



ICON RESOURCES LTD

2nd ANNUAL REPORT
Period ending 9 February 2007

HENTY ROAD – EL47/2004

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Author: Jane Capp

Location: Tasmania
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1 ABSTRACT

Henty Road EL47/2004 is held by South Eastern Resources Pty Ltd (SER), a wholly owned subsidiary of Icon Resources Ltd.

The 23 sq km licence straddles the Henty Road, south of Zeehan in Western Tasmania. The main focus of exploration on the lease has been on the Grieves Siding prospect where zinc mineralisation occurs within the Ordovician Gordon Limestone, mostly as a complex of zinc 'oxides'. SER's present interest is in near-surface peat-hosted sphalerite.

SER has calculated a JORC-compliant Inferred Resource for the Grieves peat-hosted zinc of 330,000t @ 3.9% Zn (modified from Burrows, 2005) assuming a bulk density of 1.4t/m³.

Zinifex had an option to investigate the near-surface zinc. Zinifex completed bulk sampling from 5 excavator pits for metallurgical tests. Conventional mineral processes, including floatation and gravity separation, were unsuccessful and Zinifex did not seek to renew the agreement which expired in September, 2006..

Following the expiry of the option agreement, Icon commenced a series of unconventional processing trials. These are on-going but the results have been sufficiently encouraging to allow Icon to start a drilling program to expand and better define the resource.

In the near-term Icon aims to verify and increase the surficial peat-hosted zinc resource, and to explore for a primary source of zinc beneath the underlying oxides.

To achieve these aims, work planned to start at the end of January 2007 includes:

- A minimum of 1000m of diamond drilling to target primary zinc sulphide mineralisation.
- A reconnaissance resistivity survey of one line across the centre of the Badger Valley to see if this can be used to map the basal contact of the peat and the residual limestone.
- Excavator pit sampling of the surficial zinc mineralisation to allow a JORC compliant Indicated Resource to be calculated.
- Continue metallurgical test work on the zinc-in-peat and commence testing the zinc oxides with the aim of achieving early production for the former.

2 INTRODUCTION

This report details the work completed on EL47/2004 for the period ending 9th February 2007.

The main focus of work has been the Grieves prospect of carbonate-hosted zinc mineralisation and overlying peat-hosted zinc. The mineralisation lies under swampy button grass plains adjacent to Henty Road, ~12 km south of Zeehan.

3 TENEMENT STATUS

Henty Road (EL47/2004) covers 23 sq km on either side of Henty Road, south of Zeehan in Western Tasmania (Figure 1).

Henty Road was granted to South Eastern Resources Limited (SER) on 10 February 2004 for a period of five years.

In September 2005 Zinifex Australia Limited (Zinifex) signed a one-year option agreement with SER. The option committed Zinifex to expenditure of \$120,000 on the EL and expired on 30th September 2006.

In January 2006 Icon Resources Ltd. (Icon), in a related-party transaction, purchased two-thirds of South Eastern Resources and the remaining (unrelated) one-third after Icon listed on the ASX in June 2006.

4 TOPOGRAPHY AND ACCESS

The Henty Road, linking Zeehan and Strahan transects the license, providing ideal access. East of the road the license falls within the Dundas Regional Reserve and west of the road is within State Forest.

In the area of the zinc prospects the Henty Road traverses the Badger River valley. For several hundred metres either side of the road there are low-lying swampy button grass plains overlying weathered limestone. The plains are flanked west and east by escarpments of sandstone quartzite 70-90m high.

5 GEOLOGY

5.1 Regional Geology

The regional geology of western Tasmania was dominated by rifting during the Late Precambrian to Early Cambrian. This was followed in the Early to Mid Cambrian by arc-continent collision, subduction and ultramafic allochthon emplacement. The Dundas Trough developed containing siliciclastics and volcanic derived sediments. To the east and interfingering with the sediments the Mount Read Volcanics were being formed. The base of the Ordovician sequence is typically localized conglomerates and grades up to sandstones and carbonates. The Mid Ordovician

carbonates of the Gordon Group are part of a widespread sedimentary basin with variable rates of subsidence. These are the host rocks for prospects within the license (Figure 2).

5.2 Local Geology

The rocks in the license are a conformable Ordovician to Devonian sedimentary sequence overlying Cambrian basement. Cambrian basement rocks occur in the southern part of the license and are mainly interbedded siltstone and sandstone with some magnetic mafic igneous rocks.

The basal unit of the Ordovician sequence is the pink, silicified and coarse grained Owen Conglomerate. Within the lease it is overlain by siliceous fine grained Moina Sandstone. To the east of the lease the Moina was faulted-out, or deposited only to the west as a result of syn-depositional faulting.

Overlying the Moina Sandstone is Ordovician Gordon Limestone, assumed to be at least 700m thick within the licence. The dark grey limestone contains various facies including a basal bioclastic argillite and oolite which has been pervasively dolomitized and sideritized.

The Lord Siltstone, a fine grained argillaceous unit, forms a marker throughout the Gordon Limestone. An Upper Dolomite unit is recognized in the Zeehan area.

There are occasional outcrops of limestone visible in road cuttings and the limestone has been strongly weathered to a depth of several hundred metres. The top 20m is highly weathered to form an undulating surface that has been infilled by organic material (peat) and "slumped" blocks of limestone. The peat is overlain by up to 8m (usually <2m) of hard Moina Sandstone gravel that has shed off the escarpment from the southeast and a surface veneer of swampy peat.

The Gordon Limestone is conformably overlain by Silurian Crotty Quartzite that dips steeply northeast.

The Owen Conglomerate, Moina Sandstone and Crotty Quartzite form 70-90m high escarpments either side of the low-lying weathered limestone.

The sediments are folded around axes trending NW and cut by a series of NW-trending faults (Figure 3).

6 PREVIOUS EXPLORATION

Previous exploration has been summarised in the last annual report (Lewis, 2006) and detailed in Purvis, 2006, (Appendix 1).

7 MINERAL OCCURENCES

This summary was partly compiled from Russell and Tear, 1996.

Previous explorers have interpreted zinc-lead mineralisation within the Gordon Limestone to be pre-Devonian in age and unrelated to the Tabberabberan Orogeny (ie, in contrast to most of the Zeehan silver-lead field). The Gordon Limestone was deposited at the end of a period of major tectonic activity that produced the Mount Read Volcanics. Hydrothermal systems may have continued to emit metals into the Gordon Limestone via basement and syn-sedimentary faults.

Five zones within the Gordon Limestone have been recognised as targets for zinc-lead mineralisation.

- Stratabound at the lower limestone-sandstone contact. This zone is characterised by carbonaceous and/or ferruginous clays less than 50m thick above the contact with the Moina Sandstone. It can be overlain by a massive siderite zone less than 25m thick.
- Stratabound at the upper limestone-quartzite contact. This zone is typically within the Upper Dolomite Unit.
- Stratabound within a brecciated (possibly syn-sedimentary) and/or sideritized unit in the middle of the limestone.
- Structurally controlled discordant mineralisation. This can occur throughout the limestone sequence and may be the late-stage filling of brittle fractures.
- Surficial peat hosted: eg, at the Grieves prospect, the peat layer beneath the sandstone gravel contains significant values of zinc in zones directly overlying the limestone-hosted oxide mineralized zone. Recent work has shown the metals occur within the clays as fine colloform sphalerite and galena, apparently actively depositing within the organic carbon and “growing” in-situ (Purvis, 2006).

7.1 Grieves

Mineralisation at Grieves consists of two zones:

- Near surface peat-hosted sphalerite overlying the Gordon Limestone, at the base of the escarpment formed by Moina Sandstone.
- Sphalerite and minor galena partially oxidised to zinc oxides, carbonates and silicates to a depth of 100 to 200m. The best grades to date are from the lower limestone/sandstone contact. The peat resource occurs above this zone.

A JORC-compliant Inferred Resource was calculated by Tracie Burrows in December 2005 for the peat-hosted zinc of 409, 000t @ 3.9% Zn (Burrows, 2005). The resource is made up of three blocks as detailed below:

Table 1: Surficial Zinc Inferred Mineral Resource (Burrows 2005)

| Block | Tonnes | Zn (%) |
|--------------|----------------|---------------|
| North | 164 000 | 3.2 |
| Central | 65 000 | 1.1 |
| South | 180 000 | 5.6 |
| Total | 409 000 | 3.9 |

The above assumed a density of 1.9t/m³ (ie. the density of dry clay). This tonnage decreases to 337,000t using a value of 1.4t/m³, (ie. the average wet or in situ value of the Zinifex pits).

7.2 Other Prospects

Other prospects within the lease are summarised in the table below.

Table 2: Prospects within EL47/2004

| Prospect | Description | Intercepts (% Zn) | |
|-----------------|---|---|-------------|
| South Grieves | Middle zone of Gordon Limestone; <20m vertical depth | ZWG1 | 11.8m @ 6 |
| | | ZWG22 | 0.8m @ 17.5 |
| | | ZWG26 | 1.9m @ 7.3 |
| | | ZWG26 | 1m @ 6.9 |
| Myrtle | Middle zone of Gordon Limestone, associated with a dolomitization | ZM1008 | 3m @ 6.7 |
| | | ZM1008 | 6m @ 4.3 |
| | | ZWM18 | 7.1m @ 2.4 |
| | | ZM185 | 0.6m @ 14.9 |
| Baura | Upper dolomite unit | ZG402 | 2.5m @ 3 |
| Firewood Siding | Upper dolomite unit | ZF37 | 10m @ 0.38 |
| Rose Valley | Silicified carbonate breccia | defined by 14 wacker samples, with max of 242ppm Zn | |

8 WORK COMPLETED

8.1 Work completed by Zinifex

Until September 2006 the lease was managed by Zinifex under a 12 month option agreement with SER. In January 2006, Zinifex commissioned Gerald Purvis of J.G. Purvis & Associates Pty Ltd to excavate five pits and sample the surficial peat-hosted zinc to investigate:

- the feasibility of recovering zinc from the peat in the flotation circuit at their nearby Rosebery mine
- or, the possibility of using on-site gravity separation to produce a sphalerite concentrate suitable for shipping directly to Zinifex's Risdon refinery.

The pit sites are listed in the table below.

Table 3: Zinifex pit sample locations (AGD66, GPS)

| Pit # | Easting | Northing | Sampled depth |
|---------|---------|----------|---------------|
| Pit 115 | 364729 | 5349634 | 2.6- 4m |
| Pit 170 | 364532 | 5349238 | 2-4m |
| Pit 181 | 364495 | 5349206 | 2-4m |
| Pit 264 | 364826 | 5349705 | 1.5-2.25m |
| Pit 368 | 364462 | 5349164 | 2-4m |

From each pit a bulk sample comprising six 20-litre plastic pails of material (about 150kg) was taken from the selected depth interval, immediately sealed and dispatched for metallurgical testing. In addition, a 3-5kg representative assay sample was taken from each pit. Two-litre liquor samples were taken from three pits (Purvis, 2006).

Zinc recoveries in the Rosebery mill were unviable largely because of the very different style of mineralogy (eg, the high organic content). The gravity separation tests also failed to separate the sphalerite much of which is very fine grained.

It was concluded that while the feasibility of economically recovering zinc from the peat couldn't be ruled out, the testing demonstrated that it was not possible using conventional flotation or gravity separation and "it cannot be treated in any existing Zinifex infrastructure" (Purvis, 2006).

The full report describing the test work, prepared by J.G. Purvis & Associates Pty Ltd is included in Appendix 1.

8.2 Work completed by Icon Resources Ltd

8.2.1 Data Compilation

Digital drilling data for the lease was acquired from various sources and compiled into a central MS Access database. The compilation and validation of the data has focused on the Grieves area. It is ongoing and includes:

- Capture of additional data from existing drill logs such as peat occurrences, alteration, structural measurements and recoveries to enhance the existing digital dataset.
- Validation of drill hole locations.
- 3D modelling of interpreted faults, contacts and units within the Grieves prospect.

A report on the data compilation work completed included in Appendix 2.

The data from the CRA Zeehan Area6 helimagnetic survey was acquired from Mineral Resources Tasmania and re-processed.

8.2.2 Resource Investigations

AMC Consultants Pty Ltd was commissioned to review the defined resources and drilling at Grieves to recommend work required:

- To upgrade the surficial zinc resource from Inferred to Indicated.
- To convert the deeper oxide mineralisation to an Inferred resource.

The report prepared by AMC is included in Appendix 3.

8.2.3 Rock Chip Sampling and Metallurgical Test Work

Four rock chip samples of peat were collected from a road cutting, where the Henty Road passes over the Professor Range. No anomalous zinc results were returned. Sample location and results are included in Appendix 4.

Significant metallurgical test work by consultants Ka Pty Ltd and Kaotech Pty Ltd to determine an optimal mineral processing method for the peat-hosted sphalerite is in progress.

Test work was completed on the samples collected from the pits by Zinifex. Sample descriptions and assay results are included Appendix 5.

A flow sheet of a proposed processing method is being prepared.

8.2.4 Re-logging and Sampling of Drill Core

Re-logging of selected diamond drill holes from the Grieves prospect was completed at Mineral Resources Tasmania's core storage facility.

The aim of the re-logging was:

- to become familiar with the geology at Grieves
- aid in the interpretation of existing drill logs
- look for evidence of primary sulphide mineralisation

Re-logging of ZG1007 showed that this hole did not reach the planned target of the Moina Sandstone.

Existing diamond drill holes were not completely assayed. Intervals of core that may be mineralised, based on interpretation of drill hole sections, are being re-sampled and submitted for analysis.

9 ENVIRONMENTAL

No ground disturbing activities were conducted on the lease.

10 EXPENDITURE STATEMENT

Total expenditure on EL6297 for the year period ending 31st January 2007 is \$158,110.

Zinifex Expenditure January – September 2006

| | \$ |
|------------------|---------------|
| Personnel | 7,500 |
| Geology | 30,984 |
| Field support | 7,000 |
| Earth-works | 2,820 |
| Assays | 27,445 |
| Vehicles | 1,608 |
| Sub-total | 77,357 |
| 10% Admin | 7,736 |
| Total | 85,093 |

Icon Resources Expenditure October 2006 - January 2007

| | \$ |
|--------------|---------------|
| Personnel | 25,040 |
| Tenement | 418 |
| Geology | 11,683 |
| Geophysics | 791 |
| Assays | 1,347 |
| Resource | 7,890 |
| Metallurgy | 19,210 |
| Subtotal | 66,379 |
| 10% Admin | 6,638 |
| Total | 73,017 |

11 REFERENCES

Lewis, R. 2006: EL6297 Crow King Annual Report for 22 September 2004 to 21 September 2006.

Purvis, J.G. 2006: Sampling and Metallurgical Testing of Surficial Zinc Clays, Grieves, EL47/2004, Western Tasmania, J.G. Purvis & Associates Pty Ltd.

Russell, S.A.J., Tear, S.J. 1996: Annual Report P.E. November 1996 - EL 34/88 - Zeehan No. 2.