Zelos Resources NL

EL 45/2004 Winkleigh

Year 1 Annual Report

(For the reporting period 1 July 2005 to 1 March 2006)

W M Harder

15 February 2006

Zelos Resources NL
ABN 12 109 660 497
Level 3 2 Bligh Street
Sydney NSW 2000
Ph +61 2 9223 5999
Fx +61 2 9223 5155
Mb 0404 050 468

Abstract

EL 45/2004 Winkleigh covers an area of 16 square kilometres of freehold farm and tree plantation land in the Winkleigh area of Tasmania, located west of the Tamar River Valley and about 10 kilometres south of the town of Beaconsfield.

With one of Australia's richest gold mines close to the north of the Winkleigh area and with similar rocks, the aim of Zelos is to explore the Winkleigh EL 45/2006 for gold deposits in similar stratigraphic and structural settings to the Beaconsfield gold mine.

Despite the proximity of the rich Beaconsfield gold mine in the north, and similar host rocks on strike to the mine, there has to date been no gold production anywhere within the area of the EL 45/2004.

In more recent time four major geochemical stream sediment sampling surveys have been conducted in the Badger Head to Winkleigh area. These were BHP in 1965, Geopecko 1982, Beaconsfield in 1989 and Resolute in 1997. Not all these surveys adequately covered the entire Winkleigh EL.

In 1998s the Beaconsfield Gold NL company conducted a major exploration programme following up their earlier stream sediment work. This comprised geological field mapping of rocks and structure and the simultaneous sampling of soils. This work culminated in 1999 with diamond drilling of angled core holes to investigate gold and arsenic anomalism. Further follow up work was recommended but financial constraints curtailed any further work and the EL was relinquished.

Zelos Resources NL commenced exploration activities with the reinterpretation of the available airborne magnetic data. A follow up visit on the ground to this anomaly concluded that the anomaly is caused by a Jurrasic aged dolerite sill.

Other stream and BLEG gold anomalies from past exploration have yet to be followed up and this is recommended for the second year of tenure of the licence.

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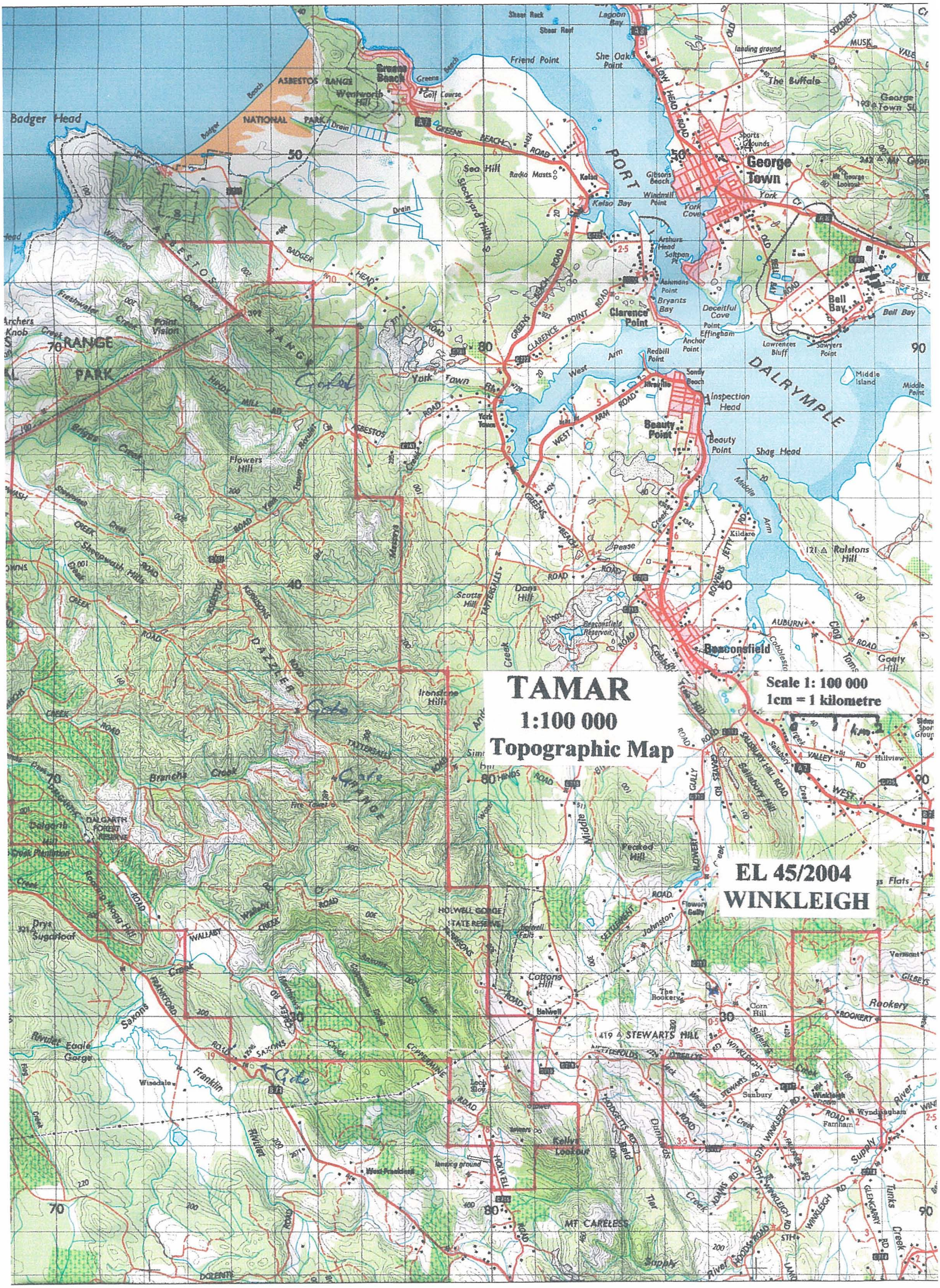

TAMAR
1:100 000
Topographic Map
Scale 1: 100 000
1cm = 1 kilometre
EL 45/2004
WINKLEIGH
George Town
Beaconsfield
Beauty Point
Bell Bay
Clarence Point
York Town
Greens Beach
Badger Head
PORT
DALRYMPLE
Irondstone Hills
Holwell
Winkleigh
MT CARELESS

1 Introduction

1.1 Exploration Rationale

Ten kilometres to the north of the Winkleigh area is the Tasmania Reef of the Beaconsfield Gold mine. Around 125 000 ounces of gold are produced annually from a gold bearing quartz reef that has a grade at present around 17 g/t. The mine has been in & out of operation for 129 years and mineralization continues well below the current working depth of 450metres.

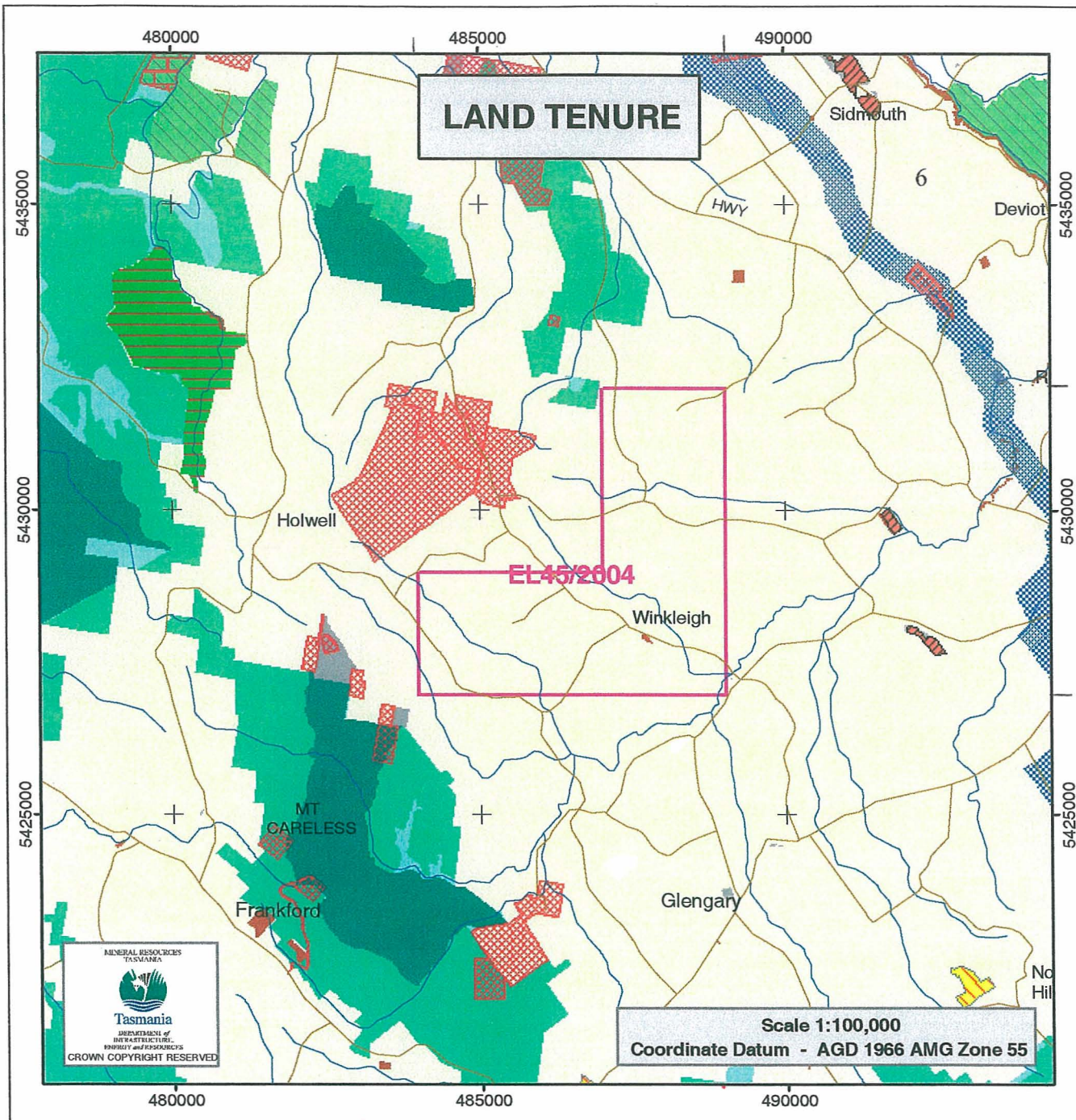
With one of Australia's richest gold mines close to the north of the Winkleigh area and with similar rocks, the aim of Zelos is to explore the Winkleigh EL 45/2006 for gold deposits in similar stratigraphic and structural settings to the Beaconsfield mine.

In addition it is also recognized the potential exists within the Permian rocks west of the Tamar River for mineralization styles other the high grade faulted reef style.

Other gold bearing systems such as stockworks, saddle reefs, disseminated gold in sandstone, limestone skarns are also possible exploration targets.

Furthermore, there has been reported lead clasts (galena) within the Flowery Gully limestone (just north west of the EL) which also will attract exploration attention within the EL as will the large Mineral Resources Tasmania airborne magnetic survey anomaly located in the south east of the licence.

Year one philosophy therefore is to conduct an overview of all this potential, carry out data compilation and acquisition were necessary and field check the most significant of the currently known anomalies.



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
- World Heritage Area

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

EL 45/2004 Winkleigh covers an area of 16 square kilometres of freehold farm and tree plantation land in the Winkleigh area of Tasmania, located west of the Tamar River Valley and about 10 kilometres south of the town of Beaconsfield.

The licence was granted to Zinico Resources NL on the 1st of March 2004 for a five year period until 1 March 2009. This followed after a successful bid for the area which was available in the Tasmanian system of tender for exploration acreage.

On the 22nd of November 2005 at the AGM, Zinico shareholders resolved to change the company name to Zelos Resources NL

Zelos Resources NL holds a 100% equity interest in the licence area.

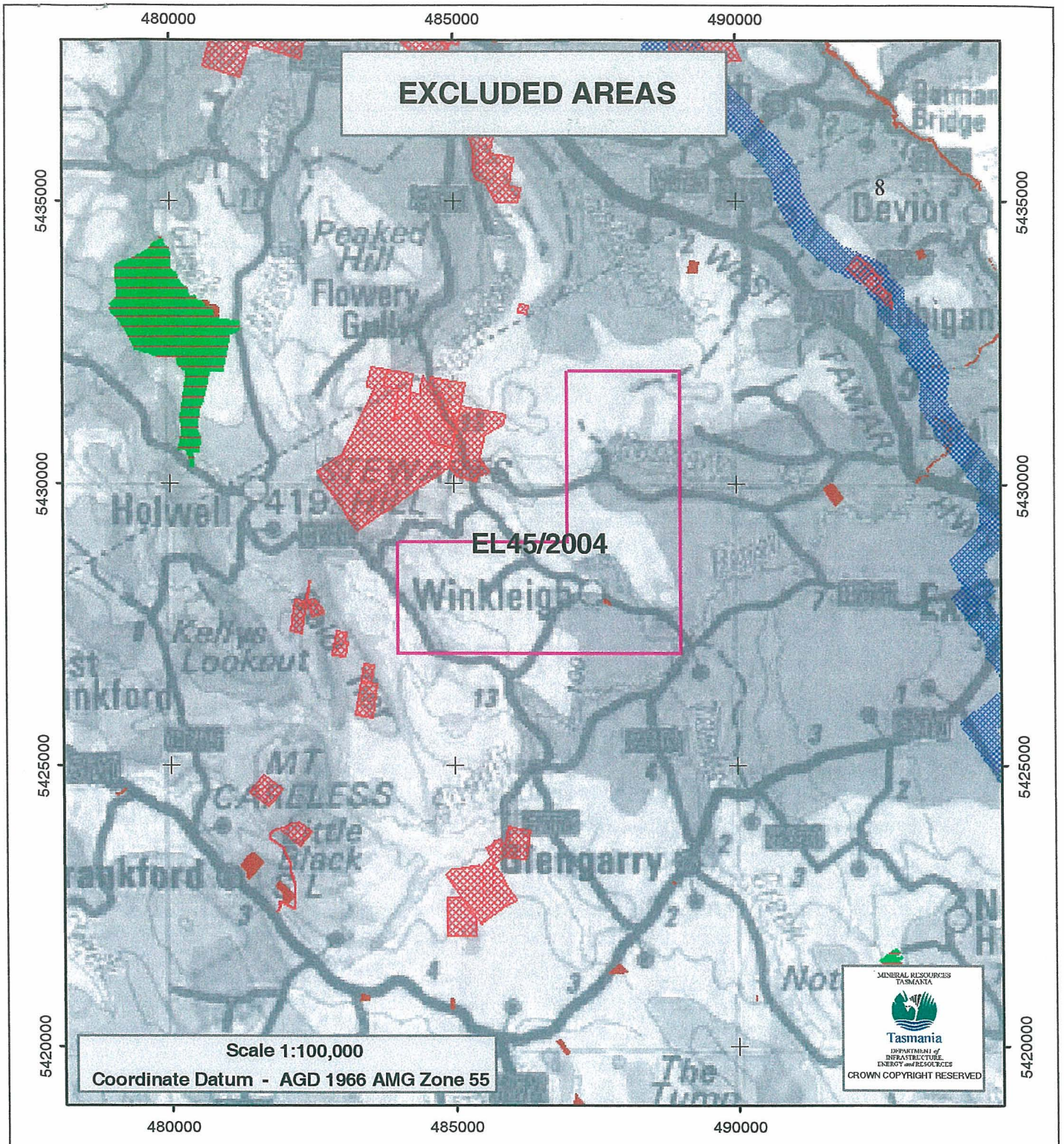
The licence is attractive for exploration for gold in the probable southerly extension of the belt of Ordovician sedimentary rocks which hosts the Tasmania Reef (gold mine) at Beaconsfield.

The area is well served by infrastructure and related services. Access to the north of the tenement is via the Rookery Road and in the south via the Winkleigh Road. Both of these roads connect to the West Tamar Highway and consequently any part of the licence area can be accessed all year round within one hour from either Beaconsfield or Launceston.

The anniversary date of the EL is the 1st March 2006. This report will act as an annual report for the one year period even though the company did not commence any work on the area until after the 1st of July when some funds became available ahead of listing on the Australian Stock Exchange on 25th August 2005.

1.3 Land Use

In addition to main roads the licence is well served by a criss-cross of secondary sealed and unsealed roads servicing private mixed farms, and other properties such as pine and eucalypt tree plantations. There is no crown land or excluded land in the Winkleigh EL.



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 Exploration Work

Despite the proximity of the rich Beaconsfield gold mine in the north, and similar host rocks on strike to the mine, there has to date been no gold production anywhere within the area of the EL 45/2004.

Minor prospecting occurred in 1925 at The Rookery, north- west of the EL and on Permian mudstone (McIntosh-Reid 1925) no mineralization is recorded. In 1928 a five metre adit was driven on a north striking 30-60cm wide quartz vein, known as Neville's Prospect and is located somewhere between Glengarry and Winkleigh.(Scott 1928) south of the EL. Host rocks are probably Cabbage Tree Formation cleaved siltstones. Vein quartz sample assays reported by Scott (1928) returned no gold and a trace of silver.

In more recent time four major geochemical stream sediment sampling surveys have been conducted in the Badger Head to Winkleigh area. These were BHP in 1965, Geopecko 1982, Beaconsfield in 1989 and Resolute in 1997. Not all these surveys adequately covered the entire Winkleigh EL.

2.1 Stream Sediment Surveys (after Keel R Assessment Report 2005)

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).

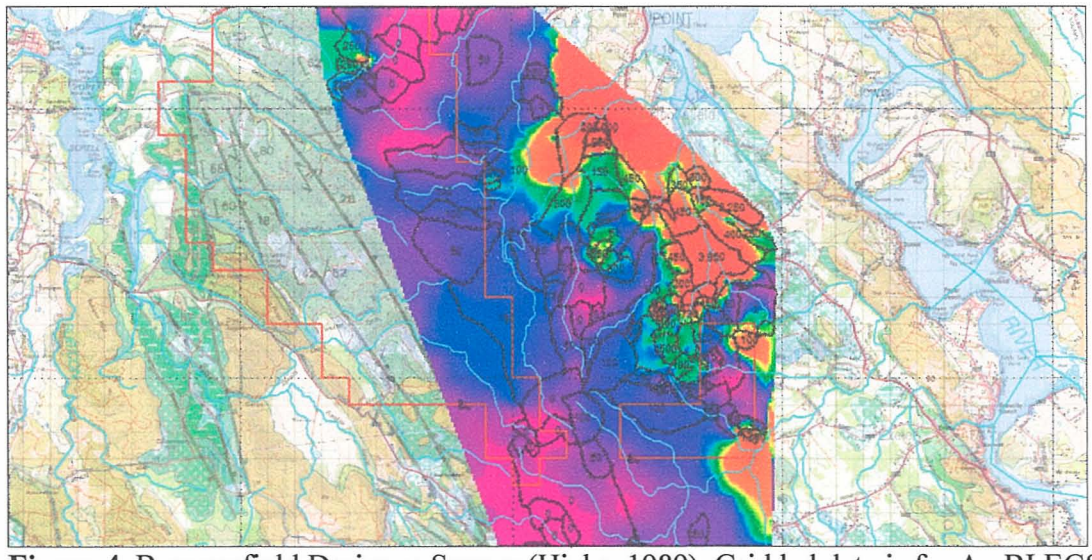


Figure 4 Beaconsfield Drainage Survey (Hicks, 1989). Gridded data is for Au BLEGS (in parts per trillion; red - high, blue-purple - low). Two anomalous samples (1100 &1400 ppt Au) require follow-up in EL45/2004 (Winkleigh).

A third anomalous sample in the northern sector of EL37/2004 should also be looked at.

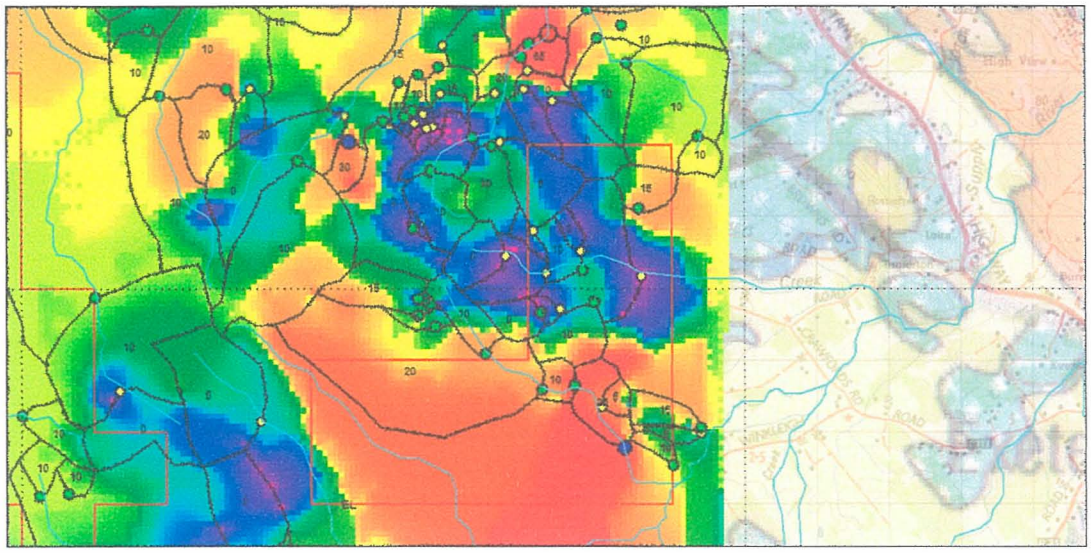


Figure 5 Gridded catchment data (As, ppm) for EL45/2004 (Winkleigh), shown with "thematic" for each sample location. The anomalism in As (shown as red colours) is enhanced by a single 50ppm sample south of the tenement (not shown).

The Resolute Limited 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

Other surveys included airborne magnetics/radiomagnetics by Beaconsfield Gold NL in 1989 and the more recent MRT/AGSO airmagnetics in 1999. This work has helped to better define the known geological map of the area.

Beaconsfield was able to publish a regional geological map based on their air surveys and ground sampling/mapping work (Hicks 1998). Sixteen of their drainage sites within EL 45/2004 were (BLEG) sampled and assayed for gold, copper, lead, zinc and arsenic. The highest gold values were 1400 and 1100 parts per trillion in creeks draining Jurassic dolerite and Permian mudstones, in the south-east and north-east corners of the EL respectively. Base metals gave no anomalous response but elevated arsenic values of 35 and 20ppm were achieved in two creeks in the Winkleigh area. Both creeks drain Cabbage Tree Formation rocks.

The Beaconsfield Gold NL company as stated above carried out extensive steam sediment sampling , airborne surveys in the late 1980's and followed up with modern regional reconnaissance scale field work (including drilling) and interpretation work in the late 1990's. A brief outline of this work is presented below.

Photogeology

A report was compiled by consultant Dr Fred Barnes in 1997 which resulted in a photographic interpretation map of the general area (Morrison 1998). For exploration purposes the results showed that 1) the Flowery Gully Limestone and Eldon Group correlate extending further along strike and into EL 45/2006 and 2) the south east striking pre Permian rocks in the north-west corner of the EL are interpreted as Cabbage Tree Formation and Flowery Gully Limestone.
The main difference in structural geology is that the major nw-se fault through the centre of the EL is offset some 500m to the s-e on the photo interpretation map where it defines the Cabbage Tree Formation Eldon Group correlate contact.
Given the uncertainty of the stratigraphic affinities and structural relationships of the pre Permian rocks, a programme of mapping and rock chip and soil sampling was carried out and designed to attempt resolution of the basic geology and test for mineralization.

Mapping and Sampling

This work carried out (by Morrison 1998) resulted in a geological fact map at 1:10 000 scale and a geological interpretation map at the same scale. Four lithological associations outcropping with in the EL were recognized and discussed.

Notes below are modified from Morrison KC : EL19/97 Winkleigh Year 1 Annual Report 1998 p 5/6.

"1) Black-dark grey slate grading to slatey shale and siltstone. A characteristic bleached weathering rind and linear 1-2 cm oxidized markings on fracture surfaces are distinctive features of this lithology. No evidence of fossils or bioturbidation has been observed but this unit occurs along strike form a belt of black slate containing Silurian-Devonian marine invertebrate fauna and named the Corn Hill Beds by Hills (1982). The slates within EL 45/2004 are assigned to the Corn Hill Beds but it is recognized that, in the absence of fossil control, the slate could be a litho correlate with parts of the Blyths Creek Formation or Grubb Shale at Beaconsfield.

A ne dipping outcrop of quartz sandstone centred at 486 700mE /5 328 850mN has been included in the Corn Hill Beds and suggests a lutite dominant turbidite sequence to parts of the Mathinna Beds east of the Tamar River . It is possible however that the sandstone body is a sliver of Cabbage Tree Formation sandstone structurally emplaced within the Corn Hill Beds.

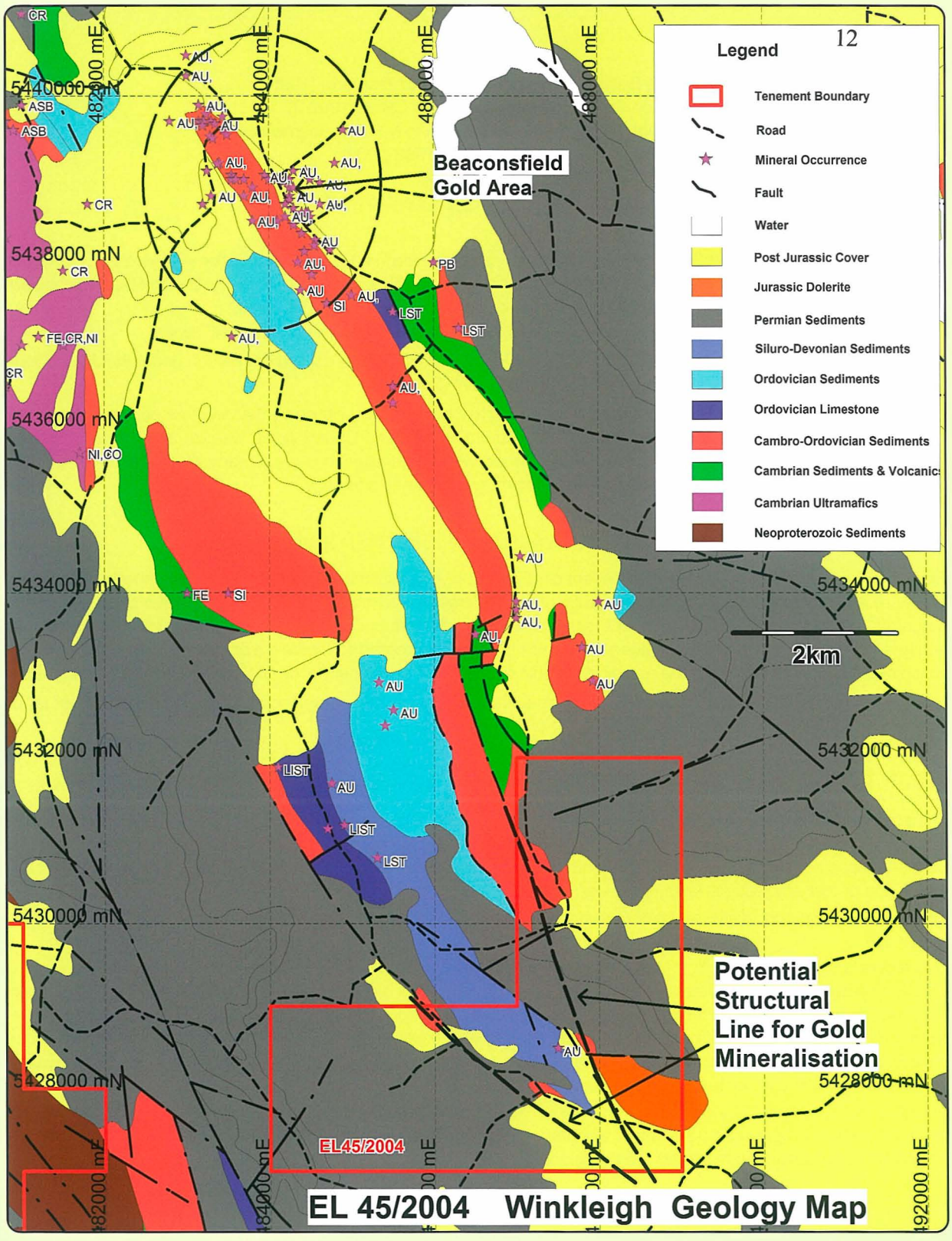


Figure 11: Geology Map of Winkleigh

2) Dark grey to medium grey crystalline impure micritic limestone with variable clots and veins of white calcite subcrops in a nw-se trending corridor in the central NW part of the EL. The limestone unit pinches out to the SE where it appears to be structurally truncated. The unit corresponds to a line of drainage including sink holes and fresh rock was mapped only around the several farm dams which have been developed along the corridor. Most of the limestone underlies a thin flat lying blanket of Permian mudstone.

Approximately 1 km nw of the EL boundary, the limestone outcrops and bedding dips at 50 deg towards ene. The limestone within EL 45/2004 is a strike extension of the Flowery Gully Limestone.

3) Pink to greenish grey cleaved siltstones, in part phyllitic, were mapped in two sectors within the EL . The siltstones are distinctively bioturbated and contain oxidized porous zones of low density residue from carbonate dissolution. Brachiopod fossils of lower Ordovician age belonging to the Cabbage Tree Formation were found. These same fossils are found at Beaconsfield and are used as stratigraphic markers of the Lower Transition Beds in core logging.

4) Generally ne dipping quartz sandstones are interstratified with the siltstones described in 3) but are independently assigned to the Cabbage Tree Formation Lower Transition Beds on the basis of quartz lithic granule and pebble interbeds. The sandstones are typically thickly bedded (0.5-2 metres) well sorted and form topographic strike ridges. Secondary silicification has overprinted much of the primary textures, at least in outcrop where the rocks are aptly described as orthoquarzites. The secondary silica is commonly grey-blue colour. Quartz veining and veinlet stockworking , brecciation and laminar fabric occur locally within the sandstone near major faults. "

Other summarized notes on the local mapping from Morrison's report are below.

Interstratified Cabbage Tree Formation calc siltstones and quart sandstones suggest that the Cabbage Tree Formation facies changes along strike. Generally bedding strikes NW & dipping NE.

A major NW-SE trending photo linear corresponding to a drainage corridor is recognized at the Corn Hills Beds –Flowery Gully Limestone contact in the central NW corner of the EL. This feature was extended along strike to the SE and interpreted as a thrust fault from drilling results obtained from WDH-1 which confirmed stratigraphic reversal of Cabbage Tree Formation and Flowery Gully Limestone.

The Cabbage Tree Formation distribution with in the EL appears to be in two sectors, separated by Permian cover in the central part of the EL. This could be explained by dextral fault offset or monoclinal folding. A set of NE-SW trending shear structures parallel to the principal thrusting compression direction appears to have juxtaposed Corn Hill Beds against the Cabbage Tree Formation in the southern sector and could be part of the offset structure. Thrust related NE trending shears with Lower Transition Beds is essentially the structural/ stratigraphical setting of the Tasmania Reef and therefore an attractive exploration environment.

Morrison's rock chip sampling comprised 37 samples. Gold anomalies ranged from 170 – 200 ppb from 3 samples from 2 locations at Rookery Road and Winkleigh Road. At both sites the rocks are sandstone orthoquartzites, pervasively silicified, quartz veined and in part stockworked and brecciated. A characteristic is local development of a grey blue colour in the secondary silica. Both sites are interpreted as sitting in the structural hanging wall of NE dipping thrusts, near the fault subcrop position.

Arsenic shows an erratic correlation with gold. At the Winkleigh Road site very high arsenic values (96 ppm & 575 ppm) coincide with the gold anomalies. However the coincidence was not evident at the Rookery Road site (200ppb Au & 1ppm As)

Only the first nine samples were assayed for base metals as at Beaconsfield they are not reliable gold indicators as is arsenic.

The conclusion from the rock chip sampling is that several samples should be taken from every site where the rocks show any evidence alteration or deformation which could be associated with mineralizing fluids. Minor concentrations of gold can be expected in some samples of vein quartz without being related to genuine exploration anomalies.

Soil Survey

Nine soil sampling traverses totaling 315 samples were completed on Cabbage Tree Formation rocks. Five of these were in the north west of the upper part of the EL and four were in the central corner adjacent to and west of the dolerite capped hill. Most of the sampling traverses followed strike ridges in an attempt to follow the sandstone /conglomerate units considered correlates of the Lower Transition Beds.

Samples of B/C horizon soil were taken at 20m spacing. Soil profiles typically ranged from podzolic to duplex and where developed over Cabbage Tree Formation sandstones, the soils typically have a thin (1-10) organic rich horizon, a dominant bleached lower A horizon (10-50cm) and weakly to moderately developed ferruginous combined B-C horizon (5-20cm) above regolith. Typically it is not possible to discriminate between B & C horizons.

No useful conclusions were made from all this data and the taking of auger or other form of deeper soil samples is recommended.

Drilling

In May 1998 a 60 metre vertical RC percussion drill hole (WDH-1) was completed on the site of the Winkleigh Road soil/rock chip anomaly. The hole was collared on the Cabbage Tree Formation sandstone and intersected the Flowery Gully Limestone at 43 metres. The contact appears to be faulted, with a minor pyrite increase in the structural hanging wall and calcite greater then quartz veining in the foot wall. The stratigraphy is reversed and so Morrison suggests the fault is a thrust fault, it dips to the NE and the surface anomaly site is close to the Cabbage Tree-Flowery Gully contact.

No significant gold was returned in the assays.

The following year saw the construction of a NW baseline from the above drill site. NE cross lines were established from which detailed geological mapping, together with a soil sampling programme of 25m spaced sample points on the 50m spaced cross lines. A total of 129 soil samples were assayed for gold (by fire and AAS) and arsenic. This soil geochemistry showed a contourable arsenic anomaly around WHD-1 and two other arsenic anomalies centred on crossline 450N it was decided this warranted another drill hole.

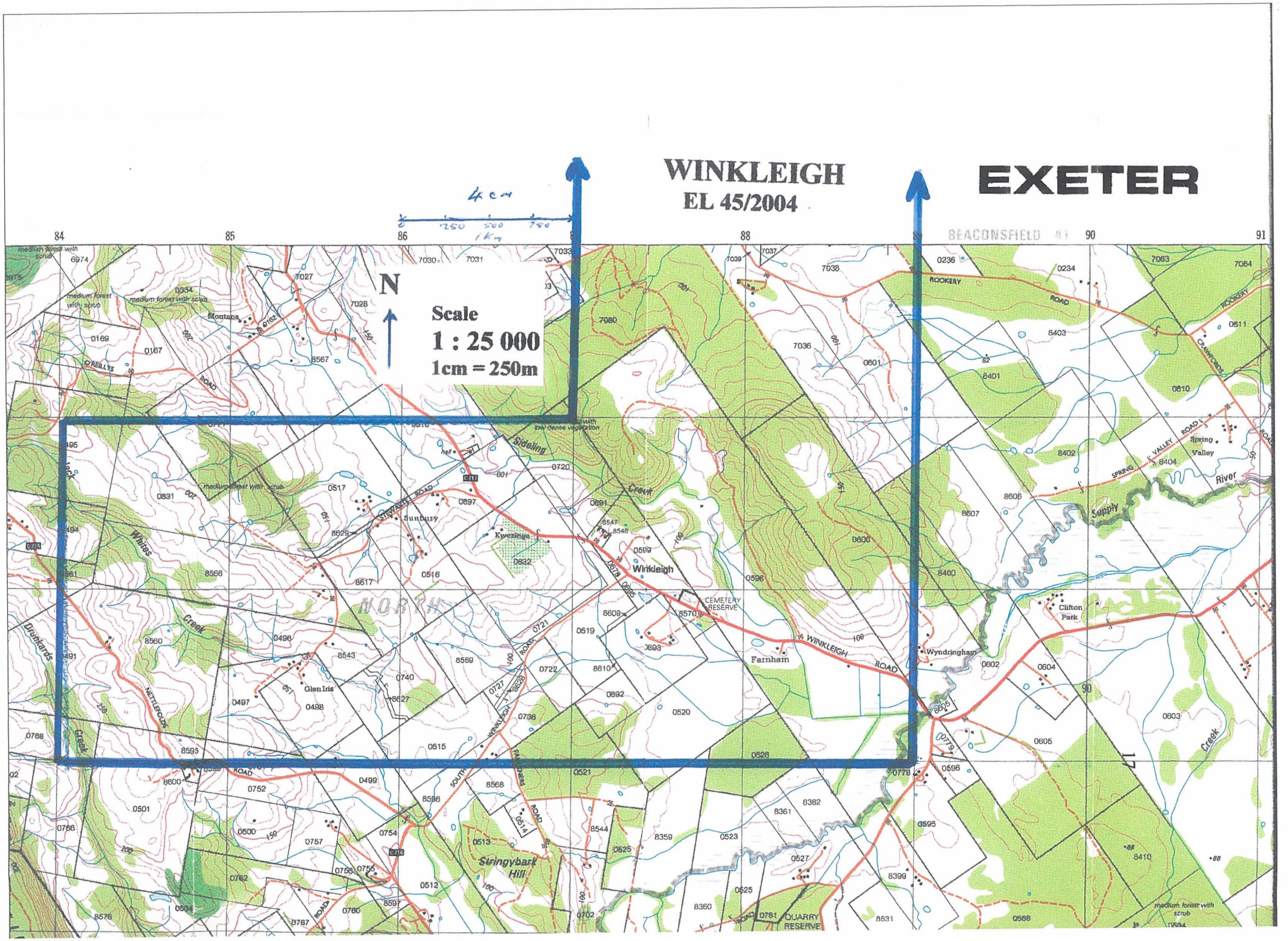
WDH-2 was sited 50m SW of the baseline at 450N and was directed -45 deg at 290 deg and was terminated at 200.9m depth. Morrison reports 98.9% of the core was recovered. The hole was planned to jointly test the two prognosed fault trends considered as sources for the arsenic and gold soil anomalism and the prognosed northeast dipping Corn Hill Beds-Flowery Gully Limestone contact. The hole did not reach this contact, but the faults were intersected.

Fifty five half core samples were cut and assayed. All samples showed one or more of; veining (quartz, calcite, ankerite types) brecciation, pyrite enrichment or locally pervasive quartz or calcite flooding.

No significant gold was returned in the assays. Significant arsenic enrichment occurs through much of the sandstone with the highest result at 148.0-148.4m at 0.33% As. This high result was sourced from the only occurrence noted of a crackle quartz interval with patchy orange colour. Morrison suggests that the hole was drilled sub parallel to a mineralized structure and remained within an arsenic-rich halo to gold mineralization.

He recommends another drill hole angled and drilled to the NE or SW under the line of soil gold values to test this possibility.


BEACONSFIELD
Topographic Map
1: 25 000
WINKLEIGH
EL 45/2004
N
Scale
1 : 25 000
1cm = 250m
4cm = 1km
0
250
500
750m
45/2004
SCALE 1:25 000
1 millimetre on this map represents 25 metres on the ground
Residential area; Commercial buildings
Roads maintained for continuous public use
Primary road with route number
Secondary road with route number
Minor road with route number
Other road
Roads of restricted use or access
Other roads with bridge
Caravan park; Camping ground; Public toilets
Disposal area; Information centre; Cemetery
Picnic area; Trig station beacon; Spot elevation
Contour with value; Depression contour
Swamp
Windbreak
Wet area; Subject to flooding
Waterfall; Rapids
GRID CONVERGENCE 0.1°
GRID/MAGNETIC
BEACONSFIELD 41


WINKLEIGH
EL 45/2004
EXETER
4cm
250 500 750
1Km
N
Scale
1 : 25 000
1cm = 250m
84
85
86
87
88
89
90
91
BEACONSFIELD
Montana
O'REILLYS
ROAD
Sideling
Creek
STEWARTS ROAD
Sunbury
Kyeamba
Winkleigh
CEMETERY RESERVE
WINKLEIGH ROAD
Farnham
Wyndringham
Clifton Park
Spring Valley
SPRING VALLEY ROAD
ROOKERY ROAD
CRANFORDS
River
Supply
Creek
Whites
Drunkards
NETTLECOMBE
Glen Iris
Stringybark Hill
QUARRY RESERVE
NORTH
SOUTH
FARMERS
medium forest with scrub
medium forest with scrub and dense vegetation

3 Current Exploration

3.1 Literature Review

The first visit by the company to Tasmania involved a literature review at the MRT library and photocopies of reports were made. A detailed list is in the references.

3.2 Reconnaissance

Shortly thereafter a field trip was made to the licence area. The purpose of this first field trip was a reconnaissance of the area in terms of road access and logistics; availability of local contractors, equipment, accommodation etc. A further three more trips were made subsequently for various specific reconnaissance purposes.

One of these trips involved a site visit to the Beaconsfield Gold Mine surface works where the diamond drill core from holes WDH-1 and WDH-2 were inspected and much discussion held with both the Beaconsfield Mine Geologist and that company's consultant Exploration Geologist

Another one of these trips included a site visit to the Flowery Gully Limestone Quarry to inspect the same named limestone as well as the big galena clast reported in the literature above.

Another trip involved an orientation drive around the licence to become familiar with all the road connections for future access use.

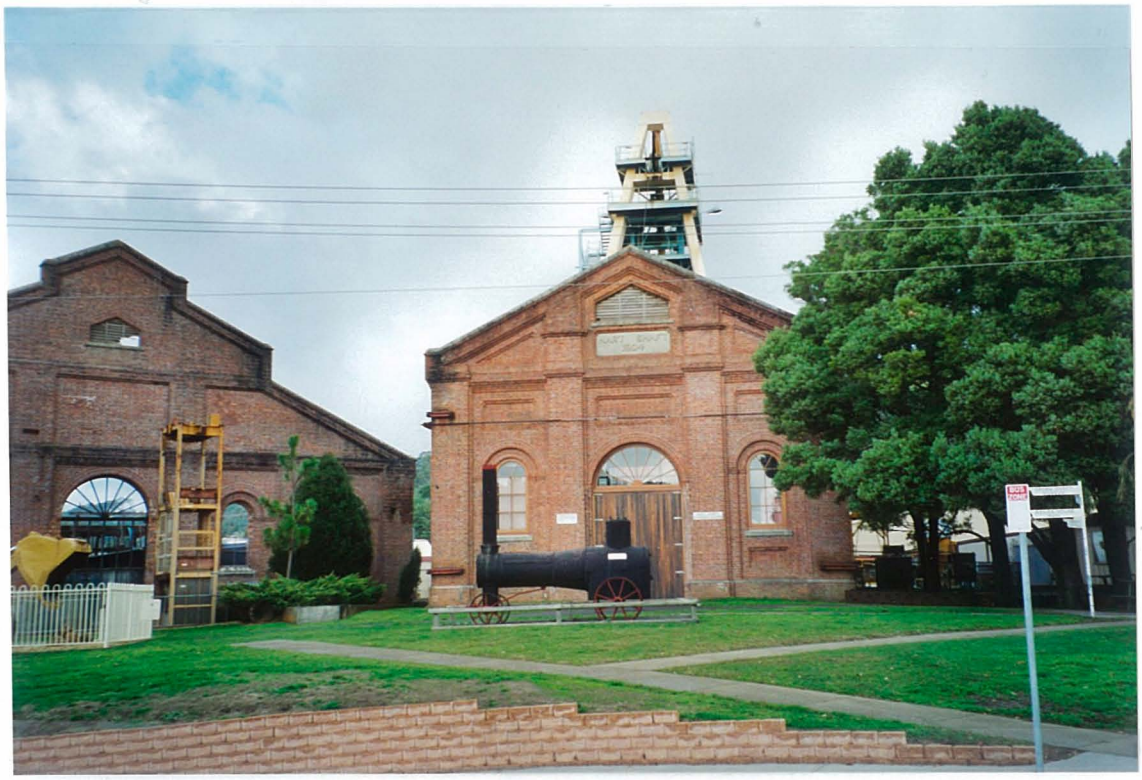
3.3 Land Use

The entire EL is held by private land holders, therefore a condition of the licence is to make contact with landholders (ie give notice of any exploration activities) at least two weeks prior to the commencement of field work.

In preparation for this a contracting firm Lawrence Gibson and Associates were commissioned to construct a data base of landowners, write to them to inform of our presence with a standardized approved form from MRT to advise of our intended activities.

An example of this is appended for our access to the magnetic anomaly in the south-east corner of the licence.

The "Old" Facade of the Beaconsfield Gold Mine
Behind it is the "New" Hartz Shaft Winder



The Flowery Gully Limestone Quarry
The "home" of the galena clast

3.4 Prospect Based Exploration Activities

3.4.1 Airborne Magnetic Geophysical Survey

Upon granting of the EL 45/2004 and prior to listing on the Australian Stock Exchange (ASX), Zelos commissioned a geophysical study of the area including a focus on the very large magnetic anomaly located in the south east of the lease area.

All the aeromagnetic data available including the latest survey curtsy of AGSO/MRT was down loaded and analysed by our consultant Geophysicist Nigel Hungerford (report appended).

Hungerford conducted a re interpretation of the anomaly.

His conclusions are discussed below.

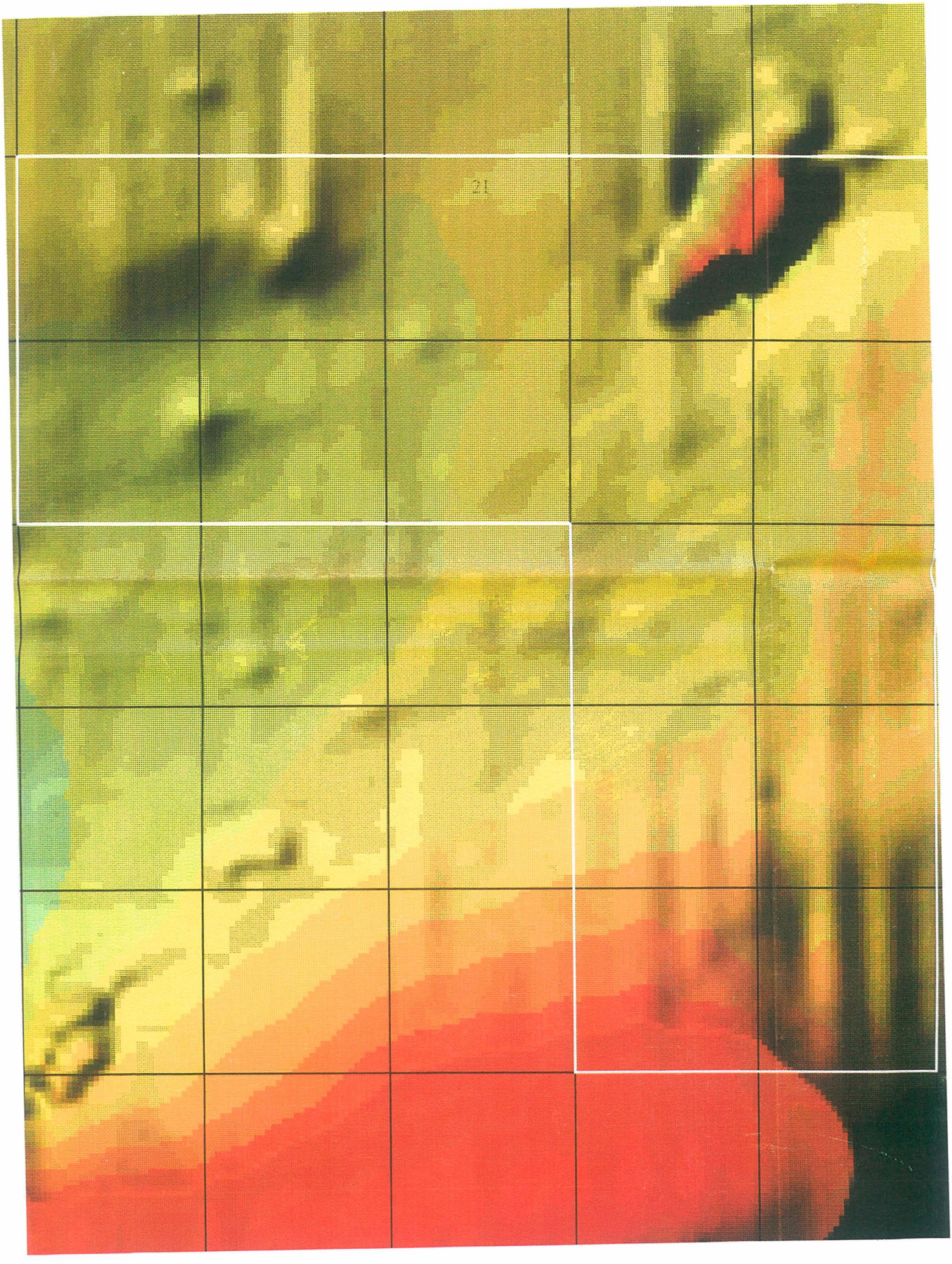
3.4.2 Magnetic Anomaly Ground Survey

The strength of the airborne survey anomaly made it an immediate target for investigation hence the reinterpretation of the airborne survey with its subsequent (as recommended) follow up survey on the ground to confirm the suspected rock type as a dolerite sill and the testing of its magnetic susceptibility.

This ground survey was carried out by a consulting Exploration Geologist.

In the field two traverses were made across the magnetic part of the hill and a total of 31 sample sites were measured, noted and rock outcrop samples taken where found.

The complete report is appended.



4 Discussion of Results

4.1 The Airborne Interpretation

Nigel Hungerford the company 's consulting geophysicist concluded the anomaly appears to be caused by a small, depth limited source possibly due to a flat lying dolerite sill within or above the non-magnetic sediments of the Cabbage Tree Formation.

A pyrrhotite skarn is theoretically possible since limestones are known to be present in the area. However there is no evidence of the presence of any nearby granite.

The anomaly is only partially coincident with the nearby hill. And the apparent magnetic source lies at the southern edge of the hill.

MRT interpreted mapping shows a Jurassic aged dolerite on the surface at the southern part of the hill with Permian aged undifferentiated flat lying mudstones, pebbly mudstones, sandstones and conglomerate.

His full report is appended.

His recommendations are:

Magnetic susceptibility measurements should be taken on outcrop across the hill to determine whether the dolerite is magnetic and if so which parts.
It should then become readily apparent as to whether the dolerite is the cause.

If no magnetic rocks are present in outcrop then a percussion hole could be drilled into the shallow magnetic source to test for any mineralization.

If so conduct a ground IP survey.

4.2 The Ground Magnetic Susceptibility Survey

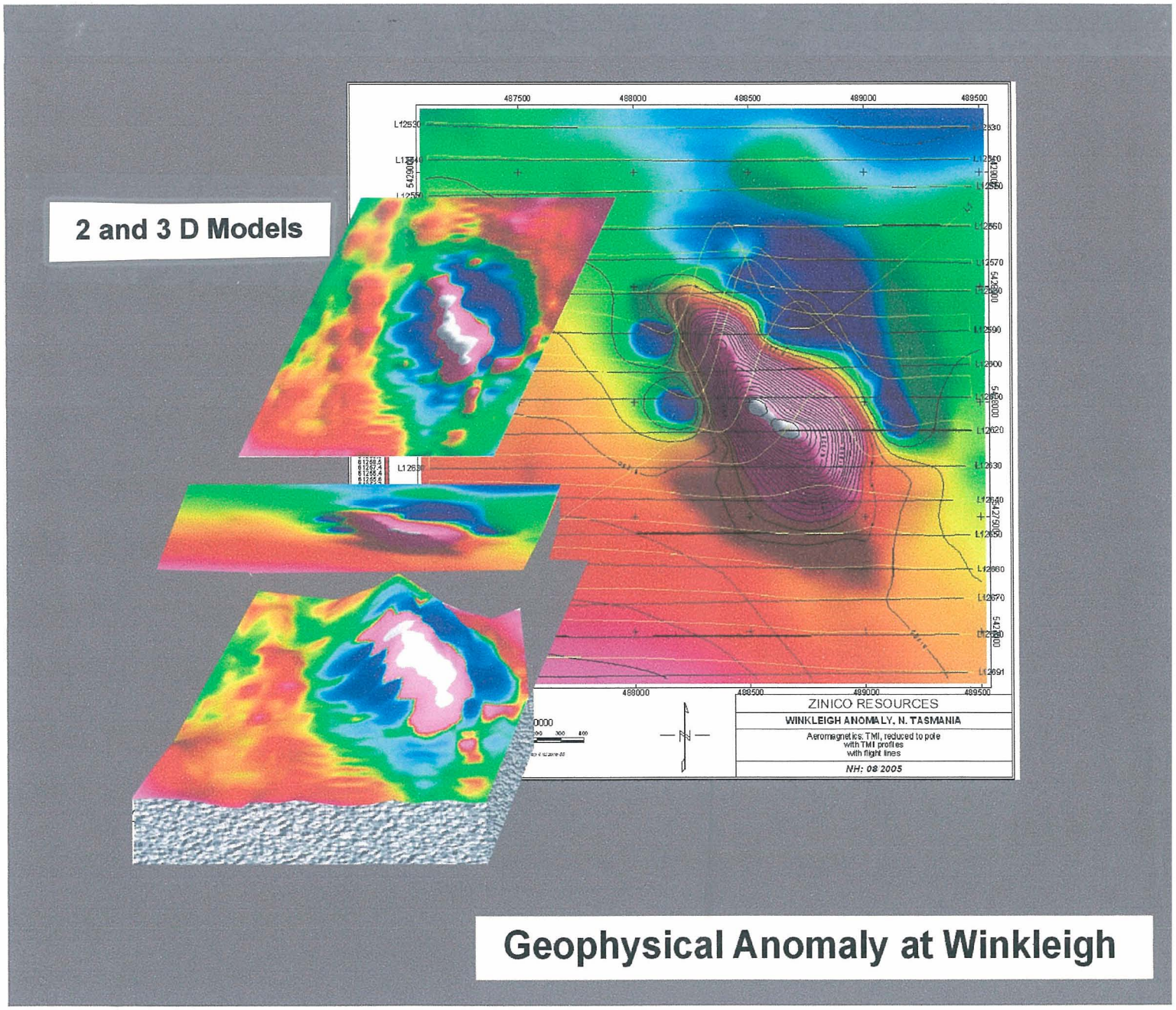
The magnetic anomaly was traversed two times. The hill is elongated to NW-SE and the ground sampling tracks across it were in a SW-NE direction and then reversed. These traverses were 250 metres apart and sample intervals were 50metres. A hand held K9 magnetic susceptibility metre was used and readings were taken on rock outcrop and on soil where there was no rock outcrop.

The majority of readings were high: >6 and over a medium grained dolerite outcrop.
By contrast low readings of <3 were over siltstones, and sandy soils.

The conclusion being that the airborne anomaly interpreted and mapped as a Dolerite Sill is indeed that and has a high magnetic content (probably fine grained magnetite).

For completeness it was recommended that two more traverses be completed further south. However it is most probable that they would support the results above and therefore have a low level of priority and can be carried out at a future convenient time.

This target has therefore been downgraded. For full details see report appended.



Geophysical Anomaly at Winkleigh

5 Conclusions

Winkleigh is prospective for gold mineralization as the EL has the same rock types that are at Beaconsfield 10 km to the north. Winkleigh also has structural features (faults) that are crustal weaknesses that could be a host for gold mineralization.

The airborne magnetic data was reinterpretated and ground investigations concluded that the large magnetic anomaly in the south west of the EL is caused by a Dolerite Sill.

Several gold anomalies have been recorded at Winkleigh by past holders of the EL. These will have to be followed up on the ground with further field work.

6 Environment

There has been no spoilage to the environment anywhere within the EL boundary therefore there is no rehabilitation necessary.

7 Expenditure

Expenditure on the EL 45/2004 totals $ 5 416 (excluding GST)

Major items of expenditure (excluding GST):

Geological	$	2 817
Geophysical		1 272

8 References

8.1 On Open File at MRT

98 – 4201
MORRISON KC EL 19/1997 Year 1 Annual Report
Beaconsfield Gold NL August 1998

99 – 4367
MORRISON KC EL 19/1997 Year 2 Annual Report
Beaconsfield Gold NL August 1999

04 – 5014
MORRISON KC EL 19/1997 Final Report
Beaconsfield Gold NL March 2004

8.2 Zelos Resources NL in house reports

TEAR S
Zinico Resources NL: Prospectus August 2005

GIBSON L
Land holders data file and map September 2005

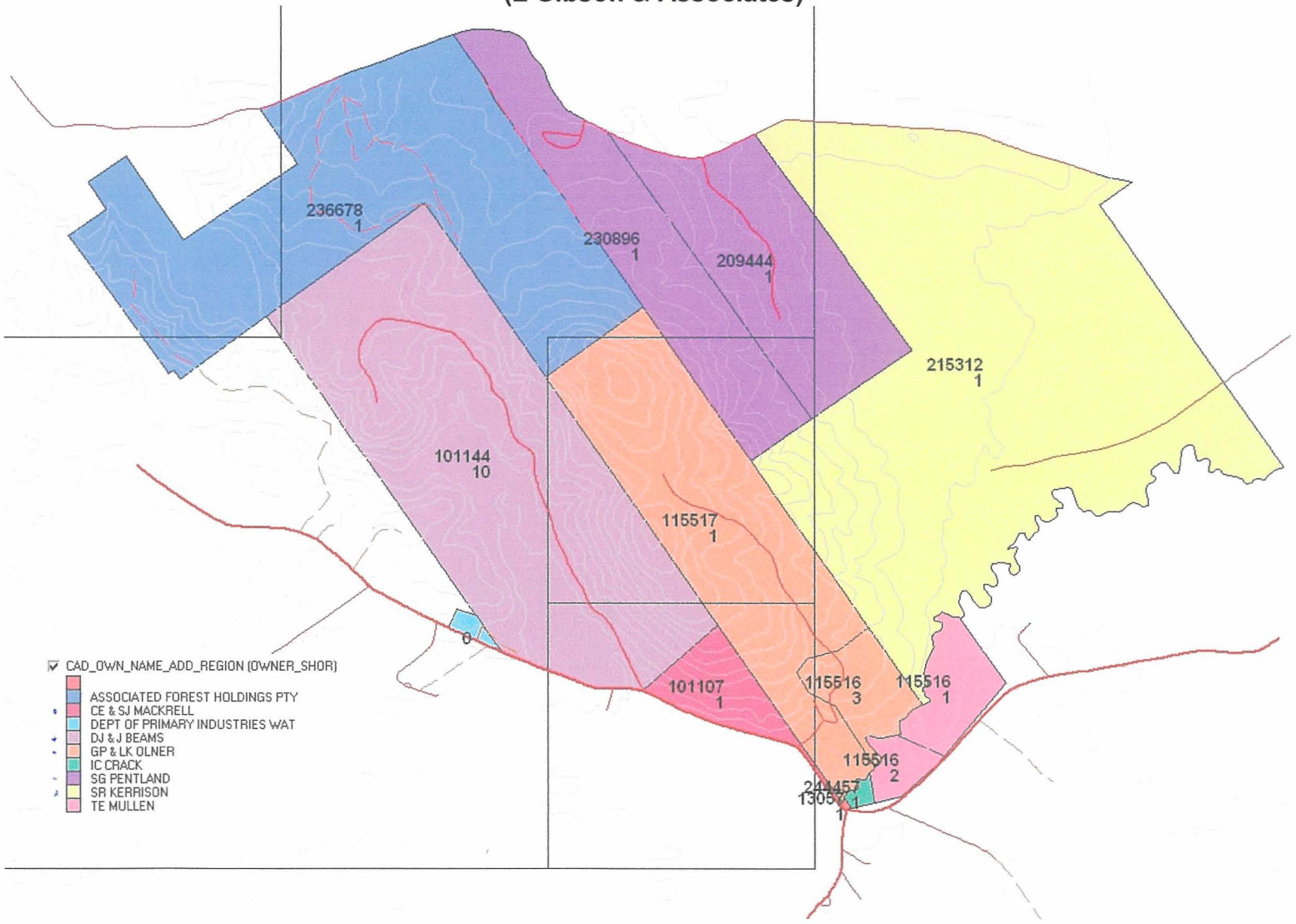
KEELE R
An Assessment of the Mineral Potential of EL 45/2004 August 2005

HUNGERFORD N
Geophysical Interpretation Report on the
Winkleigh Magnetic Anomaly August 2005

GREENER S
Report on Ground Magnetics survey at
Winkleigh EL 45/2004 December 2005

Appendix 1

Private Land Holdings
Over the geophysical anomaly area
(L Gibson & Associates)



PID	TENURE_TY	OWNER_SHOR	PROP_ADDRE	PROP_ADDR2
6078474	Freehold Title	TE MULLEN	WINKLEIGH RD	WINKLEIGH TAS 7275
6102657	Freehold Title	SG PENTLAND	ROOKERY RD	WINKLEIGH TAS 7275
6102657	Freehold Title	SG PENTLAND	ROOKERY RD	WINKLEIGH TAS 7275
6102665	Freehold Title	ASSOCIATED FOREST HOLDINGS PTY	ROOKERY RD	WINKLEIGH TAS 7275
7143258	Crown Land	DEPT OF PRIMARY INDUSTRIES WAT	WINKLEIGH RD	WINKLEIGH TAS 7275
7752002	Freehold Title	CE & SJ MACKRELL	WINKLEIGH RD	WINKLEIGH TAS 7275
0	Crown Land			
1582241	Freehold Title	DJ & J BEAMS	868 WINKLEIGH RD	WINKLEIGH TAS 7275
6078474	Freehold Title	TE MULLEN	WINKLEIGH RD	WINKLEIGH TAS 7275
6078482	Freehold Title	IC CRACK	714 WINKLEIGH RD	WINKLEIGH TAS 7275
6078378	Freehold Title	SR KERRISON	CRAWFORDS RD	EXETER TAS 7275
6107917	Freehold Title	GP & LK OLNER	758 WINKLEIGH RD	WINKLEIGH TAS 7275
6107917	Freehold Title	GP & LK OLNER	758 WINKLEIGH RD	WINKLEIGH TAS 7275

OWNER_ADDR	OWNER_ADD2	OWNER_ADD3	VOLUME	FOLIO
	758 WINKLEIGH RD	WINKLEIGH TAS 7275	115516	1
	385 WEST TAMAR RD	RIVERSIDE TAS 7250	209444	1
	385 WEST TAMAR RD	RIVERSIDE TAS 7250	230896	1
LAND ADMINISTRATOR GUNNS LTD	PO BOX 572	LAUNCESTON TAS 7250	236678	1
	GPO BOX 44	HOBART TAS 7001		0
	6 GUILFORD RD	RIVERSIDE TAS 7250	101107	1
			13057	1
	868 WINKLEIGH RD	WINKLEIGH TAS 7275	101144	10
	758 WINKLEIGH RD	WINKLEIGH TAS 7275	115516	2
	714 WINKLEIGH RD	WINKLEIGH TAS 7275	244457	1
	401 WINKLEIGH RD	WINKLEIGH TAS 7275	215312	1
			115516	3
			115517	1

Appendix 2

ZINICO RESOURCES NL
WINKLEIGH MAGNETIC ANOMALY, NORTH TASMANIA
GEOPHYSICAL INTERPRETATION

By Nigel Hungerford; 26/08/2005

Geophysical Data

The most detailed airborne geophysical survey that covers the Winkleigh magnetic anomaly is that flown for Beaconsfield Operations Pty Ltd by Austirex in 1988. The nominal line spacing is 150 metres and average terrain clearance is 110 metres. Radiometric data were also recorded on this survey.

A more recent survey was flown for AGSO in 1999 by Tesla-10. The line spacing was 200 metres and radiometrics and digital elevation were also recorded.

For this interpretation the Beaconsfield survey data were used since the flight lines are closer. Inspection of the tmi (total magnetic intensity) grids from the two surveys shows the same magnetic feature in exactly the same place, indicating that there are no location problems with the 1988 survey.

Since the 1988 survey was pre-GPS the ground elevations used for the topographic images were taken from the 1999 survey. The radar altimeter data from the 1988 survey shows some problems in keeping strictly to a consistent terrain clearance resulting in levelling errors in the magnetic data. These errors are apparent on the filtered magnetic images over the Winkleigh anomaly. Since the modelling is done on individual lines taking into account terrain clearance, there should be no problems due to adjacent lines being flown at slightly different elevations.

Data Processing

The airborne data were downloaded from the Tasmanian MRT website as grids and located (along line) data. The located data were then imported into a Geosoft database for subsequent processing. The located data were windowed around the anomaly and the resulting images are attached.

The TMI grid was Reduced to the Magnetic Pole (RTP) in order to remove the effects of the inclination of the earth's magnetic field (and thus place the source in its true position, assuming no magnetic remanence). The first vertical derivative was also calculated in order to remove the regional magnetic field and better define the near surface expression. The dtm (digital terrain) image is from the AGSO 1999 survey.

The RTP, 1st vertical derivative and DTM images are shown below.

Interpretation

The magnetic profile data across the anomaly were imported into the ModelVision software package for modelling. The modelling was done on a line by line basis using two west-east lines across the peak of the magnetic anomaly. The profiles are shown below along Lines 12610 and 12620. The observed TMI profile is black in the top panel and the calculated profile is purple. The model is shown in the bottom panel

with the height of the sensor above the surface shown in profile against the depth scale in metres below the sensor.

A polygonal model was used as input to the inversion process in order to produce the best fit to the observed profile. The initial model was purposely made to be depth-limited because the anomaly shows troughs on either side of the peak on the RTP image.

The results of the modelling show a magnetic source close to or at the surface with a depth extent the order of 200 to 300 metres. This implies that the source is likely to be fault-bounded on both south-west and north-east sides or it is rather flat. Strike extent is about 800 metres.

The source on line 12610 is modeled as just above the surface (or effectively at the surface) centered on 488540mE; 5427960mN. (AGD88, zone 55). Note that on the model cross sections the depth is positive down. The maximum sensor height determines the shallowest (max negative) value of the depth scale, with zero as the ground surface (depths are positive down).

Model Line 1 has been digitised along a SW-NE line, perpendicular to strike, using the TMI and elevation values from the 1988 survey and the DTM values from the 1999 survey. This section, see below, probably gives the most appropriate magnetic model with an almost triangular cross-section with sides indicative of faulting and/or dip.

Modelled magnetic susceptibility is about 900 SI x 10-5 units. This is commensurate for an anomaly of about 100nT and is equivalent to about 3 or 4% magnetite or 20% pyrrhotite by volume. This susceptibility is rather less than one would expect from a basalt or dolerite unless the depth extent was much less than modelled.

It should be mentioned also that the radiometric signature is low over the magnetic anomaly, implying a lack of potassic alteration and the possible presence of outcropping mafic volcanics (which usually have low radiometric signatures).

Conclusions

The magnetic anomaly at Winkleigh appears to be caused by a small, depth limited source possibly due to a flat-lying dolerite sill within or above the non-magnetic sediments of the Cabbage Tree Formation (conglomerate, grit, sandstone and calcareous shale).

A pyrrhotite skarn is theoretically possible since limestones are known to be present in the area as shown by a drill intersection 1000 metres to the west. However this would require an underlying granite for which there is no evidence either from mapping or from the MRT regional gravity.

A curious aspect to this magnetic anomaly is that it is only partially coincident with the nearby hill. This is clearly shown on the images below, in particular the magnetic image (reduced to pole) with the dtm (elevation) contours shown, on which it is

apparent that the magnetic source lies at the southern edge of the hill. This is also illustrated on the 3D image below.

Following receipt of the geological data for the Exeter 1:25,000 sheet, it is now possible to make further comments on the cause of the anomaly. Shown below is the MRT interpreted geological cross-section and the surface geological map. These show dolerite occurring at the southern end of the hill with non-magnetic sediments at the northern part.

An image of the regional aeromagnetics is also attached showing the locations of the Winkleigh anomaly and the Beaconsfield mine. From this it can be seen that the Winkleigh anomaly is not unique and that there are other similar responses of varying sizes and amplitudes within the region probably also due to dolerite sills or plugs.

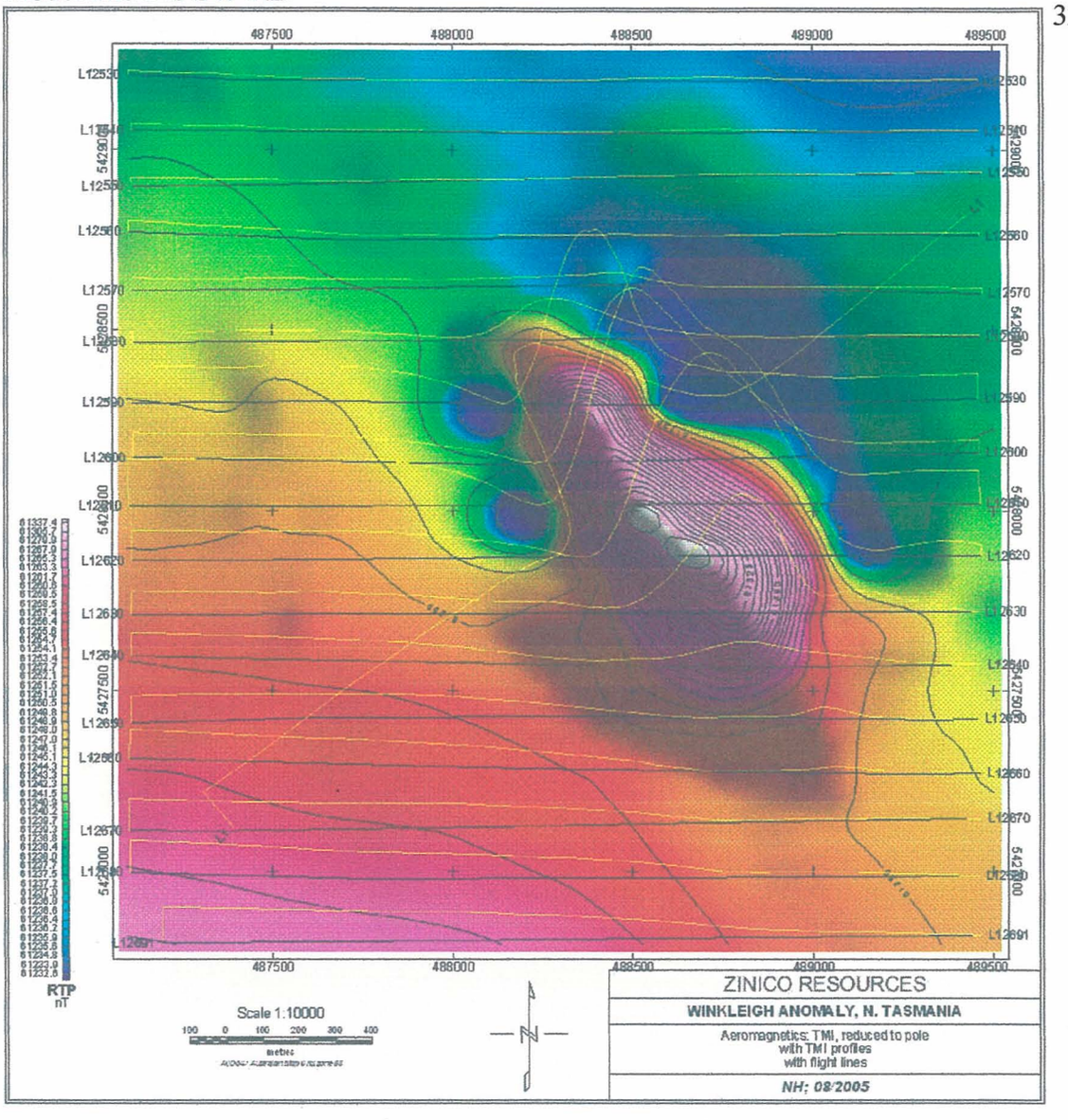
Recommendations

The Winkleigh magnetic anomaly is almost certainly caused by the outcropping hill of mapped dolerite. Magnetic susceptibility measurements should be taken on outcrop across the hill to determine whether the dolerite is magnetic and, if so, over which parts. It should then become readily apparent as to whether the dolerite is the cause.

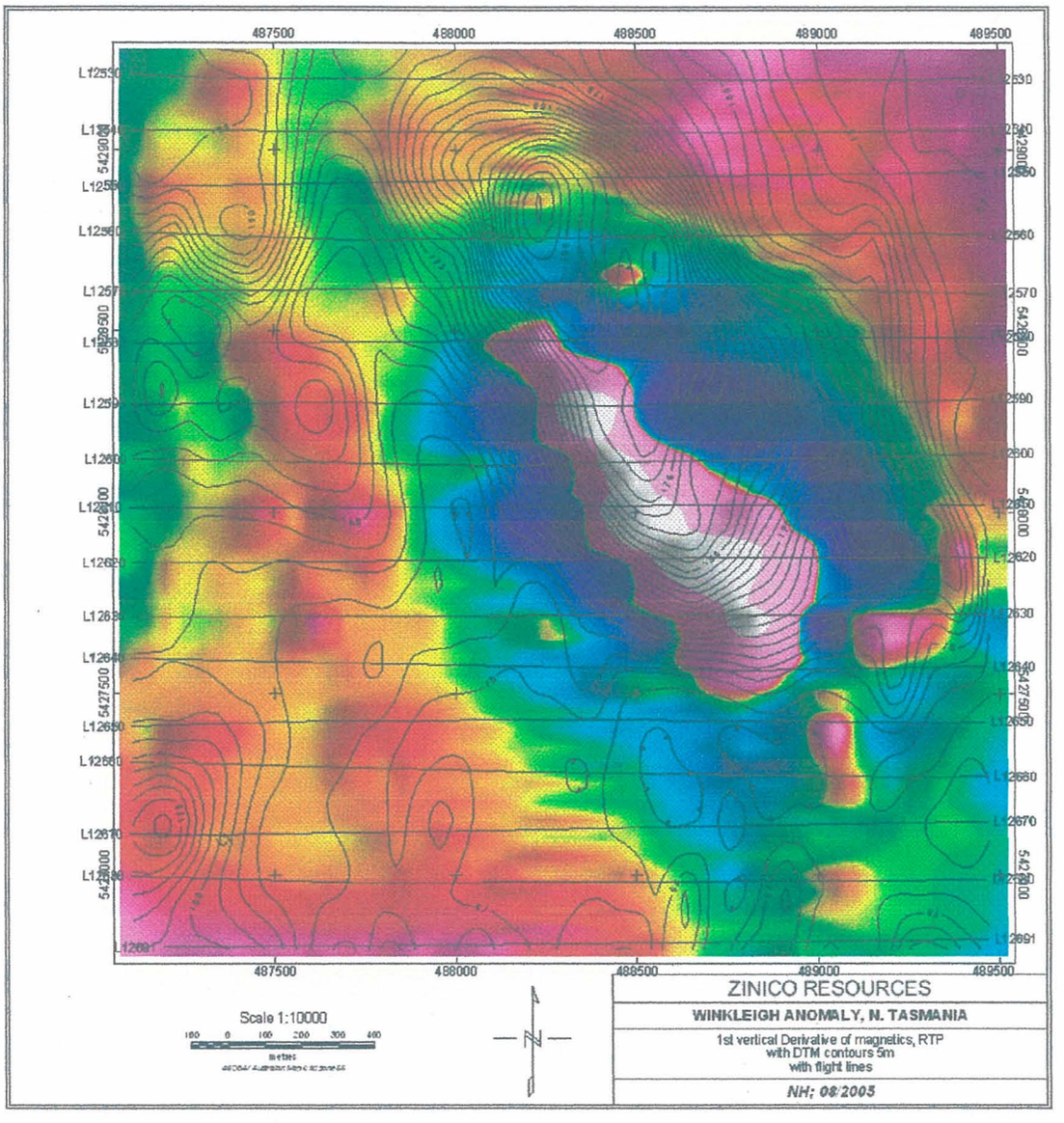
If no magnetic rocks are present in outcrop then a percussion hole could be drilled into the shallow magnetic source to see whether it contains any mineralisation. If any sulphides are intersected then consideration could be given to carrying out an IP survey. There may be a difficulty for access to a suitable drill location because of the hill (apparent on the model cross-section of line 1, shown below)

The Beaconsfield gold deposit does not appear to have a distinct direct magnetic response so there is no magnetic similarity between that deposit and Winkleigh. However disseminated sulphides, particularly pyrite, are present at Beaconsfield so that IP would be appropriate if Winkleigh is seen to be geologically analogous to Beaconsfield.

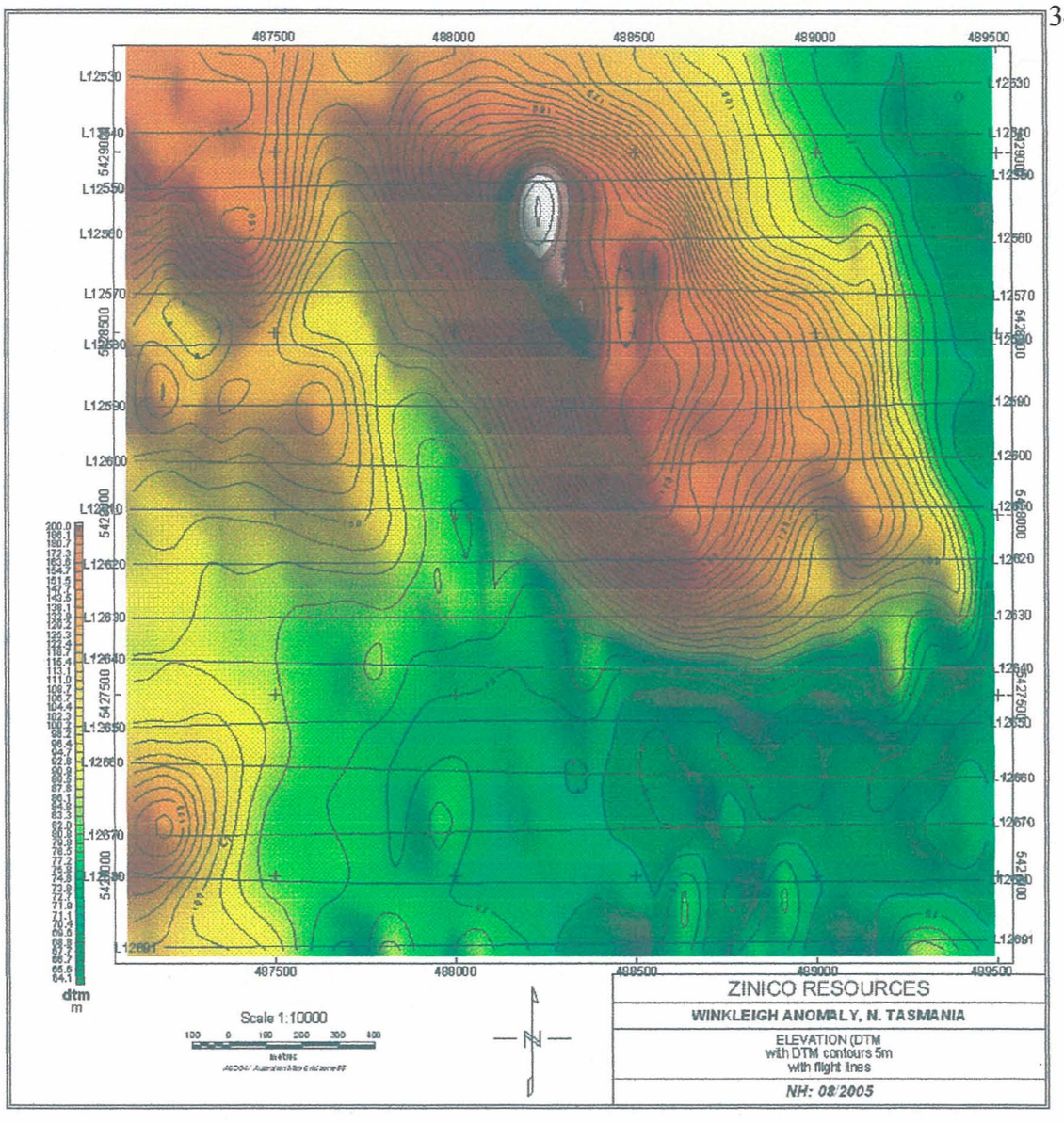
Winkleigh magnetic anomaly (reduced to pole)
With flight lines (black), TMI profiles (yellow) and contours (5nT interval)
Model line 1 is SW-NE



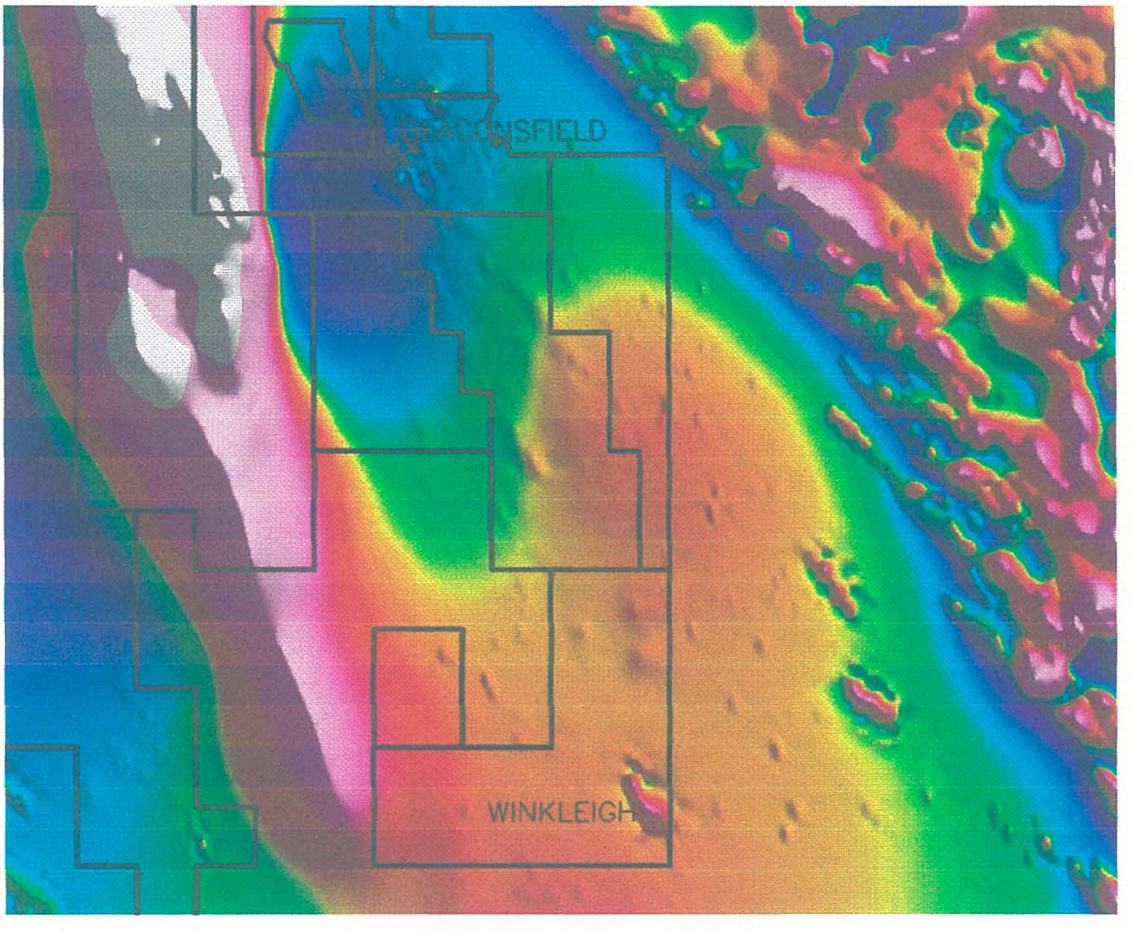
Winkleigh magnetic anomaly; 1st vertical derivative, reduced to pole
With DTM elevation contours (5m interval)



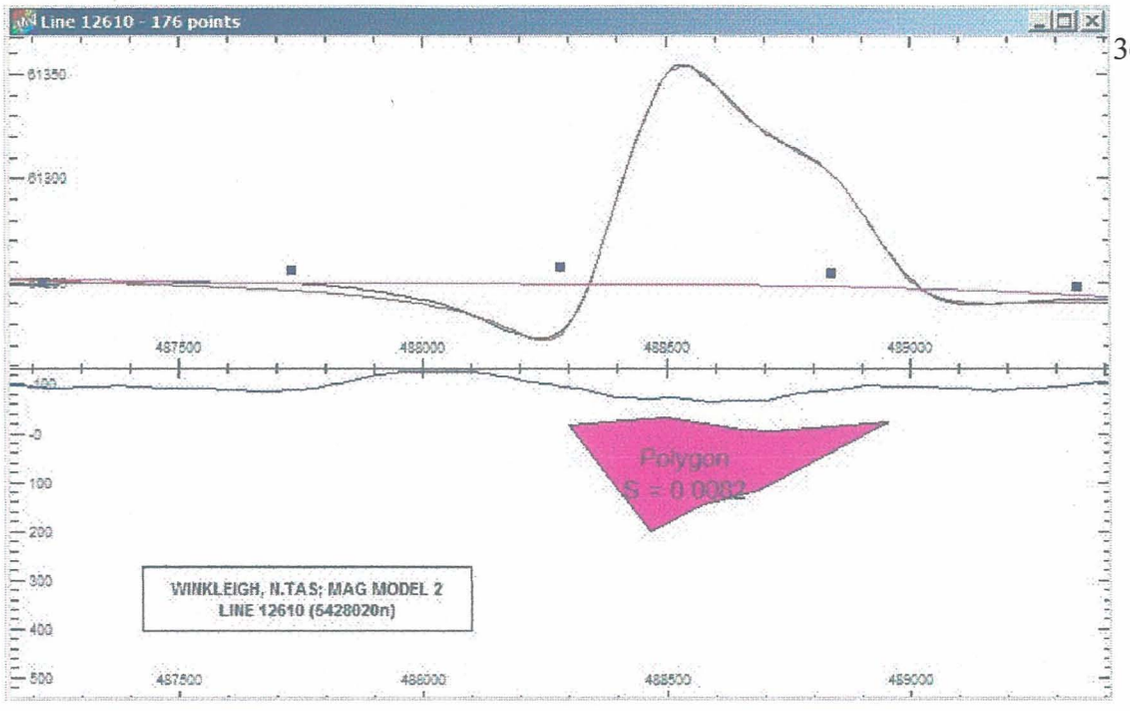
Winkleigh magnetic anomaly; Elevation (DTM)
With DTM elevation contours (5m interval



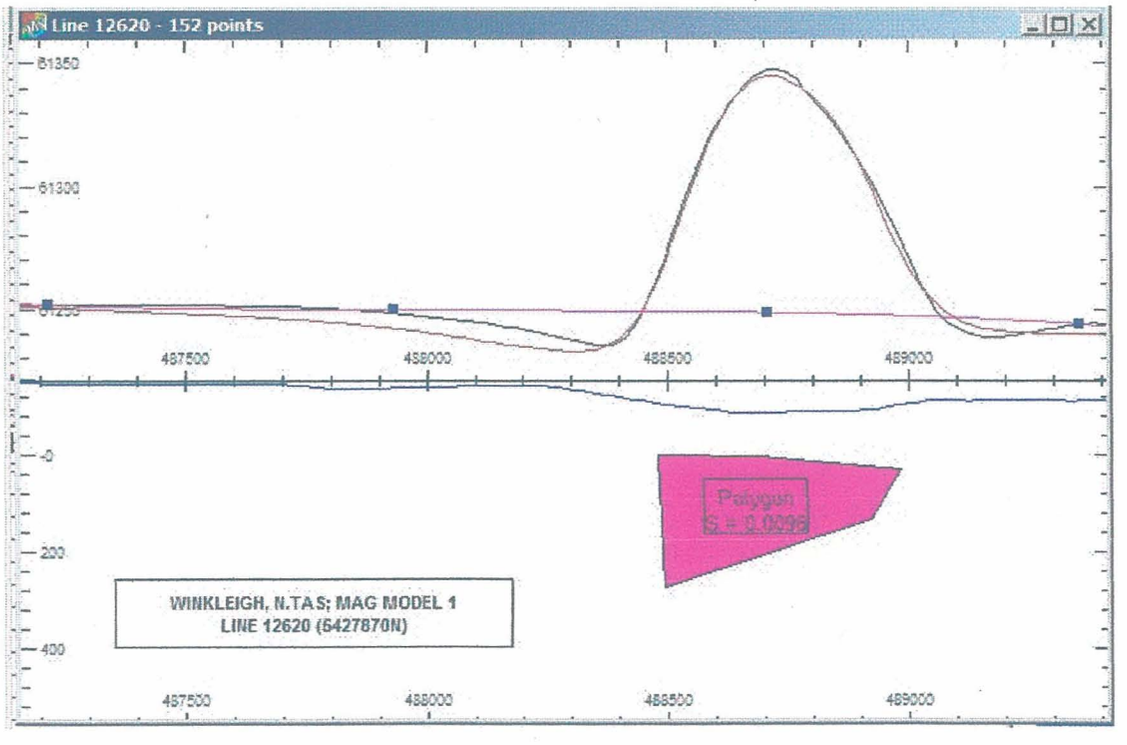
Regional aeromagnetics (TMI)
Showing locations of the Winkleigh anomaly and the Beaconsfield mine



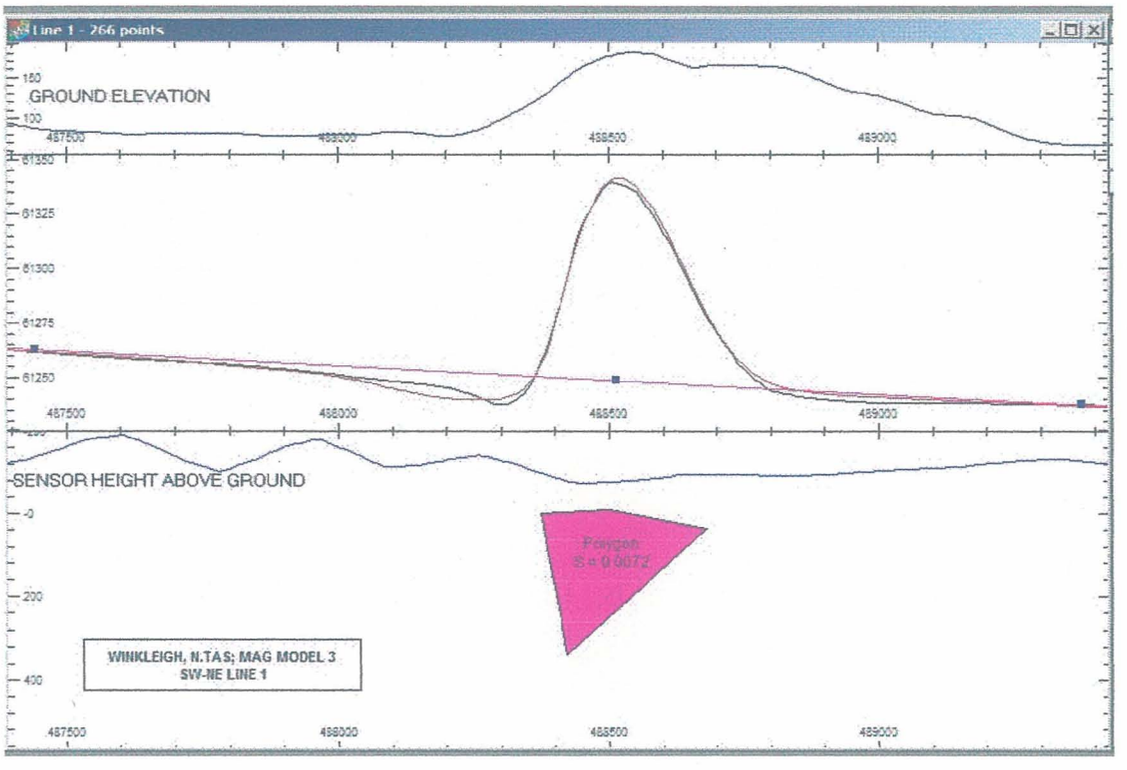
Aeromag profile model on line 12610 (5428000mN)



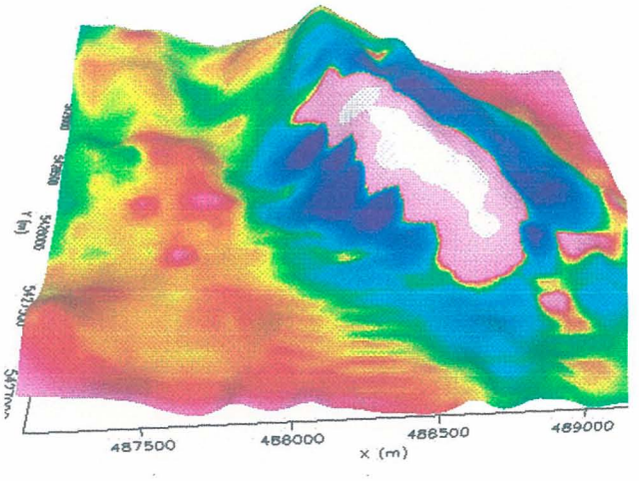
Aeromag profile model on line 12620 (5427870mN)

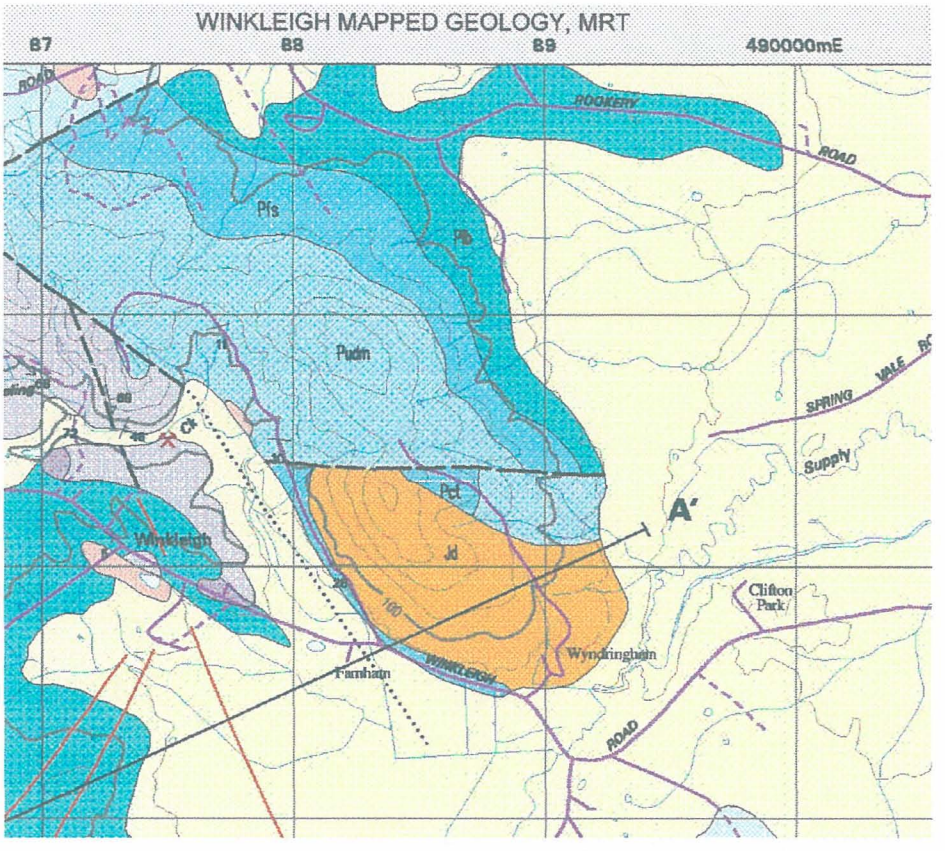


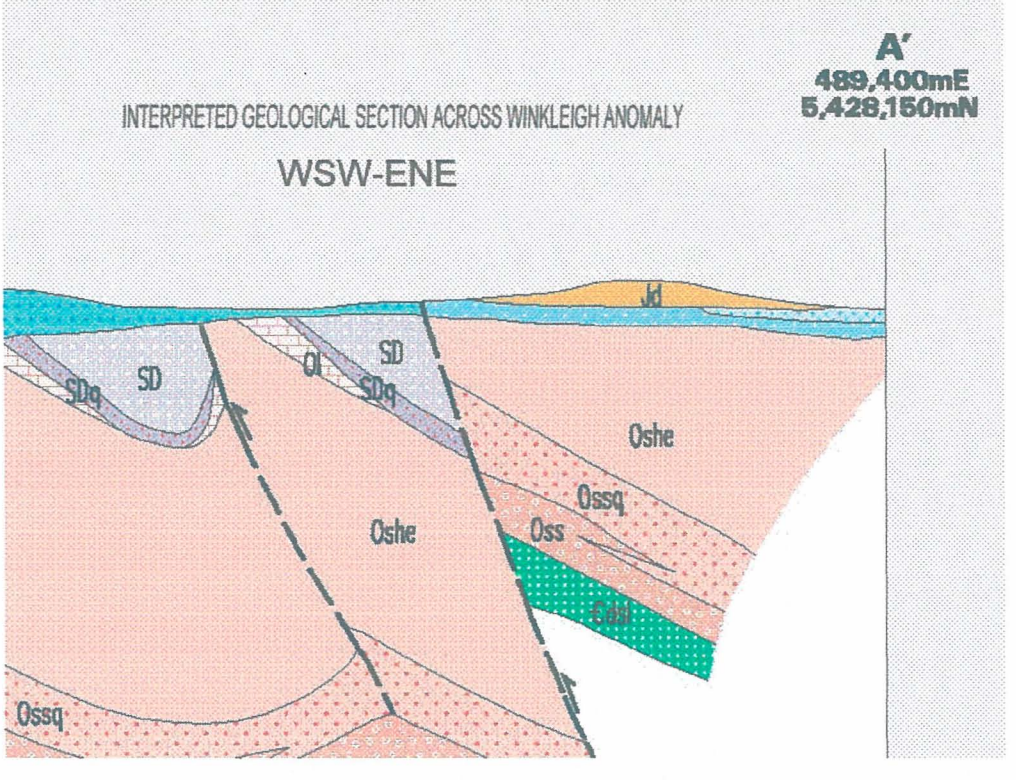
Aeromag profile model on SW-NE digitised line 1



3D image of 1st VD magnetics draped over DTM elevation.
View from south to north.




WINKLEIGH MAPPED GEOLOGY, MRT
87
88
89
490000mE
ROAD
ROOKERY
ROAD
Pfs
Pfb
Pudn
SPRING
VALE
Supply
Pcf
A'
Winkleigh
Jd
Clifton Park
Wyndringham
Farnham
ROAD


A'
489,400mE
5,428,150mN
INTERPRETED GEOLOGICAL SECTION ACROSS WINKLEIGH ANOMALY
WSW-ENE
Jd
SD
SDq
SD
Ol
SDq
Oshe
Ossq
Oshe
Oss
Sdsl
Ossq

Appendix 3

Report on Ground Magnetics survey at
Winkleigh EL 45/2004

For Zenos Resources NL.

8th December 2005

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

EL 45/2004 Winkleigh

Summary

Approximately one field day was spent at Winkleigh (EL 45/2004) with a hand held magnetic susceptibility metre to ground truth results obtained from a previous aeromagnetic survey.

The original combined aeromagnetics / radiometrics survey was flown by Austirex International Ltd in 1988, on behalf of Beaconsfield Gold mines Ltd, at 100 metres mean terrain clearance. An interpretation of this magnetic intensity data was produced by consultant geophysicist Dr. John Bishop and produced a set of NE-SW and NW-SE magnetic features not corresponding to the mapped positions of faults in the published geology (Hicks, 1989). Later, the same data was revisited by Dr R Richardson from Mineral Resources Tasmania (Morrison, 1998). Images of the first vertical derivative show a large magnetic feature in the south east of the tenement, corresponding in part to a hill (Figure 1). Compiled geology (Morrison, 1998) indicated that the cause of the magnetic feature was a small intrusive dolerite body. The investigation of this magnetic anomaly forms the basis of this report.

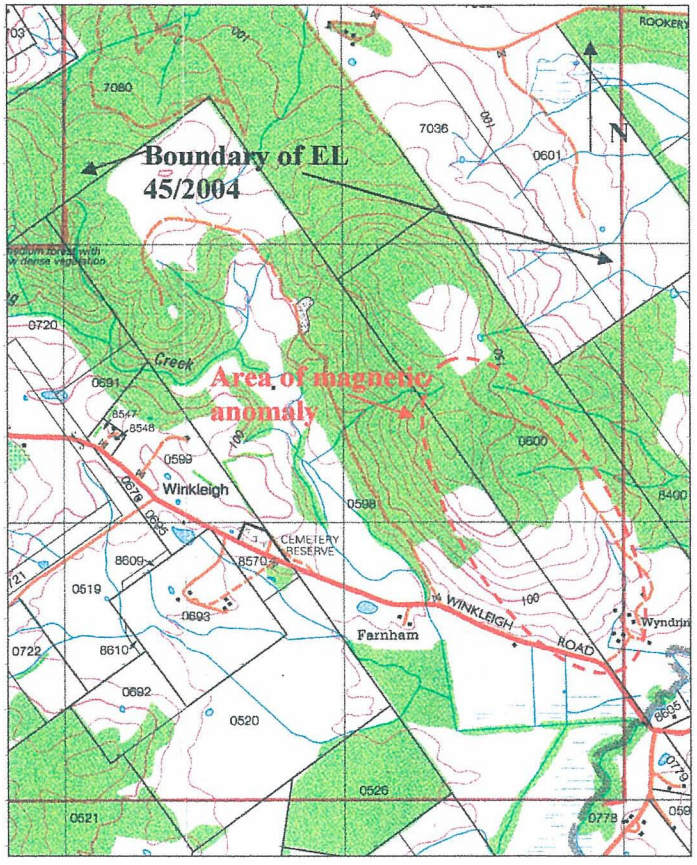


Figure 1. Topographic Map (Exeter, 1986), showing the area of the hill sitting immediately north of the Winkleigh Rd, in the south eastern corner of the EL 45/2004. Each square in the grid represents 1 km^2.

The twofold aim of the program was firstly to determine if the magnetic anomaly was in fact real, and not an artificial artefact and secondly to determine if the anomaly was

caused by a dolerite intrusive (Previously mapped in outcrop), or if there was magnetic alteration also present.

Based on previously collated and published geological mapping (Morrison, 1998), in conjunction with this survey, it is concluded that the magnetic anomaly identified in the south eastern corner of the tenement is caused by a thin dolerite intrusion. While this does not completely rule out an additional source of the anomaly, mapping to date has failed to identify one. 41

Accessibility

Tenement EL 45/2004 is a 16 Km^2 parcel of land covered by freehold farming land and tree plantations. The ground was acquired chiefly to explore for gold in possible southern extensions of the Ordovician sedimentary rocks which host the Tasmania Reef at the Beaconsfield gold mine. The tenement is easily accessible via well sealed public roads. The area outlined in this report lies in the south eastern corner of the tenement and directly north of the Winkleigh Road (Figure 1).

Method

Two orientation traverses were taken orthogonal to the axis of the hill, on a grid bearing of 045 degrees. A handheld K9 magnetic susceptibility metre was used to take individual point readings and values are recorded in nT. The metre was set to the 'pin' function, calibrated for use on outcrop. Readings were taken on approximately 50 metre spacings along each traverse to provide detailed sample coverage. Data is listed in table 1 below. Due to thick understorey and in particular patches of blackberry in the creeks, the second traverse was moved slightly off line and followed a bulldozed track down the side of the hill.

GPS readings were taken on the same projection and horizontal datum as the 1:25 000 series Exeter (1986) map. Projection: UTM, Horizontal Datum: 1966, Zone: 55.

Where suitable outcrop was unavailable, a soil reading was taken.

Results

A majority of high magnetic susceptibility (magsus) values (> 2.00nT) were readings taken from medium grained dolerite outcrop and float. Low magsus values (<2.00nT) were obtained from silt / mud and sandstone outcrops and sandy soil. Refer to table 1 below.

The plotted results of the survey (Map 2, transfer overlay) duplicate the overall result of the aeromagnetic survey and confirm that there is an area of high magnetic susceptibility under part of the hill.

Table 1. List of sample number, location and corresponding magnetic susceptibility values.

Traverse Number	Sample Number	AMG_N	AMG_E	Magsus Value nT	Other Information
1	1	5428029	488156	0.28	Fissile Silt/Mud stone
1	2	5428044	488179	7.93	Soil and Rock Fragments in Plantation
1	3	5428068	488203	7.4	Soil and Rock Fragments in Plantation
1	4	5428089	488226	6.75	Silt stone / sandstone float
1	5	5428100	488257	6.32	Dolerite Float
1	6	5428132	488289	6.01	Dolerite Float
1	7	5428150	488318	4.76	Silt stone float
1	8	5428167	488350	3.97	Sandstone out crop.
1	9	5428191	488374	8.36	Dolerite float
1	10	5428216	488395	8.53	Dolerite float
1	11	5428234	488423	6.8	Dolerite float
1	12	5428255	488449	10.4	Dolerite float
1	13	5428273	488481	8.4	Dolerite float
1	14	5428285	488503	12.4	Dolerite float
1	15	5428328	488548	0.12	Soil and Rock Fragments in Plantation
1	16	5428373	488584	0.03	Soil and Rock Fragments in Plantation
1	17	5428405	488616	0.42	Soil and quartz sandstone float
1	18	5428436	488627	0.27	Soil and quartz sandstone float
2	19	5428608	488386	6.88	Soil
2	20	5428577	488354	0.78	Soil in plantation
2	21	5428539	488308	0.68	Soil in plantation
2	22	5428477	488250	0.86	Sandy Soil
2	23	5428436	488225	12.5	Dolerite Float. Had to move traverse line
2	24	5428415	488225	10.7	Dolerite float exposed on track
2	25	5428384	488205	13	Dolerite float exposed on track
2	26	5428346	488138	1.45	fissile silt/mud stone
2	27	5428333	488106	2.68	Silt stone exposed on track
2	28	5428320	488060	1.1	Silt stone exposed on track
2	29	5428307	488021	0.85	Silt stone exposed on track
3	30	5428778	487869	0.18	Siltstone exposed in quarry
3	31	5428795	487896	0.14	Siltstone exposed in quarry

42

Conclusion and Recommendations

The magnetic anomaly identified in the south east of the Winkleigh tenement is real and caused by the underlying geology. The magnetic susceptibility results and available geological mapping indicate that the anomaly is the result of a thin and laterally limited intrusive dolerite dyke or sill, limited to the north by an interpreted faulted contact.

In addition, magnetic alteration (such as magnetite or pyrrhotite) in rocks within the sample area has not been identified in any previous surveys or during this field study. There is a slight possibility that magnetic alteration is an additional cause of the magnetic anomaly, however this seems unlikely.

For reasons of completeness, two other traverses are suggested (starting points 5427695N, 488337E for traverse A and 5428700N, 488021E for traverse B shown on Map 2), to better define the limits of the anomaly. However, unless this program could be included with other field work in the area, this is not a high priority. 43

It is the opinion of the author, after considering all the available data, that the magnetic anomaly has been confidently identified as a dolerite intrusive and therefore it is suggested this target is down graded.

References

Exeter 4842. Edition 2, 1986. Tasmanian Government. 1:25 000 series.

Hicks, J, 1989. EL7/88 Exploration Report for the Period October 1987 to January 1989, Beaconsfield Gold Mines Ltd; Beaconsfield Operations Pty Ltd 1989. (TRC 89-3011).

Morrison, K. C, 1998. Beaconsfield Gold NL. EL 19/97 – Winkleigh. Year 1 Annual Report. (TRC 98-4201).

Interpretive Geology of Winxleigh

MAP 1

N

5429000N

5428000N

EL 45/2004
(winxleigh)
Tenement Boundry.

Qu

Qu

Qu

Jdl

Pu

Pu

Pu

100

H

Legend

0 50 100m

Scale 1:5000
1cm = 50m

Quaternary
Qu undifferentiated Surficial sediments.

Jurassic
Jdl Dolerite

Permian
Pu undifferentiated flat lying mudstone, pebbly mudstone, sandstone & conglomerate

Topography

Thrust fault, Fault

489000E

Copy of Geological interpretation map, From Annual Report EL 19/97.
Beaconsfield Gold NL. Winxleigh. MAPS Author. K.C. Morrison.

B''

5429000 N

EL 45/2004
(Winkleigh)
Tenement Boundry

TRAVERSE 2

+0.88
+0.74
+0.68
+0.86
D +18.5
D +10.7
D +13.0
+1.45
+2.68
+0.85
+1.40

TRAVERSE 1

+0.27
+0.42
+0.03
+0.23
D +12.4
D +8.40
D +12.4
+6.80
D +8.53
D +8.16
D +3.97
D +6.01
+4.76
+6.75
+6.32
+7.40
+7.93
+0.28

A'

5428000 N

0 50 100 m

A

scale 1:5000
1cm = 50m

Legend

D +0.36 — Sample point with Magsus Value. 'D' depicts Confirmed Dolerite.

Outline of previously identified Magnetic Anomaly.

Track

A — A — Proposed Traverse

488000E

489000E