazzler Range". Annual Report on Exploration, June '96 to June '97, Resolute Limited (Report No. 97_4021)

Memorandum

Date: 30th August 2005
Re: Pandora Copper mine. Dazzler E.L.
From: Coast and Mountain Exploration

A one day reconnaissance was made to the above workings on the 28th of August 2005. I was accompanied by Ron Gregory and Adrian, one of his field assistants.

I travelled from Hobart on the afternoon of Saturday the 27th and overnighted at Greens Beach for 2 nights returning to Hobart on Monday the 29th.

After an initial 8am briefing of Ron and Adrian, we proceeded to Coppermine Road to the point on the road where we were stopped during our attempted visit in July. We then spent approximately 1 hour attempting to clear our way in for 2 kilometres into the Pandora mine area. *(As per your instructions)*

Due to the slow progress I decided to walk on ahead and make an assessment of the amount of clearing that was required to reach the Pandora mine – 2 kilometres further ahead. Having walked the entire route to the broken and unusable bridge across Coppermine Creek ,I made an executive decision to stop the clearing of the track as it was apparent that 3 blokes working with 2 chains saws were unlikely to complete the job in one day.Moreover no discernable benefit could be identified in continuing when another access route was available. We then drove back to the Frankford main road and entered the area of interest via the Saxons creek gate, having previously obtained a key from Forestry Tasmania. A good quality, existing forestry track allowed us to drive within 500m of the mine workings. Adrian then spent the balance of the afternoon clearing this road whilst Ron Gregory and I searched, located, assessed and sampled the Pandora workings.

There is very little to add to the comprehensive description of this area that was penned by Ken Morrison. Suffice to say that the workings were flooded, could not be entered and were on a very small scale. As Ken had previously sampled the mullock heap, I decided to wade into the adit entrance and actually sample the '*backs*' of the four adits located. All up 8 samples were collected. (DZ 10001-10008) Four were mullock and four were vein material from the adits themselves.

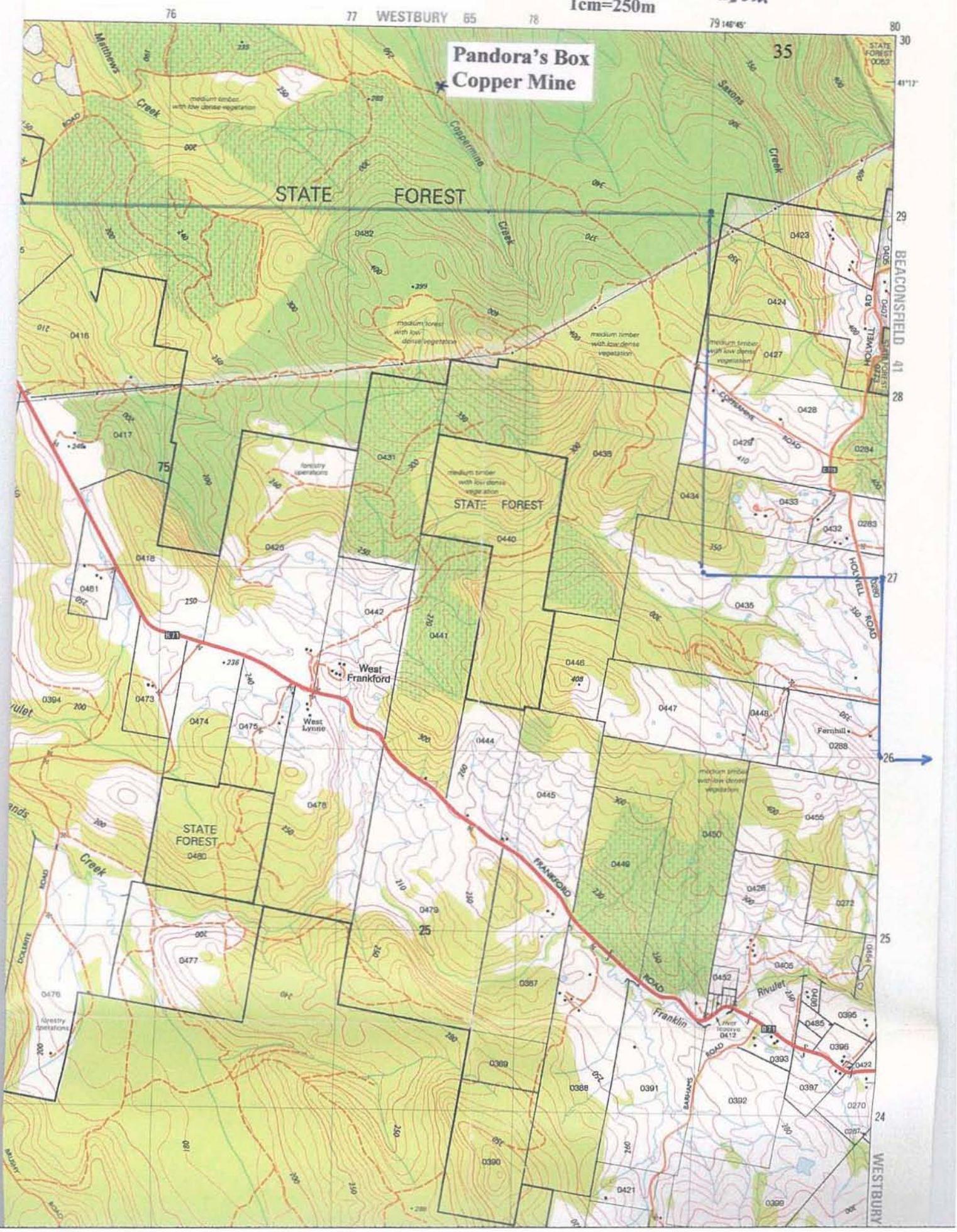
From the literature it is apparent that there is no discernable Au recorded from the Pandora workings. Therefore instead of doing the usual suite of elements by AAS, it is recommended that multi element ICP be utilised to see what exotics may be present. It is always important, especially in reconnaissance work to gather as much data as possible as Industrial Minerals are always a viable target.

37/2004 DAZZLER RANGE

SHEET 4642 EDITION 2 1989

Scale 1:25 000
1cm=250m

250m /Km



PANDORA'S BOX

Copper Mine Area

Zinico Resources
Submitted 7/9/05

Sample Type : Residues

Element	DZ 10001	DZ 10002	DZ 10003	DZ 10004	DZ 10005	DZ 10006	DZ 10007	DZ 10008
Ag	< 2	< 2	< 2	< 2	< 2	< 2	< 2	< 2
Al %	2.48	5.06	3.81	3.22	2.81	3.89	2.13	3060ppm
Ba	117	256	213	149	125	183	92	18
Bi	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10
Ca	2207	290	200	130	290	9680	260	260
Cd	< 5	< 5	< 5	< 5	< 5	< 5	< 5	< 5
Co	6	8	19	< 5	7	17	31	< 5
Cr	60	60	40	50	50	70	70	70
Cu	111	25	117	56	19	616	3.07%	3810
Fe %	2.41	2.54	11.4	3.30	1.15	3.15	8.07	1.81
K %	1.21	2.81	1.96	1.55	1.41	1.56	1.08	1450ppm
Li	7	13	7	9	6	16	5	< 5
Mg	3430	2860	1470	1340	1990	9870	1440	200
Mn	386	293	872	37	140	461	644	197
Mo	14	< 5	< 5	< 5	< 5	< 5	7	8
Na	941	1452	940	770	612	3060	610	440
Ni	11	16	34	9	10	31	58	6
P	100	400	1900	500	< 100	500	< 100	200
Pb	< 5	< 5	< 5	< 5	< 5	< 5	16	18
Sr	16	18	23	21	12	30	10	7
Ti	360	880	440	520	710	1400	270	30
V	22	54	30	25	16	70	10	< 2
Y	5	9	18	8	8	11	8	4
Zn	43	49	109	36	18	38	178	32
Zr	52	144	159	85	117	113	53	< 5

All data is in ppm unless otherwise stated

All data is acid soluble

Zinico Resources
Submitted 7/9/05

Sample Type: Rockchips

Sample	Au
	ppm
DZ 10001	<0.01
DZ 10002	<0.01
DZ 10003	<0.01
DZ 10004	<0.01
DZ 10005	<0.01
DZ 10006	<0.01
DZ 10007	<0.01
DZ 10008	<0.01

SAMPLE No.	DATE	AREA	GRID	EASTING	NORTHING	FLAGGED
DZ 10001	8/28/2005	Coppermine Ck	AMG 66	477450	5429750	No
DZ 10002	8/28/2005	Coppermine Ck	AMG 66	477450	5429750	No
DZ 10003	8/28/2005	Coppermine Ck	AMG 66	477450	5429750	No
DZ 10004	8/28/2005	Coppermine Ck	AMG 66	477450	5429750	No
DZ 10005	8/28/2005	Coppermine Ck	AMG 66	477450	5429750	No
DZ 10006	8/28/2005	Coppermine Ck	AMG 66	477450	5429750	No
DZ 10007	8/28/2005	Coppermine Ck	AMG 66	477450	5429750	No
DZ 10008	8/28/2005	Coppermine Ck	AMG 66	477450	5429750	No

OUTCROP/FLOAT/DUMP	DC/CC/CH	FORMATION	ROCK TYPE
Outcrop	DC	Badger Head	Graphitic carbonaceous schists
Outcrop	DC	Badger Head	Turbidite sandstone
Outcrop	CC	Badger Head	Turbidite sandstone
Outcrop	N.A.	Badger Head	Qtz rich puggy Fe rich fault gauge clay
Dump	N.A.	Badger Head	Qtz -pyite vein mullock
Dump	N.A.	Badger Head	Qtz -pyite vein mullock
Dump	N.A.	Badger Head	Qtz -pyite vein mullock
Dump	N.A.	Badger Head	Qtz -pyite vein mullock

SULPHIDES	OTHER COMMENTS
None visible	Bull quartz' vein from 'back' of adit
Limonite filled voids	Anastamosing,pinch and swell veins.Adit
None visible	Fe/Mn oxides, thin discontinuous veins
None visible	
irregular masses Py	
irregular masses Py	
irregular masses Py	
irregular masses Py	Cpy?

WEATHERING	STRUCTURE	ALTERATION	VEINING
Weak on fractures	Adit along trend of creek/fault	Nil	40cm wide TW
Weak on fractures	Cleaved	Nil	8cm wide quartz
Weak on fractures	Nil	Nil	<5cm quartz veins
Clay	Fault gauge	Nil	Nil
Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil

EL 37/2004 Dazzler Range

For Zenos Resources NL

8th December 2005

By Shelley Greener (Exploration Geologist)
166 Clarks Rd. Lower Longley. Tasmania. 7109

EL 37/2004 Dazzler Range

Summary

A limited program of stream sediment sampling was undertaken in early December 2005 along drainage on the central eastern portion of the Dazzler Range tenement, EL 37/2004. Sample locations are shown in Figure 1 and listed in Table 1.

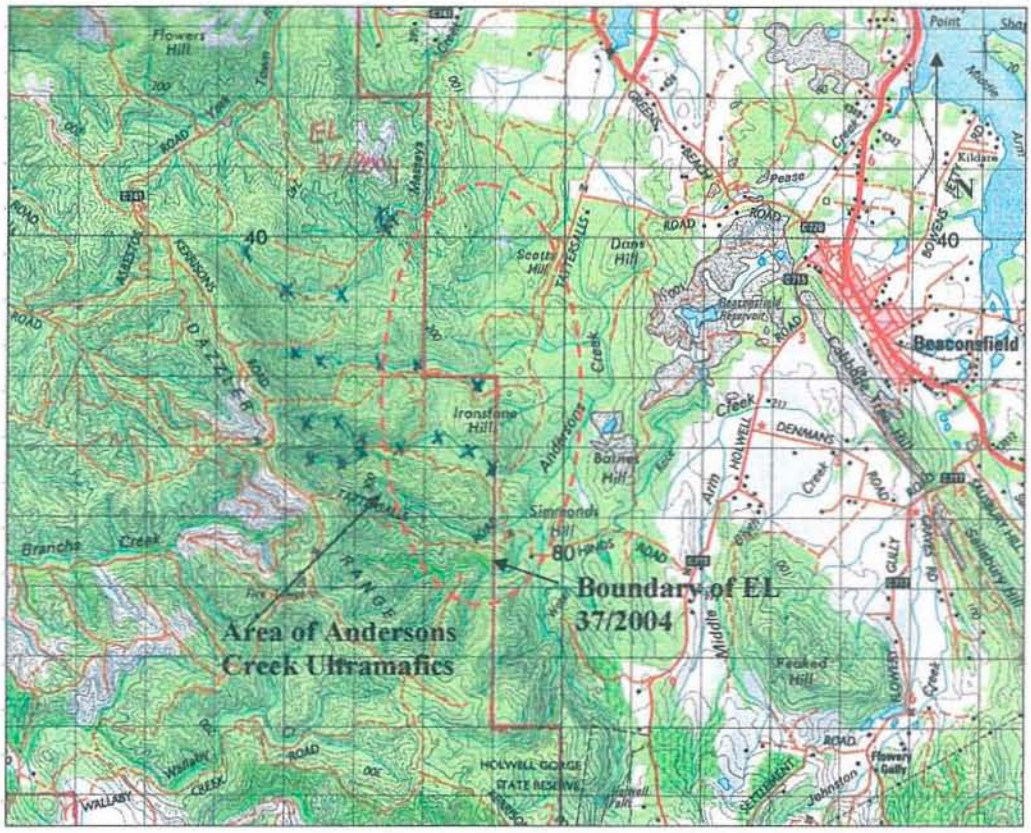


Figure 1. Topographic map (Tamar, 1997) showing sample locations (as blue crosses) in stream sediment survey as suggested by Keele (2005). Each square equals 1km.

The program was commenced on the recommendation of a report by Dr. Richard A. Keele (Dec), who summarised earlier open file geochemical surveys of the area.

A small portion of the Anderson Creek Ultramafics sit within the eastern boundary of the Dazzler Range tenement. Just to the east they host a modest sized Nickel laterite deposit which was investigated by Allegiance Mining NL, but they abandoned the project when results indicated there was not enough scope for significant grade and tonnage upgrades (Newnham, L, 2000). Allegiances' limited licence covered only Nickel and Cobalt and extended to a vertical depth of 30m, leaving room to explore at depth.

Existing geochemical surveys within the Dazzler tenement (Keele, 2005) highlighted elevated Nickel levels in the surrounding area, however there was insufficient data from drainage immediately adjacent to the Ultramafics to enable effective targeting. Dr. Keele (2005) suggested a program of 21 samples to be taken on the eastern edge

of the tenement to address this hole in the data. The final results would then be amalgamated with previous surveys to enable targeting.

It should be noted that at the time of writing, Dr. Keele had not included results from the 1982 Peko-Wallsend survey. The Geopeko stream and soil sampling programs however were not analysed for Nickel, but panned concentrates from the stream sediments were analysed for Chrome (Perring, 1982).

Of the 21 suggested sample sites, 14 stream sediment samples were taken and one rock chip sample. Samples have been submitted to the Burnie Research Laboratory for analysis, and at the time of writing, results were pending.

Method

Access to EL 37/2004 is available all year as the tenement is crossed by a network of well maintained gravel forestry roads, connected to sealed highways. Sample areas are fairly accessible by four wheel drive on old forestry logging tracks. Where roads are impassable, the remainder of the ground maybe traversed on foot.

Approximately half a kilo of sample was taken from each site. Samples were taken from the active part of the stream, placed into labelled plastic zip-lock bags and the sample site marked on a map and site number and site description recorded. The one rock chip sample was taken form a road cutting, showing exposed quartz veins with rare oxidised sulphides in a weakly deformed mudstone / phyllite. All samples have been sent to Burnie Research Laboratory for analysis. Each sample will undergo ICPMS scan for Au, As, Ag, Cu, Ni, Fe, Zn, Pb and other trace elements.
The remaining 7 samples are accessible only with extreme difficulty and require a full sampling team to acquire them.

Table 1. Sample location, number and type.

Site Number	Sample Number	AMG Northing	AMG Easting	Sample Type	Other Information
1	DZ 37 / 0001	5440243	477360	Stream Sed	River Gravels
2	DZ 37 / 0002	5440063	477340	Stream Sed	River Gravels
3	DZ 37 / 0003	5440100	477280	Stream Sed	River Gravels
4	DZ 37 / 0004	5439703	475417	Stream Sed	River Gravels
5	DZ 37 / 0005	5439209	475998	Stream Sed	River Gravels
6	DZ 37 / 0006	5439210	476850	Stream Sed	River Gravels
7	DZ 37 / 100009	5439940	477223	Rock Chip	En echelon quartz veins. Rare oxidised sulphides in weathered Phyllite / Mud / Silt stones. Strike: 082, Dip: 68 ' E.
8	DZ 37 / 0007	5437902	478798	Stream Sed	River Gravels
9	DZ 37 / 0008	5438215	477905	Stream Sed	River Gravels
10	DZ 37 / 0009	5438190	477387	Stream Sed	River Gravels. Taken near old log bridge over creek.
11	DZ 37 / 0010	5437020	477617	Stream Sed	River Gravels
12	DZ 37 / 0011	5437005	477066	Stream Sed	River Gravels
13	DZ 37 / 0012	5437112	477096	Stream Sed	River Gravels
14	DZ 37 / 0013	5438232	476504	Stream Sed	River Gravels
15	DZ 37 / 0014	5438300	475898	Stream Sed	River Gravels

Results
Results are pending.

Conclusions and recommendations
While awaiting results, an effort should be made to acquire all known existing digital data (including maps, assays, geology) and incorporate them into the existing company database to enable further target evaluation and planning.

References
Hartford 4643 map sheet. Tasmanian Government, 1990. Edition 2. 1:25 000 series.

Keele, R.A, 2005. An assessment of the Mineral Potential of EL's 37.2004 (Dazzler Range) and 45/2004 (Winkleigh) using historic stream sediment surveys. Unpublished report for Zinico Resources NL.

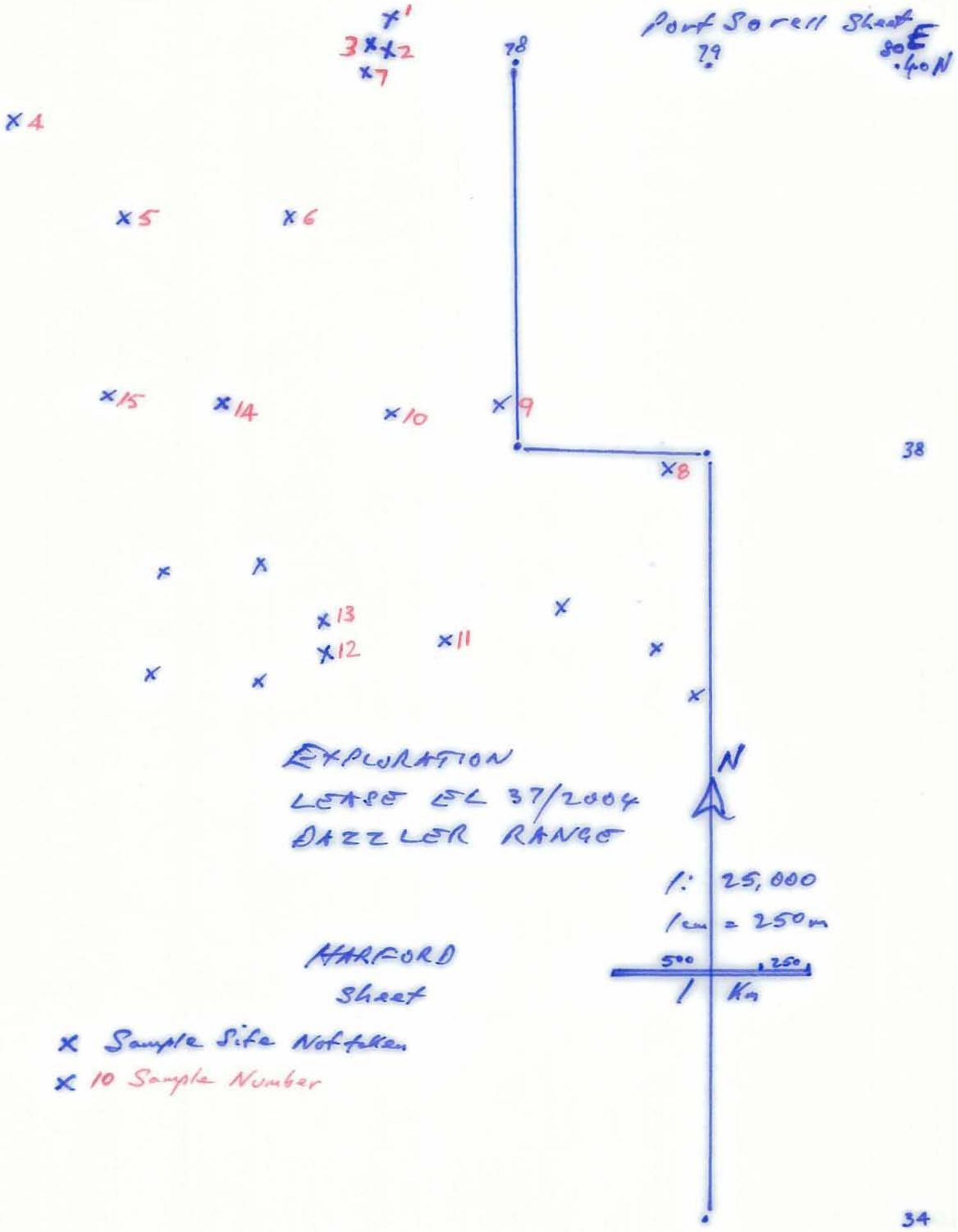
Newnham, L.A, 2000. Allegiance Mining NL. EL 10/96 Andersons Creek Area, Relinquishment Report.

Perring, R. J, 1982. Final Report on E.L. 24/80. Badger head. Tasmania.

Port Sorell 4644 map sheet. Tasmanian Government, 1982. Edition 2. 1:25 000 series.

Tamar sheet 8215 map sheet.1997. Edition 4. Tasmanian Government. 1:100 000 series.

STREAM SEDIMENT SAMPLE SITES




BEACONSFIELD 41
146°45'
GRAVEL RESERVE 0055
GRAVEL RESERVE 1520
Massys Creek
Scotts Hill
TATTERSALLS cut lines
MOUNT VULCAN
medium forest with low dense vegetation
KERRISONS ROAD
fire tower
RANGE
STATE FOREST
IRONSTONE HILLS
CROWN LAND 1028
Anderson's Creek
BEACONSFIELD 41
TATTERSALLS ROAD
HINDS ROAD
Simmonds Hill
1027
1026
0225
0226
NORTH
WATER RESERVE 0224
DAZZLER
43
35

Sample type.: Residues

Element	DZ 37/0001	DZ 37/0002	DZ 37/0003	DZ 37/0004	DZ 37/0005	DZ 37/0006	DZ 37/0007	DZ 37/0008
Ag	<2	<2	<2	<2	<2	<2	<2	<2
Al %	2.08	3.27	1.95	1.94	2.65	2.03	2.20	2.43
Ba	115	174	116	114	152	128	132	137
Bi	<10	<10	<10	<10	<10	<10	<10	<10
Ca	383	118	108	82	152	98	97	77
Cd	<5	<5	<5	<5	<5	<5	<5	<5
Co	6	<5	<5	5	<5	5	<5	<5
Cr	53	55	47	45	73	67	48	51
Cu	4	6	3	3	3	3	4	4
Fe %	1.89	2.70	1.18	0.67	1.62	1.30	1.75	1.59
K %	0.7690	0.1290	0.7810	0.8440	1.00	0.8550	0.8070	0.9200
Li	7	10	10	6	12	11	11	12
Mg	1605	1683	1246	1187	1718	1594	1449	1559
Mn	105	48	109	87	86	132	78	75
Mo	6	<5	11	<5	10	8	5	7
Na	300	439	336	335	422	327	295	316
Ni	38	10	6	5	9	8	9	9
P	<100	<100	<100	<100	<100	<100	<100	<100
Pb	<5	<5	<5	8	<5	17	15	<5
Sr	10	14	11	11	12	11	10	11
Ti	985	1349	867	992	1133	990	1038	1135
V	19	29	15	15	25	16	18	19
Y	6	8	6	8	7	7	7	7
Zn	13	15	9	9	11	12	18	17
Zr	68	106	67	66	81	65	70	74

All data is in ppm unless otherwise stated

All data is acid soluble

COMPLETED.

Attention
Wes Harder
Fax. 02 9223 5155.

Zinico Resources
Submitted 9/12/05

Sample Type: Sediments/Rockchips

Sample	Au
	ppm
DZ 37/0001	<0.01
DZ 37/0002	<0.01
DZ 37/0003	<0.01
DZ 37/0004	<0.01
DZ 37/0005	<0.01
DZ 37/0006	<0.01
DZ 37/0007	<0.01
DZ 37/0008	<0.01
DZ 37/0009	<0.01
DZ 37/0010	<0.01
DZ 37/0011	<0.01
DZ 37/0012	<0.01
DZ 37/0013	<0.01
DZ 37/0014	<0.01
DZ 37/100009	<0.01

Duplicates

Sample	Au
	ppm
DZ 37/0008	<0.01

ZINICO RESOURCES NL
DAZZLER RANGE, NORTH TASMANIA. EL 37/2004
GEOPHYSICAL INTERPRETATION REPORT

by Nigel Hungerford. December 2005

SUMMARY

Airborne geophysical data over the Dazzler Range EL in northern Tasmania (Fig 1) has been downloaded from government websites, processed, imaged and interpreted. The magnetic data are notable for the very low amplitude anomalies (< 1nT) over most of the EL.

The intention of this report is to determine whether the airborne data can help elucidate structures prospective for gold (and to a lesser extent copper) mineralisation. Most of the weak trends from the aeromag survey coincide with hills but possible structures have been interpreted that might help indicate where such mineralisation may occur.

If there is positive geochemical and geological support then an ultra-detailed low level aeromagnetic survey should be considered. This could better define the subtle stratigraphy and structures that the present data are unable to do.

GEOLOGY

The predominant rock types in the EL are low grade metamorphosed turbiditic sandstones and lutites of probable Late Proterozoic age (the Badger Head Block). (MRT report 00_4456 by Beaconsfield Gold). Palaeozoic sediments and volcanics fault bound this block at its western edge whilst Cambrian-age ultramafics fault bound the block at its eastern edge.

The Beaconsfield Gold report discusses at length a number of possible deformation events of the Badger Head Block that that have been postulated by various researchers. The variety of these indicate a complex geological setting for the rocks within the Dazzler Range EL.

PREVIOUS GEOPHYSICAL SURVEYS

The only detailed airborne geophysical survey is that flown using fixed wing aircraft for AGSO (now Geoscience Australia) in 1999 (GA survey number P699: North-Central Tasmania). The line spacing was 200 meters with lines flown east-west. Nominal terrain clearance was 80 metres above ground level. Radiometric data were also collected with a crystal of volume 33.6 litres.

No ground geophysical surveys have been carried out within the EL.

DATA PROCESSING

The airborne data for the whole of the AGSO survey were downloaded from the Geoscience Australia and the Mineral Resources Tasmania (MRT) websites in the form of both located data (profiles) and grids. These were then imported into the author's Geosoft software package for data processing and interpretation.

Both of Geosoft's techniques for gridding the data were tried: minimum curvature and bi-directional line gridding. The former gives results often truer to the data but the latter is better at correlating anomalies from line to line. After close examination of the magnetic profiles, the bi-directional technique was deemed to give the most reliable geological information although, with no detailed mapping available to compare with, this was a rather subjective decision.

The tmi (total magnetic intensity) image from the tmi grid is shown on Fig 2. The very flat magnetic field across the EL is clearly evident. The regional magnetic field is dominated by the strong responses due to the ultramafic rocks just outside the eastern boundary of the EL. These have amplitudes over 5000nT. The weaker anomalies in the Cambrian rocks west of the EL have amplitudes of 100 to 200nT.

Within the Dazzler EL residual magnetic amplitudes are much less and are less than 1 nT. This is well illustrated on Fig2 which show a typical profile across one of the strongest but still very low amplitude magnetic features within the EL.

The top profile is the microlevelled tmi and the bottom profile is derived after filtering the tmi profile with a high pass filter with a wavelength of 300 metres (this process removes responses from magnetic sources deeper than about 150 metres so is indicative of shallow geology). The strongest peak in the centre of the profile is only just evident on the tmi profile but can be seen on the filtered profile. This anomaly has an amplitude of about 0.25nT against background amplitudes of about 0.025nT.

The magnetic data were acquired by AGSO who follow high standards in their measurements so that the background instrumental noise level is less than 0.01nT. This noise is just evident as high frequency variations on the filtered profile.

FILTERING

In order to filter and image the very low amplitude anomalies within the EL it was necessary to window the located magnetic data to just that which lies within the EL and which excludes any high amplitude anomalies that might mask subtle features on images.

A standard way of enhancing shallow low amplitude magnetic features that may be obscured by stronger and deeper sources is to use a 1st and 2nd vertical derivative filters. Images of these grids are shown on figs 4 and 5. These filters still retain information on relative magnetic amplitudes across the EL although the results are somewhat effected by the strong magnetic ultramafic sources to the east. These images also show west-east

artefacts probably due to minor flight line levelling and heading problems. The 2nd VD image has some 'ringing' particularly in the south due to filtering problems arising from a relatively strong and isolated cultural anomaly near Kellys Lookout (481100mE; 5427300mN).

Another way of enhancing subtle magnetic features is by filtering the profiles themselves using a high pass filter (as discussed above) prior to gridding to remove long wavelength anomalies due to deep sources. The resulting filtered profiles are then gridded. An image of this grid is shown on fig 6.

An AGC (Automatic Gain Control) filter applied to the tmi grid is another way of enhancing subtle features. The result is shown on Fig 7. Note how this has also unfortunately enhanced flight line problems which are shown as west-east trends.

COMPARISONS OF FILTERED RESULTS

From the above there are 4 filtered grids which can be used to help interpret the magnetic data, These are : 1st and 2nd vertical derivates, hipass-along-line and AGC.

A comparison of all 4 filtered images plus the scanned MRT geology and the digital terrain (dtm) over a small area in the north of the EL is shown on fig 8. All images are geo-referenced to the same location and area and the cursor (white cross) is at the same location.

All the images show the same NNW-SSE magnetic feature where the cursor is. (This is the same anomaly as shown on fig 3 and discussed above.) This feature correlates with a prominent hill as indicated on the dtm image (bottom left). However each image shows rather different features.

The derivative images (top centre and right) show magnetic anomalies with similar strike directions on either side of the image. The hipass image (bottom right) shows similar directions also but with more responses across the area. These responses are very low amplitude (< 0.1nT) and are most probably caused by surficial magnetic material in the soils. The AGC image (bottom centre) shows an additional subtle trend which is more northeast-southwest (superimposed on east-west flight line artefacts).

GEOPHYSICAL STRUCTURAL FEATURES

The trend directions from the filtered images are interesting in that they are similar to those shown on the DTM image (fig 9). On this latter image it appears that, although the main spine of hills at Dazzler Range has a strike direction of about 340deg TN, there is a superimposed trend of about 300deg TN along which many creeks flow.

The likely implication is that the general geological strike of the rocks is about 340deg with a major fault direction at about 300deg. The former strike direction is generally confirmed by MRT's geological mapping (fig 10).

The report by Beaconsfield Gold (00_4456 mentioned above) discusses various deformation events interpreted from mapping of the Badger Head Formation. At least two of these can be supported from the geophysical and terrain data. A D2 event ("NE-directed thrusting producing east-facing folds") may be indicated by the magnetic 340deg trend, whilst a D4 event (" Middle Devonian Thrust event") may relate to the terrain 300deg trend. The Pandora Copper mine is apparently on the latter.

RADIOMETRICS

Radiometric data were recorded at the same time as the magnetic data. The Potassium image is shown on fig 11 and the ternary image (Potassium-Uranium-Thorium) is on fig 12.

There appears to be quite a variation in the radiometric response but on close study it is due to topography. The hills and ridges (such as the Dazzler Range) have a low count whilst the creeks and valleys have a high count due to alluvials and clays. The highest Potassium responses (but still low amplitude) are in the centre east of the EL. The peak is just off the Dazzler Range ridge at 478200mE, 5436000mN.

GRAVITY

MRT have carried out regional gravity over the EL as part of their state-wide survey. These data have been downloaded and imaged. As is apparent on fig 13 the station spacing is generally too wide to be able to discern any fine structural or lithological detail. However there is a possible NE-SW structure across the middle of the EL dividing high gravity in the north from lower gravity in the south. If the rocks in the Badger Head Block are homogenous with similar density then this implies that the southern part of the EL may be down-thrown or thicker relative to the north (assuming basement rocks are denser than the overlying Proterozoic Badger Head metasediments).

MINERALISATION

The only known mineralisation within the EL is at the small copper workings of Pandora in the south of the EL (fig 10). This has no direct magnetic signature but lies just east of a magnetic linear which is related to a topographic ridge. It is on a minor potassium trend that is also terrain related (in a creek).

The Yorktown Rivulet gold stream geochemical anomalies mentioned in Beaconsfield Gold's report 00_4456, which occur in the centre north of the EL, have no geophysical signature.

The Beaconsfield mine is about 3kms east of the eastern boundary of the Dazzler EL. The Tasmania Reef is a single quartz_carbonate sulphide dilational vein 400m long, striking

NE-SW and dipping SE (J.C. van Moort and D. W. Russel; Lefroy and Beaconsfield Gold Mines, Tamar Region, Tasmania. Uni Tasmania; CRC LEWME 2003).

TARGETS

The north-east structure on which the Beaconsfield vein occurs may extend into the Dazzler EL as suggested by the gravity image (fig 13). A weak potassium anomaly occurs along this trend as mentioned above (478000mE, 5436000mN).

The magnetic data suggest a number of other NE-SW structures which may provide conduits for mineralisation where they intersect favourable lithologies and folds within the sediments. The lithology across the Badger Head Inlier appears to be very homogeneous so a variety of rock types may not be present to provide competency contrasts that could provide foci for mineralisation. However quartz reefs may be developed along the above-mentioned structures where they intersect.

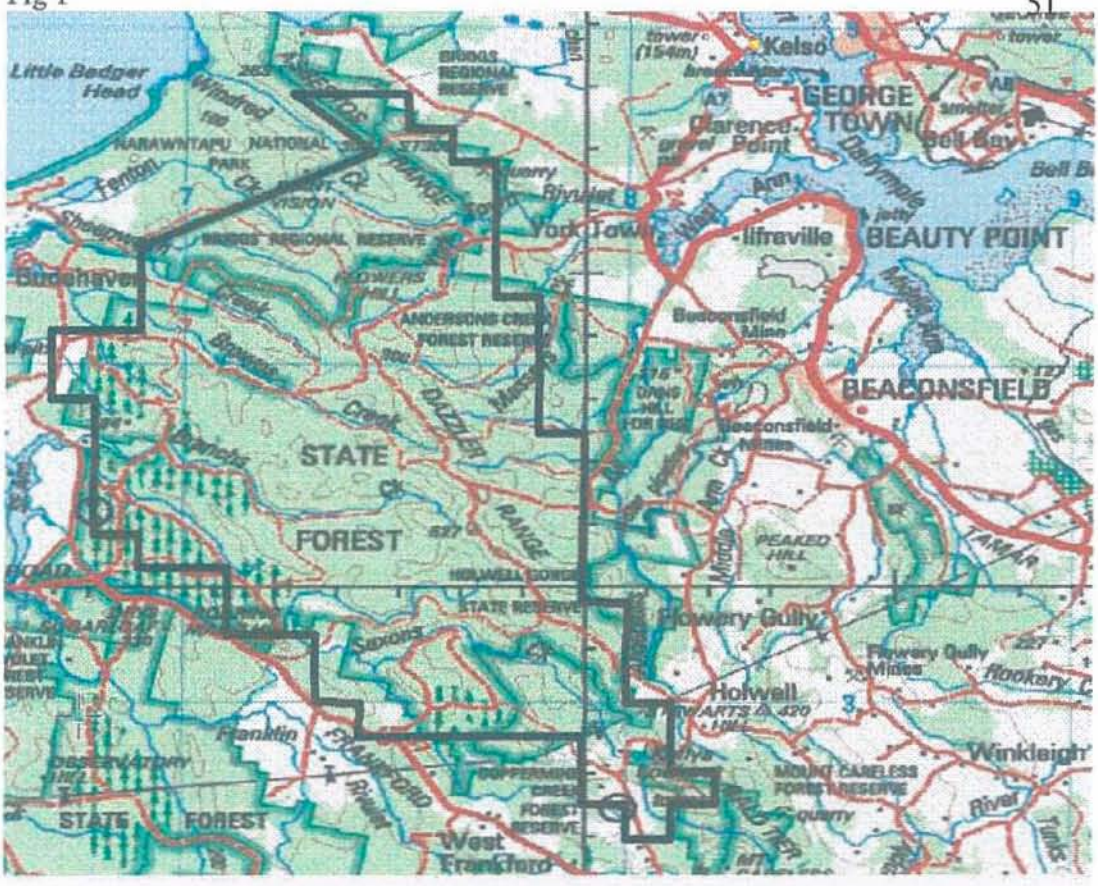
FUTURE WORK

Geochemical stream sediment surveys are the most appropriate technique to indicate areas of gold mineralisation after which the various interpreted geophysical structures may assist in localising more detailed soil sampling surveys. IP surveys could help with defining mineralised quartz veins particularly if they contain at least a few percent of sulphides.

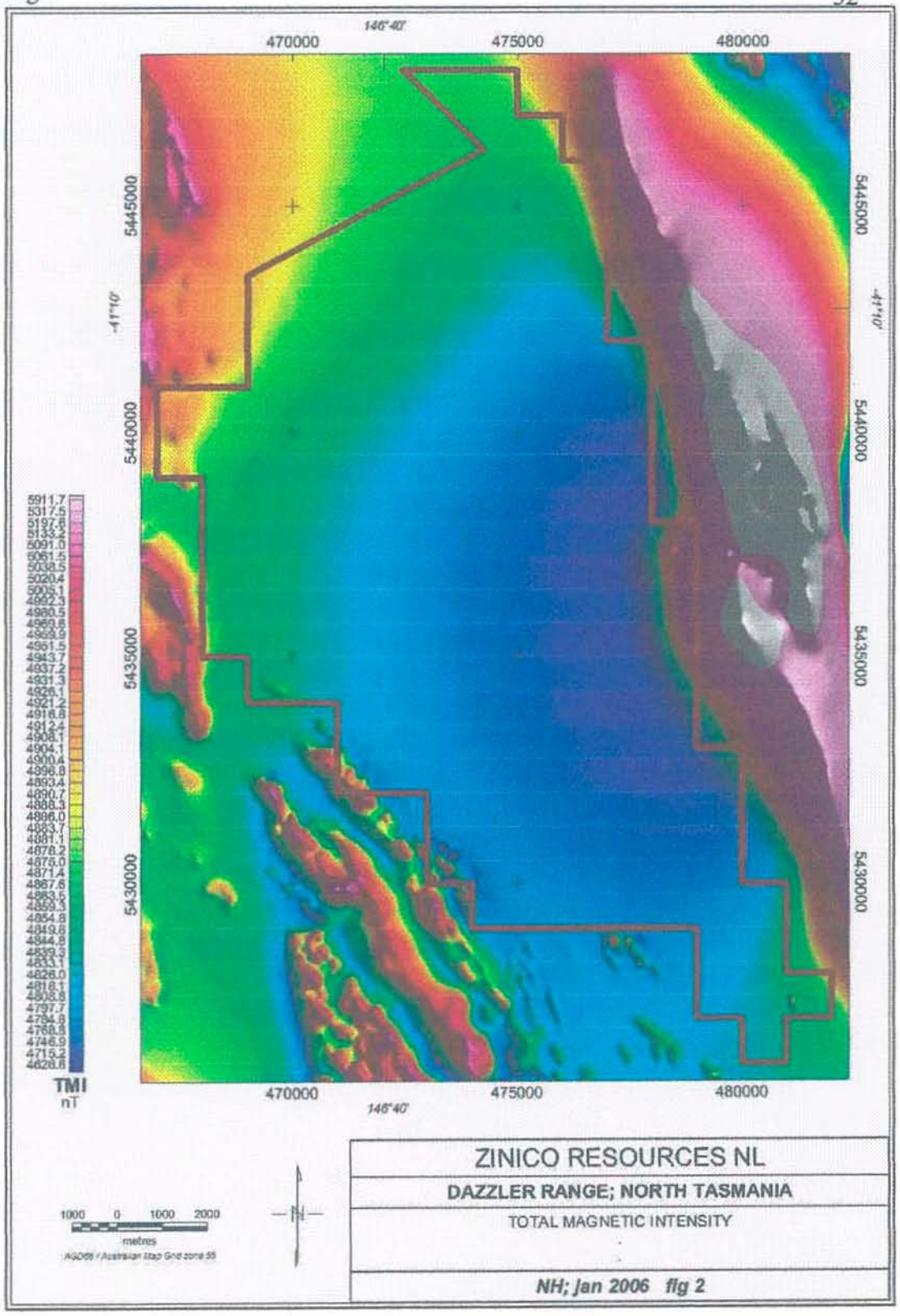
The existing MRT aeromagnetic survey is not sufficiently detailed to define structures in the very subdued magnetic field over the Dazzler Hill EL. A more detailed helimag survey using closer flight lines (eg 50 m) and lower altitude (eg 25m) should provide better information. The cost of such a survey would be the order of $125,000 (3500 line kms @ $35 per line km).

Considering the lack of magnetic contrast within the sediments, more detailed gravity surveying may help define major structures particularly along strike from Beaconsfield.

Fig 1



DAZZLER EL 37/2004
NORTH TASMANIA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4797.7
4784.8
4768.8
4746.9
4715.2
4626.8
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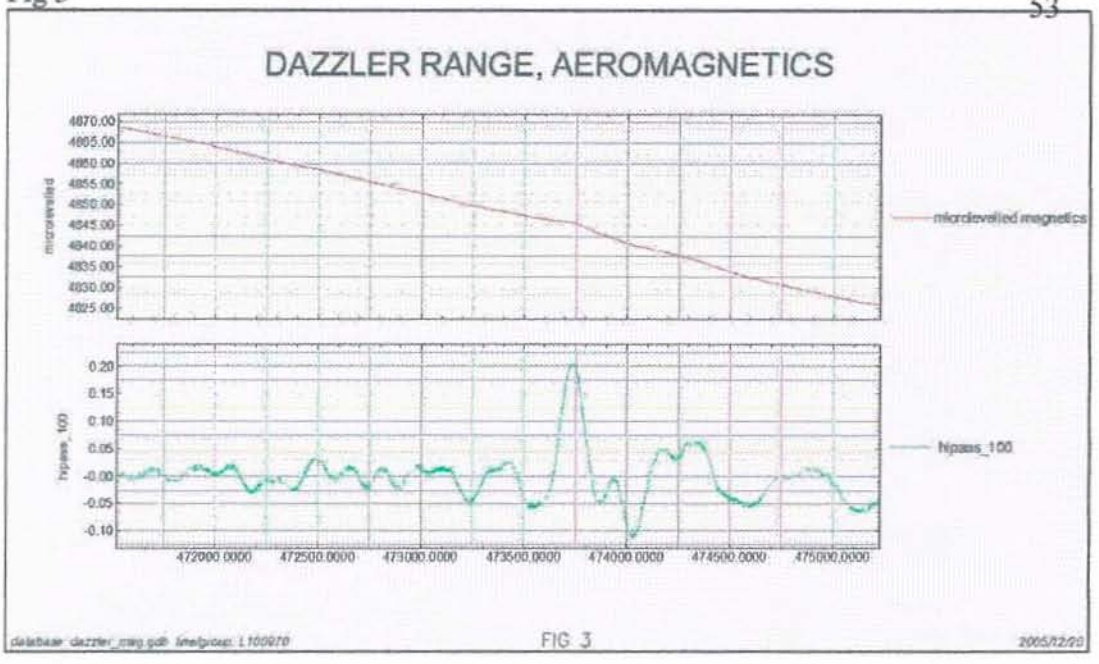
metres
AGD66 / Australian Map Grid zone 55
N
ZINICO RESOURCES NL
DAZZLER RANGE; NORTH TASMANIA
TOTAL MAGNETIC INTENSITY
NH; Jan 2006 fig 2

Fig 3


DAZZLER RANGE, AEROMAGNETICS
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4865.00
4860.00
4855.00
4850.00
4845.00
4840.00
4835.00
4830.00
4825.00
microlevelled
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0.20
0.15
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-0.00
-0.05
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hipass_100
hipass_100
472000.0000
472500.0000
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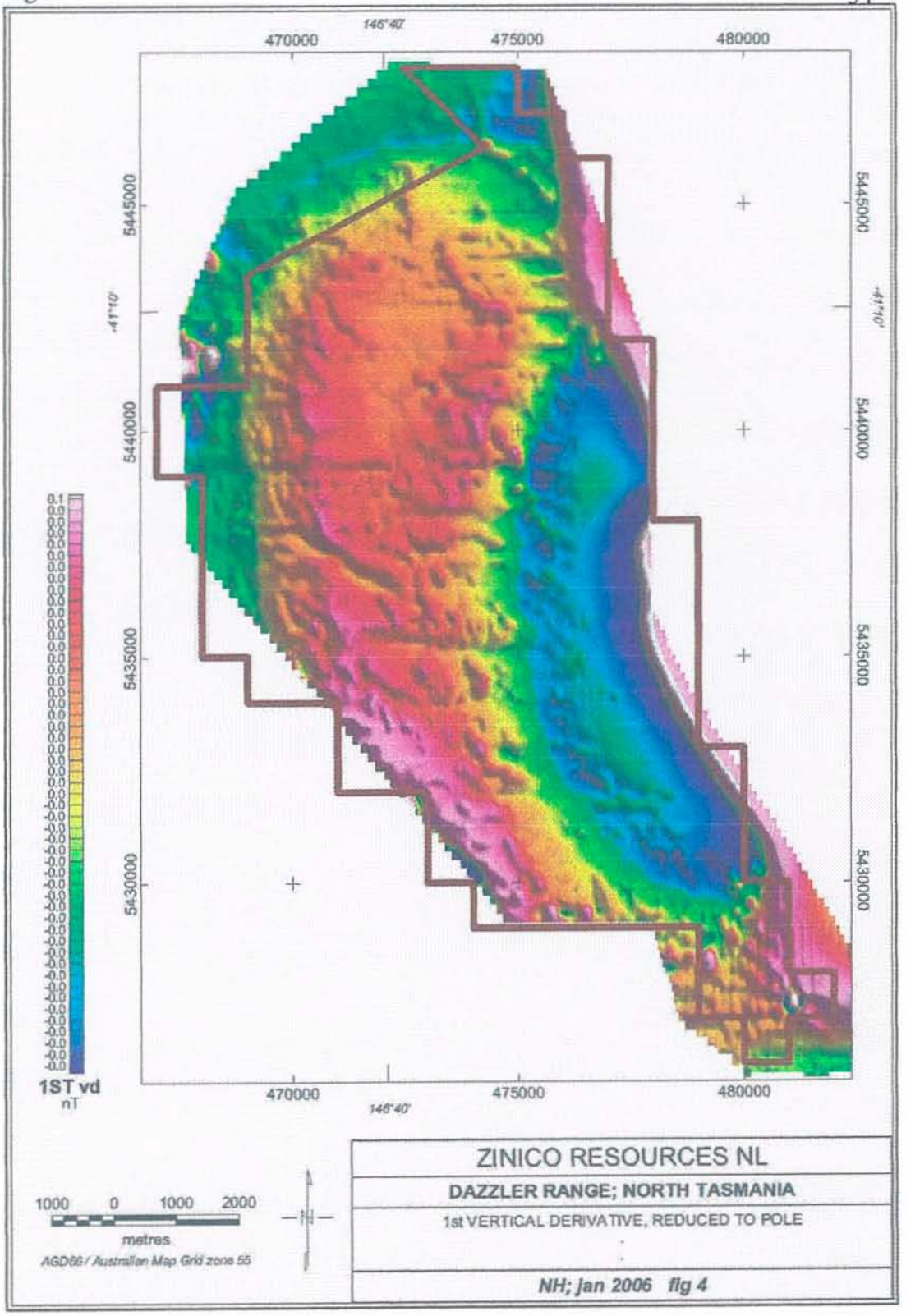
2005/12/20

FIG. 3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AGD66 / Australian Map Grid zone 55
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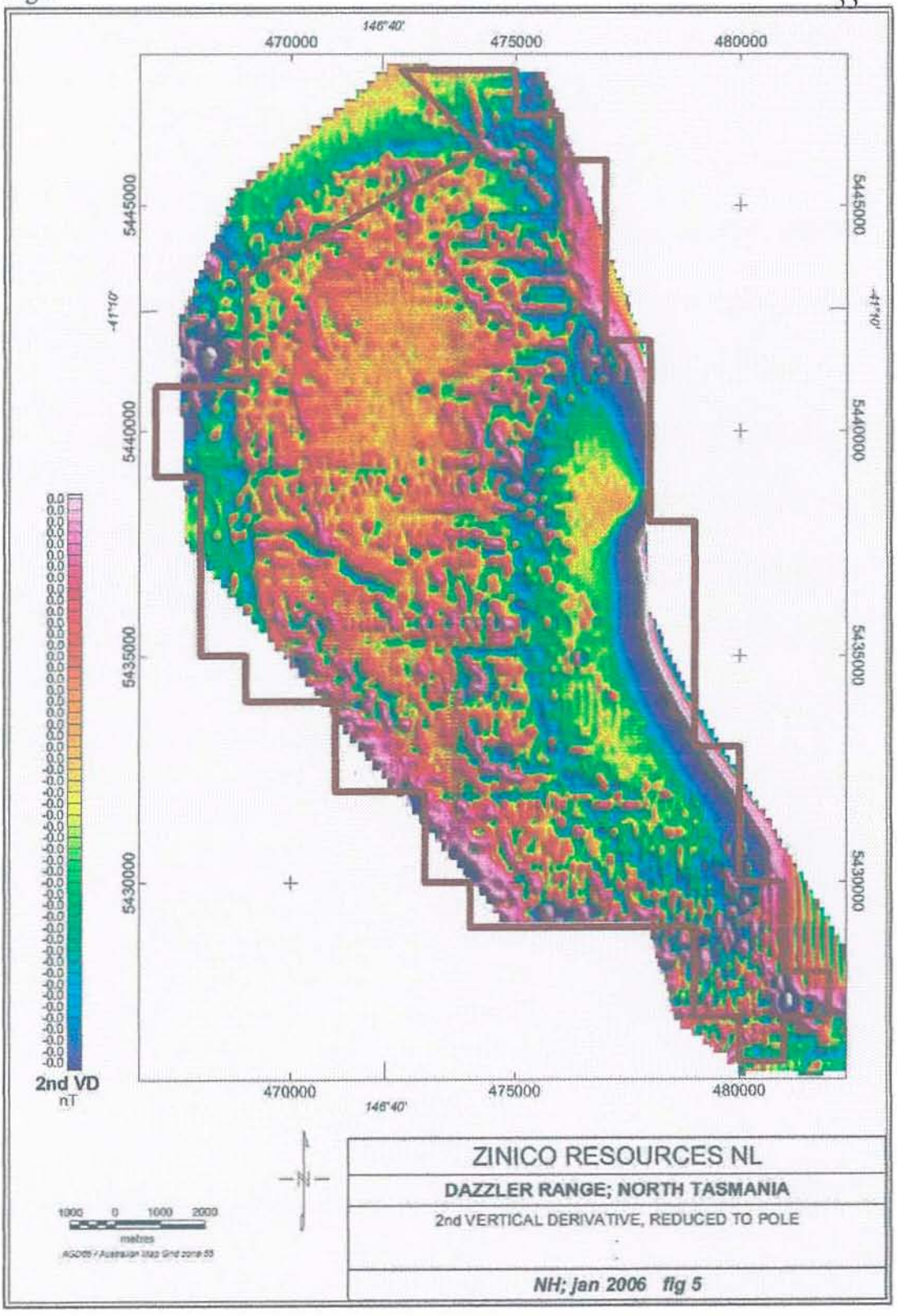
DAZZLER RANGE; NORTH TASMANIA
1st VERTICAL DERIVATIVE, REDUCED TO POLE
NH; Jan 2006 fig 4

Fig 5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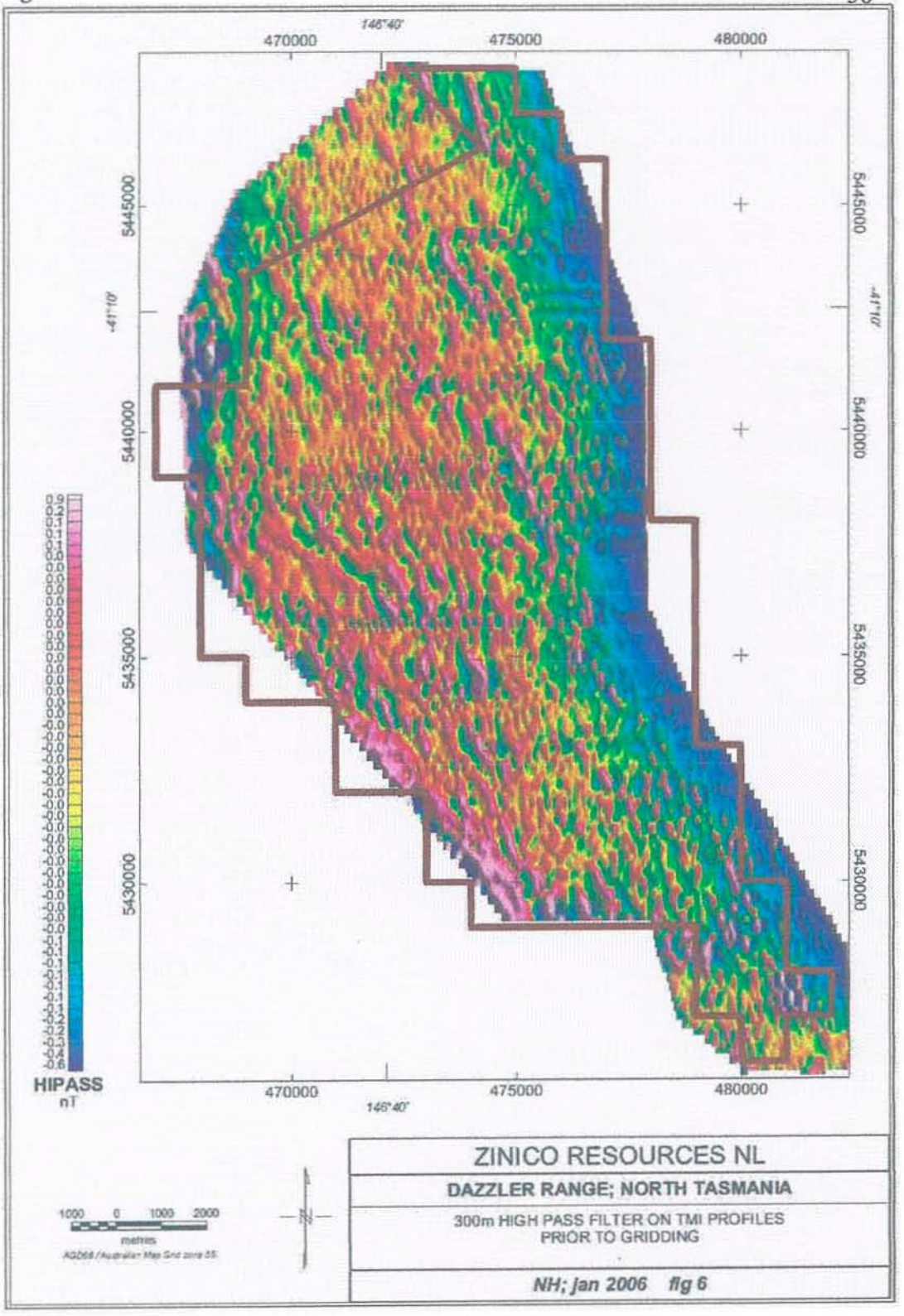
DAZZLER RANGE; NORTH TASMANIA
2nd VERTICAL DERIVATIVE, REDUCED TO POLE
NH; jan 2006 fig 5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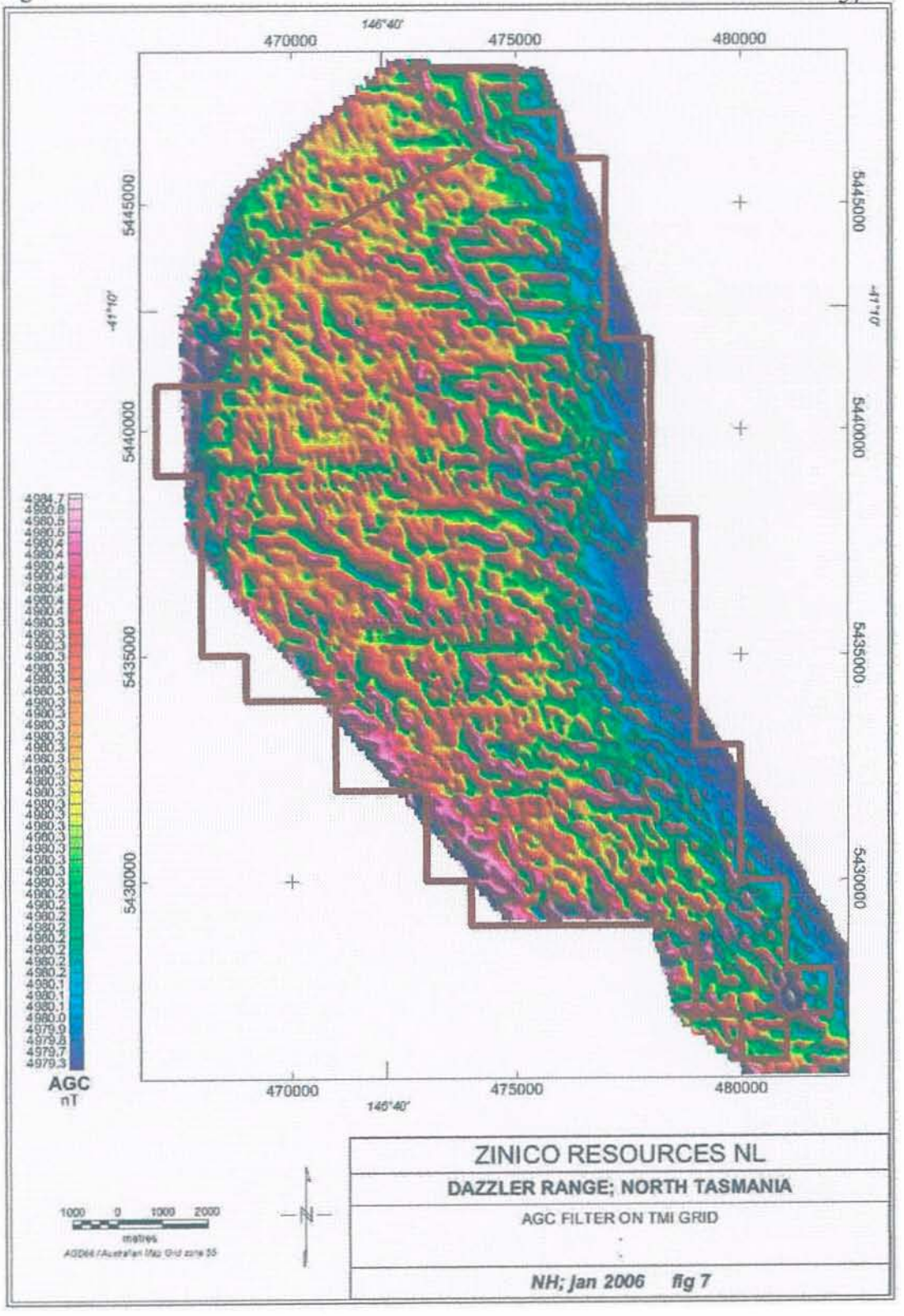
metres
AGD66 / Australian Map Grid zone 55
ZINICO RESOURCES NL
DAZZLER RANGE; NORTH TASMANIA
300m HIGH PASS FILTER ON TMI PROFILES
PRIOR TO GRIDDING
NH; jan 2006 fig 6

Fig 7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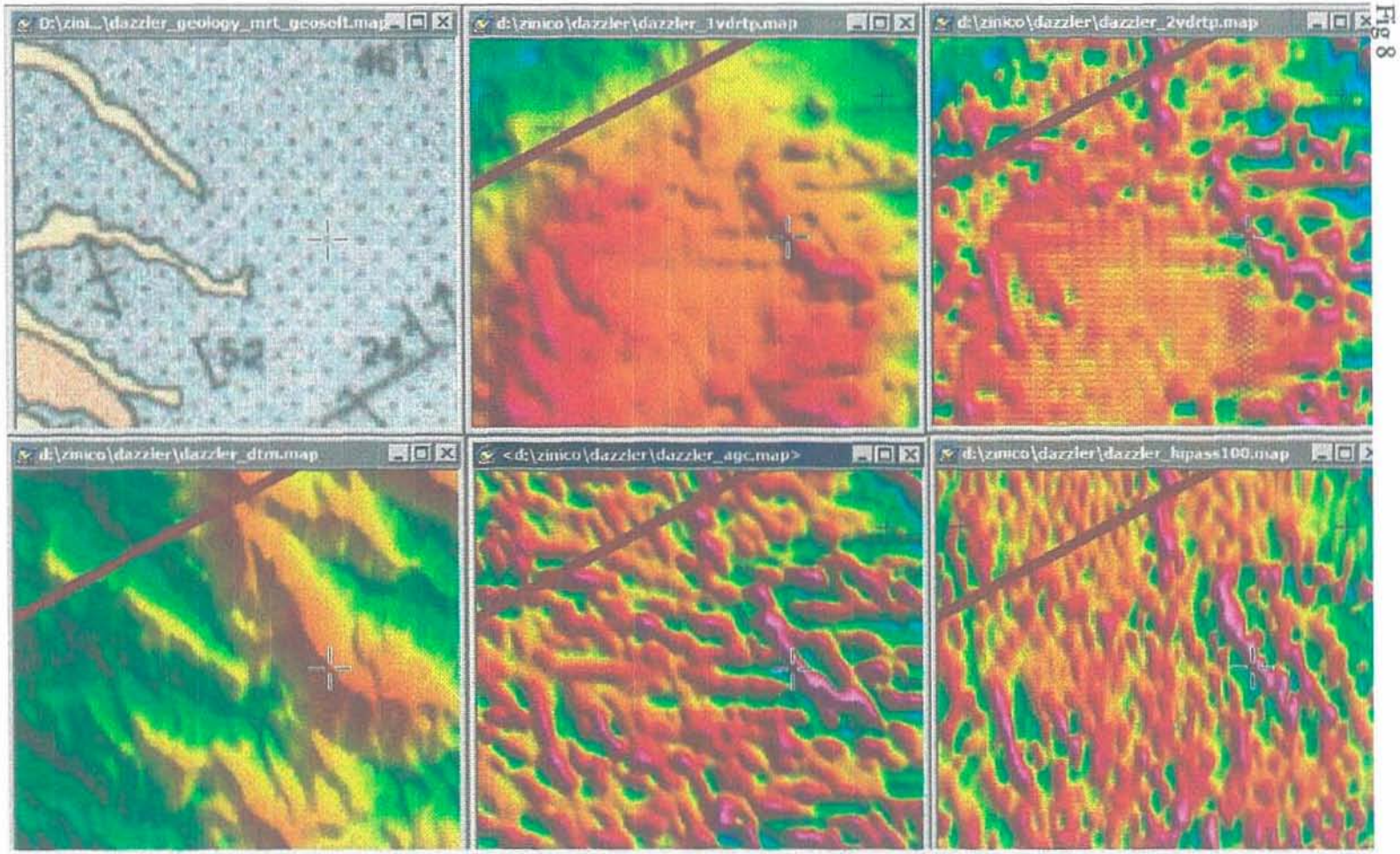
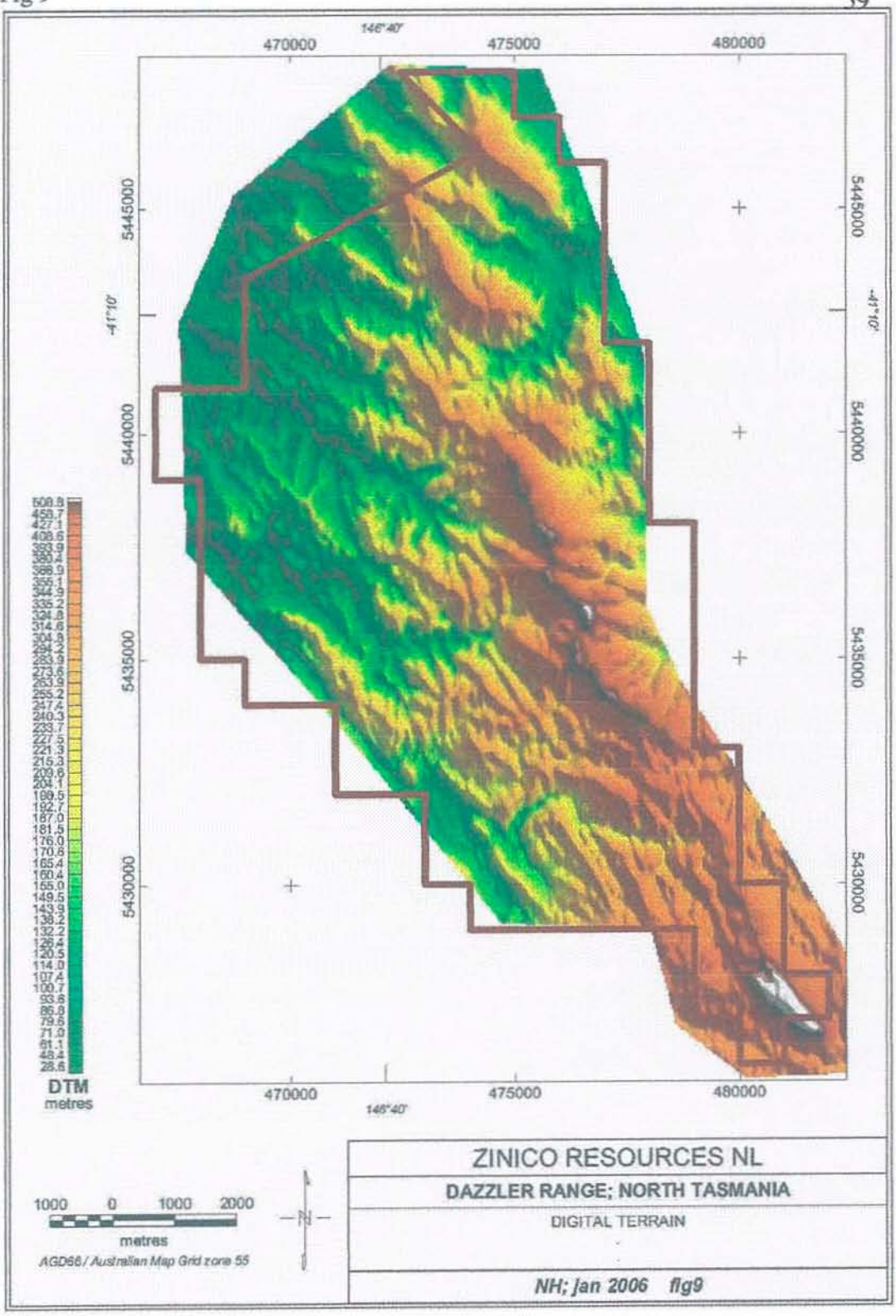
AGD66 / Australian Map Grid zone 55
ZINICO RESOURCES NL
DAZZLER RANGE; NORTH TASMANIA
AGC FILTER ON TMI GRID
NH; Jan 2006 fig 7



DAZZLER RANGE EL; AEROMAGNETICS
FILTER COMPARISONS

FIG 8

Fig 9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DAZZLER RANGE; NORTH TASMANIA
DIGITAL TERRAIN
NH; Jan 2006 fig9
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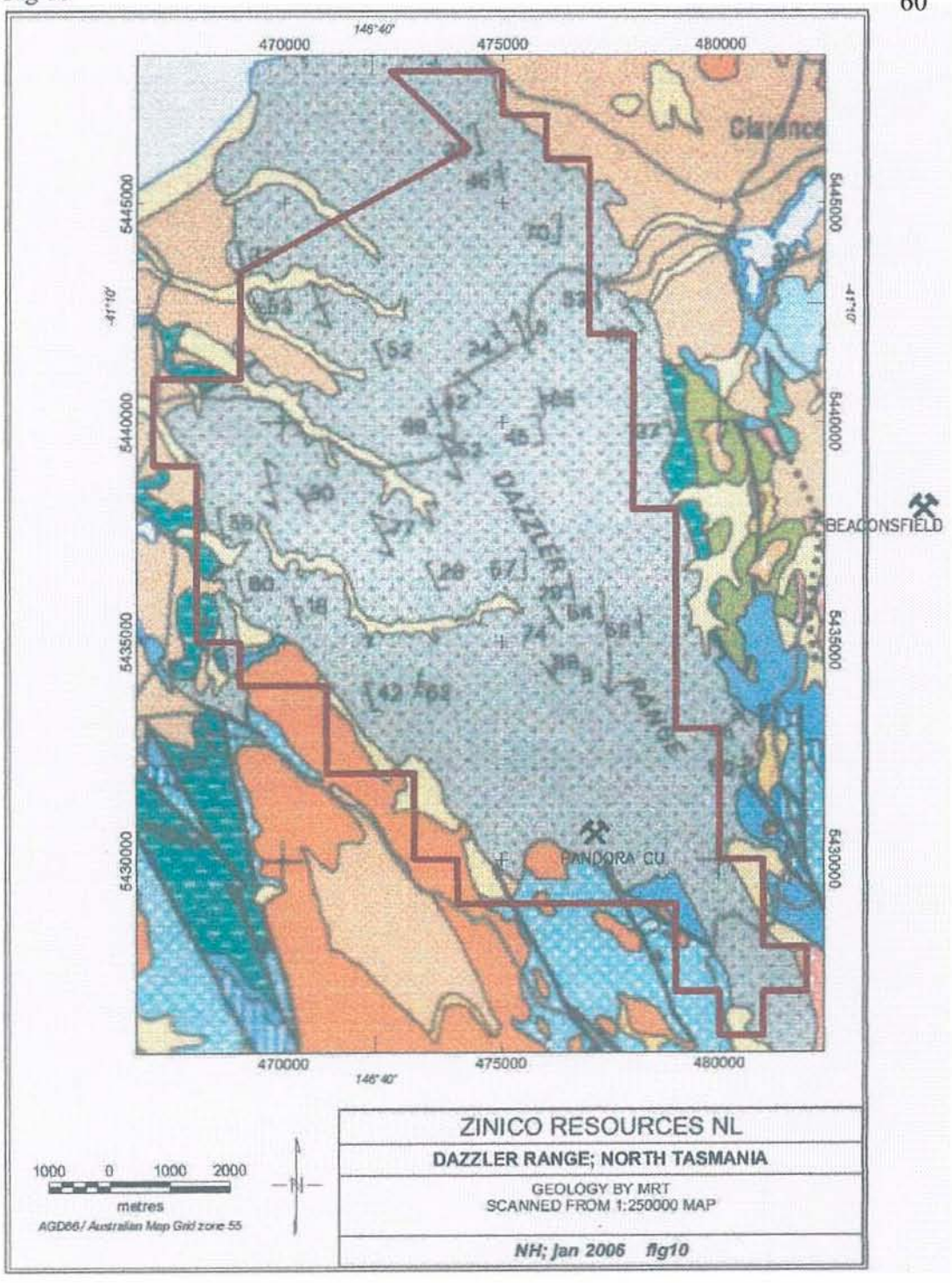
metres
AGD66 / Australian Map Grid zone 55

Fig 10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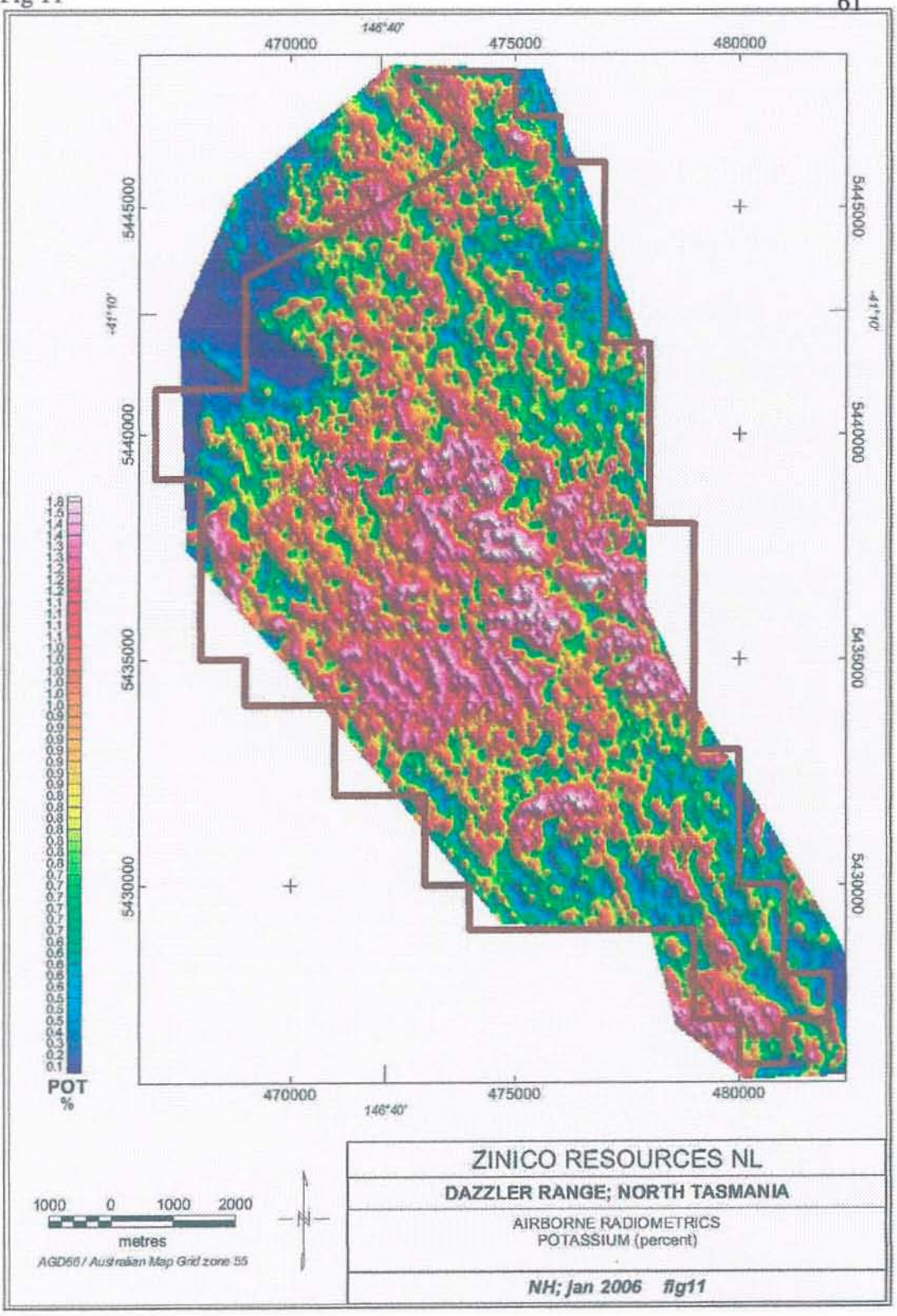
ZINICO RESOURCES NL
DAZZLER RANGE; NORTH TASMANIA
GEOLOGY BY MRT
SCANNED FROM 1:250000 MAP
NH; Jan 2006 fig10

Fig 11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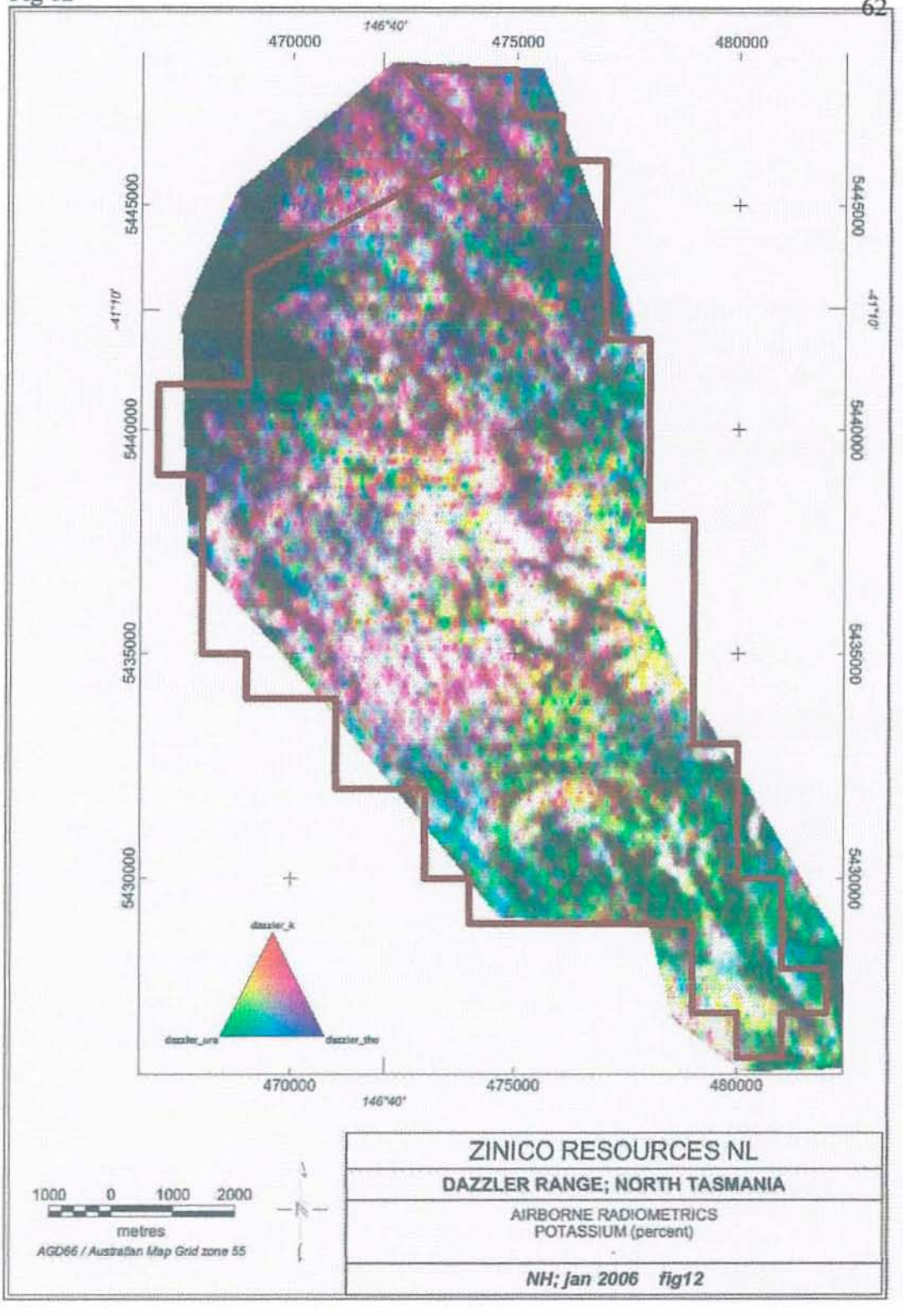
AGD66 / Australian Map Grid zone 55
ZINICO RESOURCES NL
DAZZLER RANGE; NORTH TASMANIA
AIRBORNE RADIOMETRICS
POTASSIUM (percent)
NH; Jan 2006 fig11

Fig 12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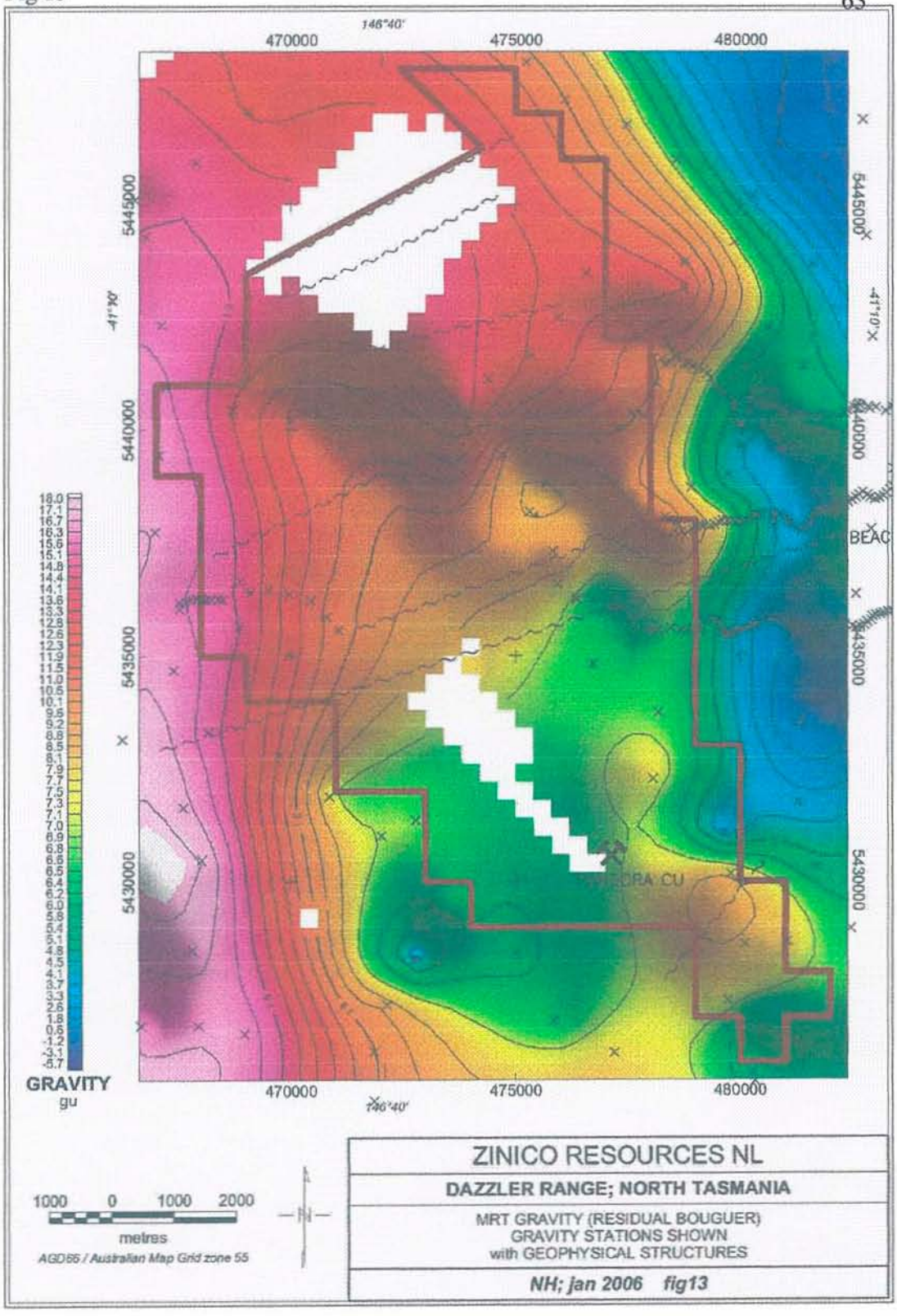
AGD66 / Australian Map Grid zone 55
ZINICO RESOURCES NL
DAZZLER RANGE; NORTH TASMANIA
AIRBORNE RADIOMETRICS
POTASSIUM (percent)
NH; Jan 2006 fig12

Fig 13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1.8
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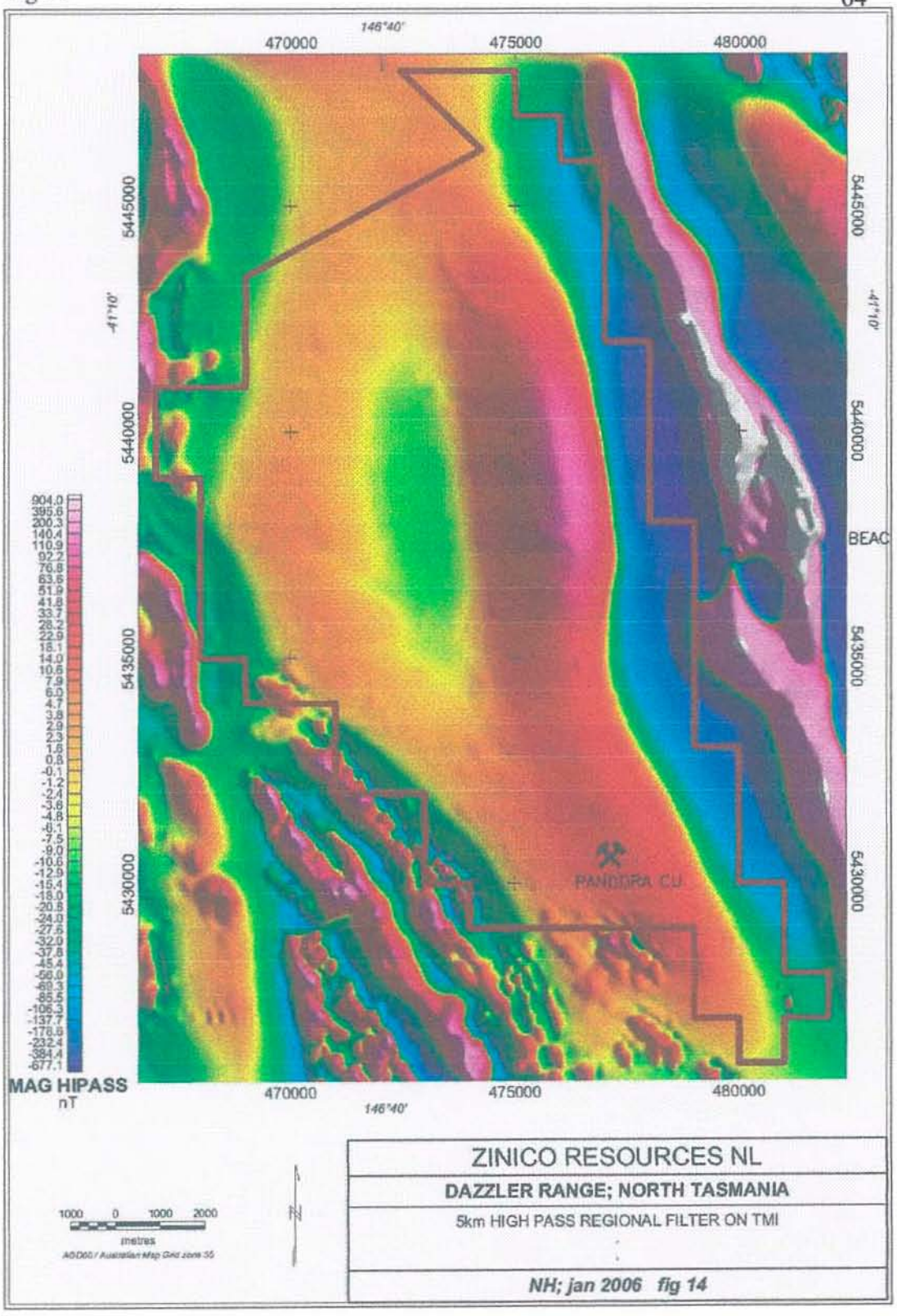
1000 0 1000 2000
metres
AGD66 / Australian Map Grid zone 55
ZINICO RESOURCES NL
DAZZLER RANGE; NORTH TASMANIA
MRT GRAVITY (RESIDUAL BOUGUER)
GRAVITY STATIONS SHOWN
with GEOPHYSICAL STRUCTURES
NH; jan 2006 fig13

Fig 14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28.2
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4.7
3.8
2.9
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MAG HIPASS
nT
PANDORA CU
BEAC
1000 0 1000 2000
metres
AGD66 / Australian Map Grid zone 55
ZINICO RESOURCES NL
DAZZLER RANGE; NORTH TASMANIA
5km HIGH PASS REGIONAL FILTER ON TMI
NH; jan 2006 fig 14