Gujarat NRE Resources NL

EL 45/2004 Winkleigh

FINAL REPORT

and Year 2 Annual Report

(For the reporting period 1 March 2006 to 1 March 2007)

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21 February 2007

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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 Gujarat NRE Resources NL (then Zinico Resources NL and then Zelos Resources NL) was 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 Gold NL 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.

Zinico/Zelos Resources NL commenced exploration activities with the reinterpretation of the available airborne magnetic data. A follow up visit on the ground to the large magnetic anomaly in the south-east of the licence area 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 was recommended for the second year of tenure of the licence. The company prepared a follow up field work programme for the next year, the field work being aimed at a surface investigation of existing weak mineralized anomaly areas.

The company won the area on a tender system and proposed a high level of expenditure commitment to the EL. Results to date have not been encouraging and the company feels that the high level of expenditure commitment is no longer warranted and is better utilized elsewhere.

The company therefore intends to relinquish the EL.

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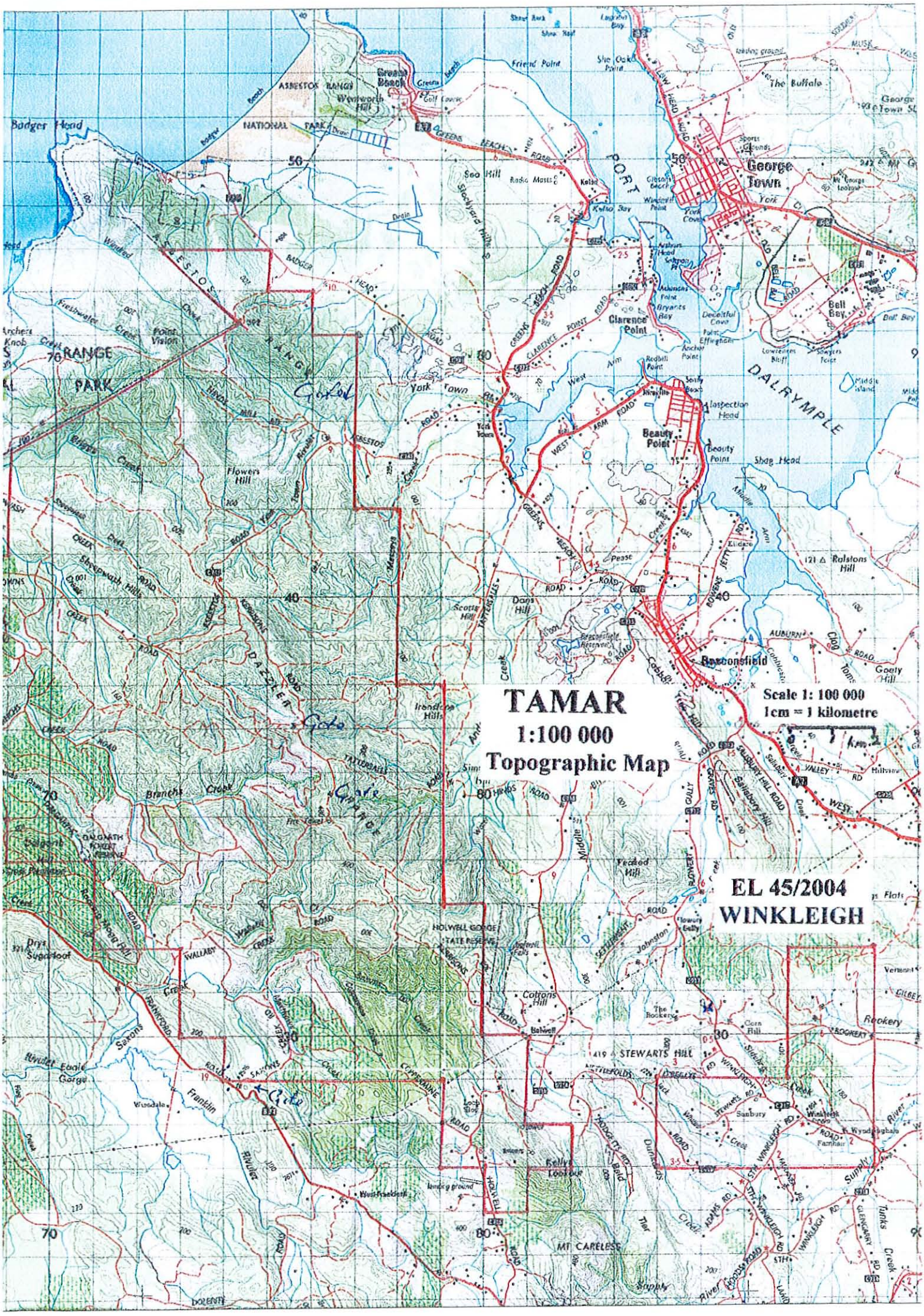

TAMAR
1:100 000
Topographic Map
Scale 1: 100 000
1cm = 1 kilometre
EL 45/2004
WINKLEIGH

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 950metres. At present (February 2007 the mine operations have been suspended since 25 April 2006 owing to a tragedy caused by a tremor and rock falls.)

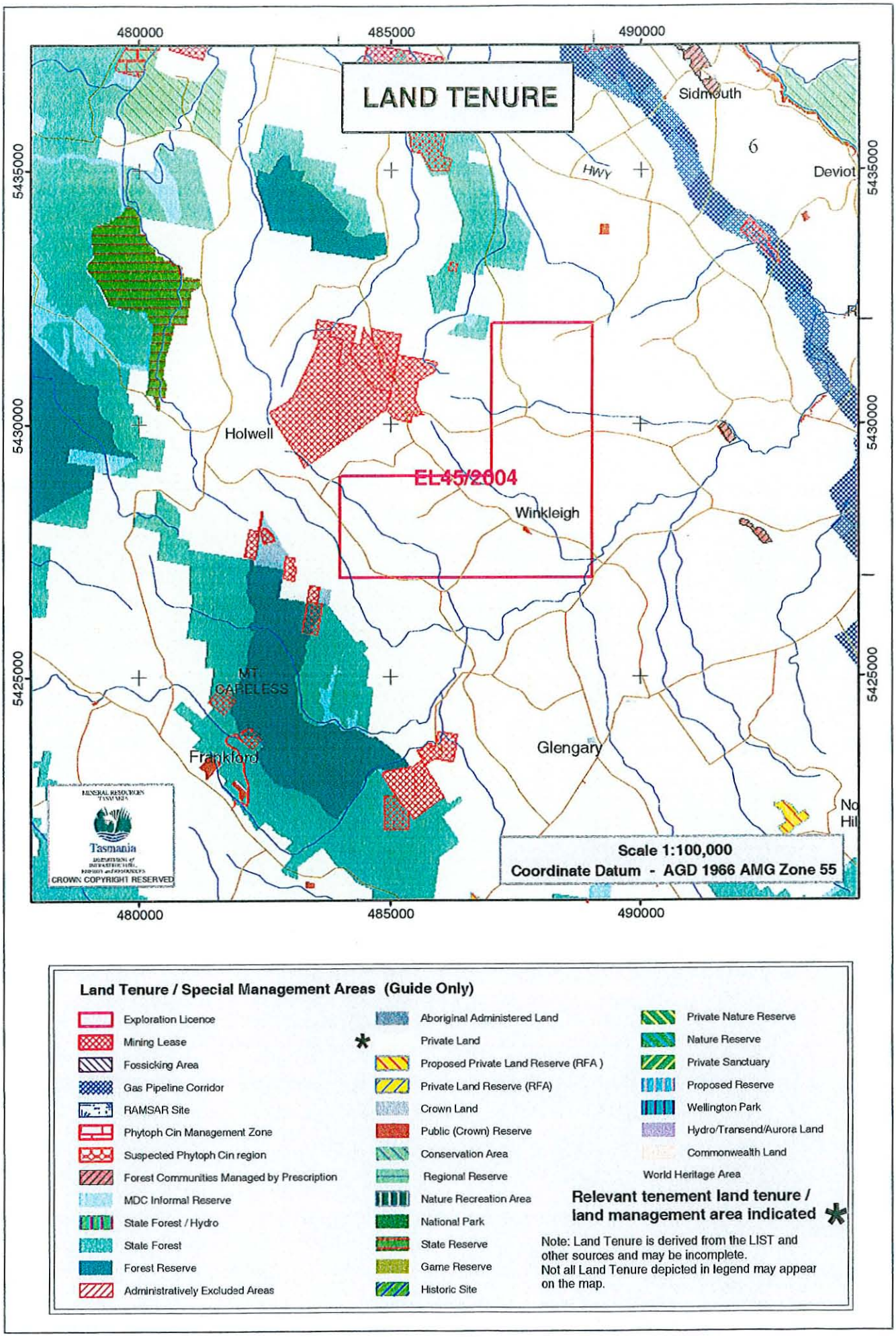
With one of Australia's richest gold mines close to the north of the Winkleigh area and with similar rocks, the aim of Gujarat was to explore the Winkleigh EL 45/2006 for gold deposits in similar stratigraphic and structural settings to the Beaconsfield mine.

In addition it is also recognized that potential exists within the Permian rocks west of the Tamar River for mineralization styles other than 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. This was completed with disappointing results.



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. On the 23rd November 2006 Zelos shareholders resolved to change the name of the company to Gujarat NRE Resources NL in recognition of the major shareholder.

Gujarat NRE 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.

Work commenced on the area after the 1st of July when some funds became available ahead of listing on the Australian Stock Exchange on 25th August 2005.

This report will act as the Final Report and as the second Annual Report for the one year period to the anniversary date of the EL is the 1st March 2007.

The company intends to relinquish the exploration licence.

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.

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).

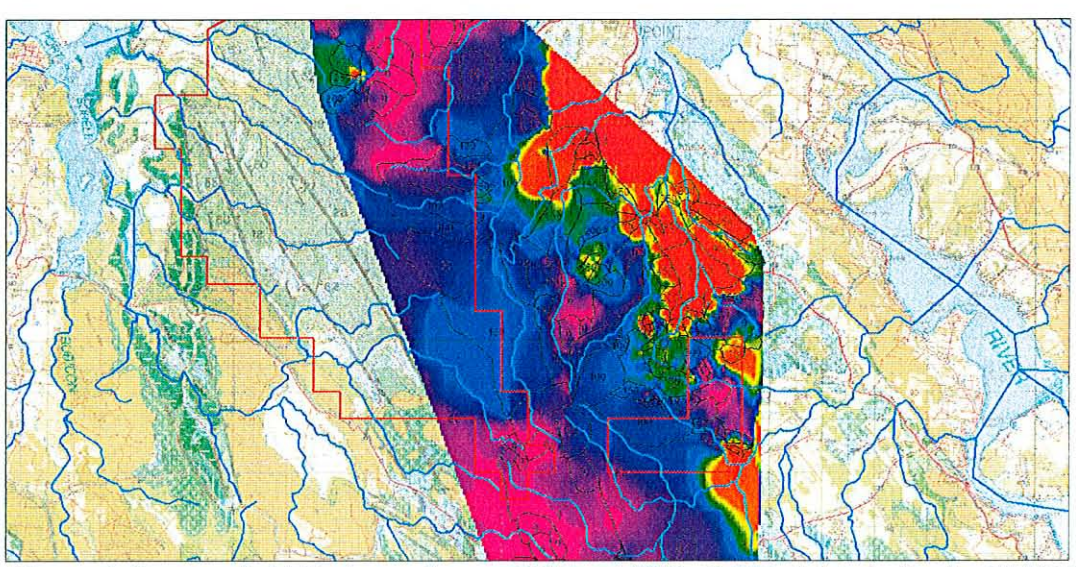


Figure 4 Beaconsfield Drainage Survey (Hicks, 1989). Gridded data is for Au BLEGS (in parts per trillion; red - high, blue-purple - low). Two anomalous samples (1100 &1400 ppt Au) require follow-up in EL45/2004 (Winkleigh).

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

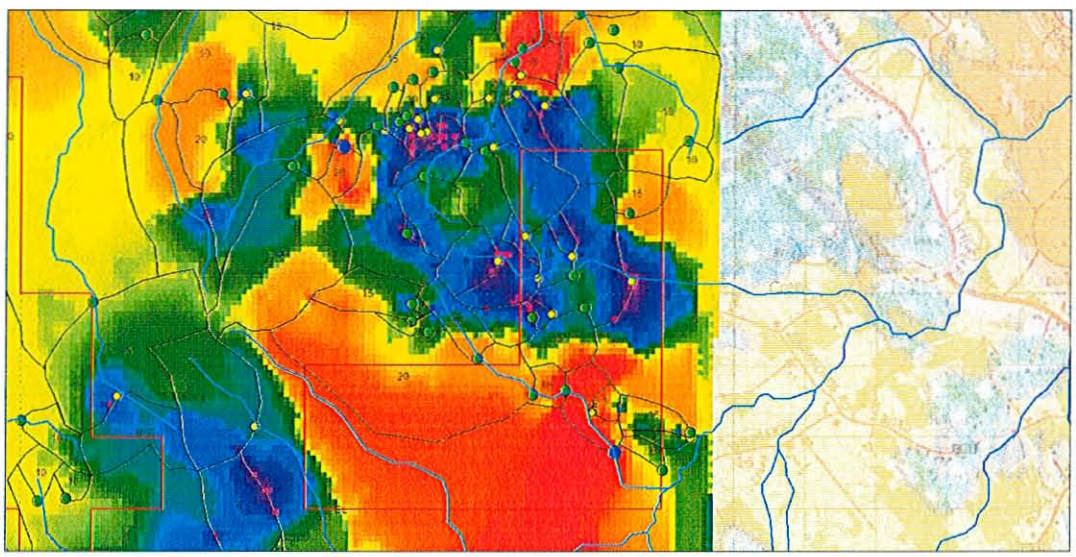


Figure 5 Gridded catchment data (As, ppm) for EL45/2004 (Winkleigh), shown with "thematic" for each sample location. The anomalism in As (shown as red colours) is enhanced by a single 50ppm sample south of the tenement (not shown).

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.

2.2 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.

2.3 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 from 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 north-east 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.

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 north-west of the EL boundary, the limestone outcrops and bedding dips at 50 deg towards east-north-east. 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 north-east 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 orthoquartzites. 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. "

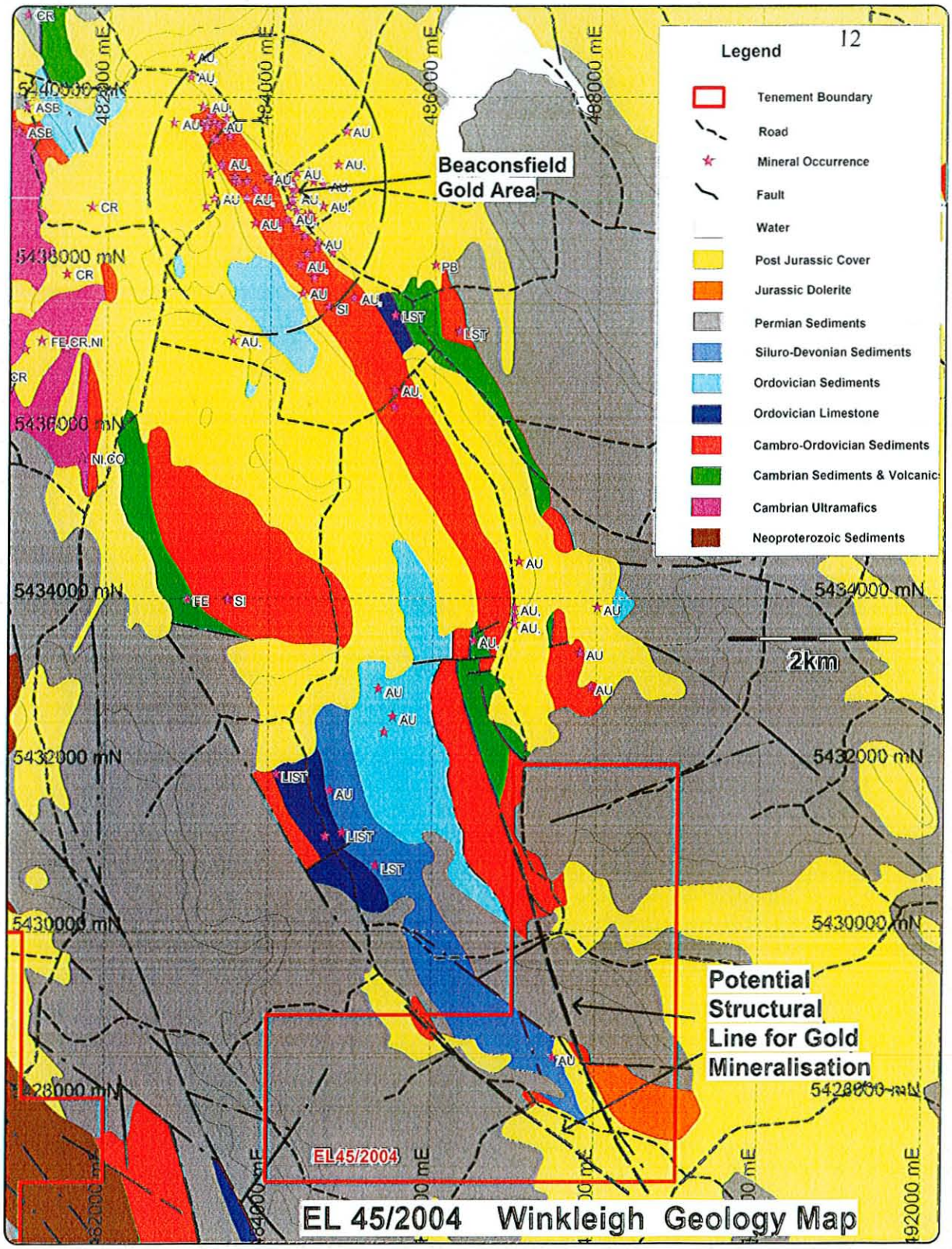


Figure 11: Geology Map of Winkleigh

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.

2.4 Soil Survey

Nine soil sampling traverses totalling 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.

2.5 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.

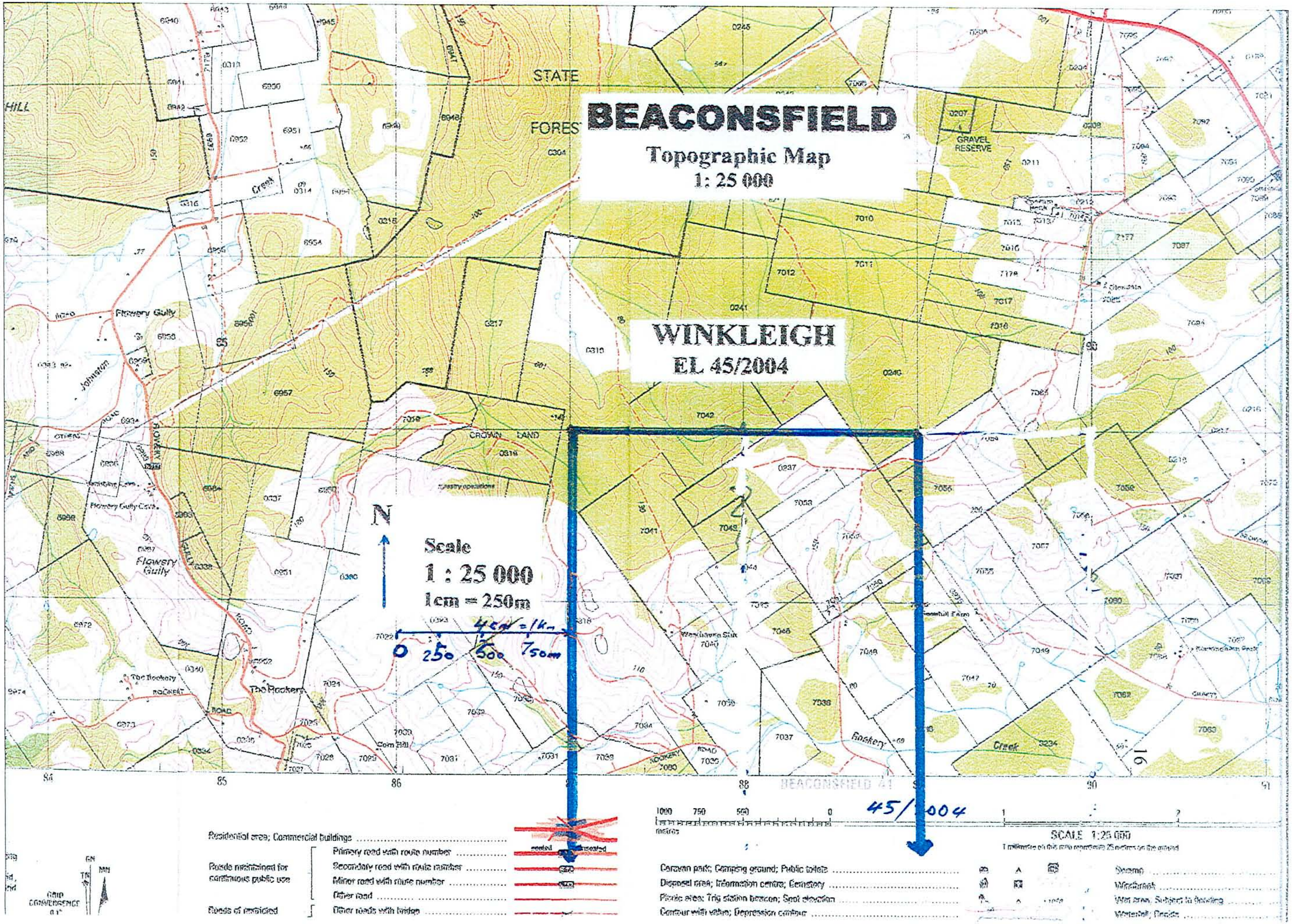
The following year saw the construction of a NW baseline from the above drill site. NE cross lines were established from which detailed geological mapping, together with a soil sampling programme of 25m spaced sample points on the 50m spaced cross lines. A total of 129 soil samples were assayed for gold (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.

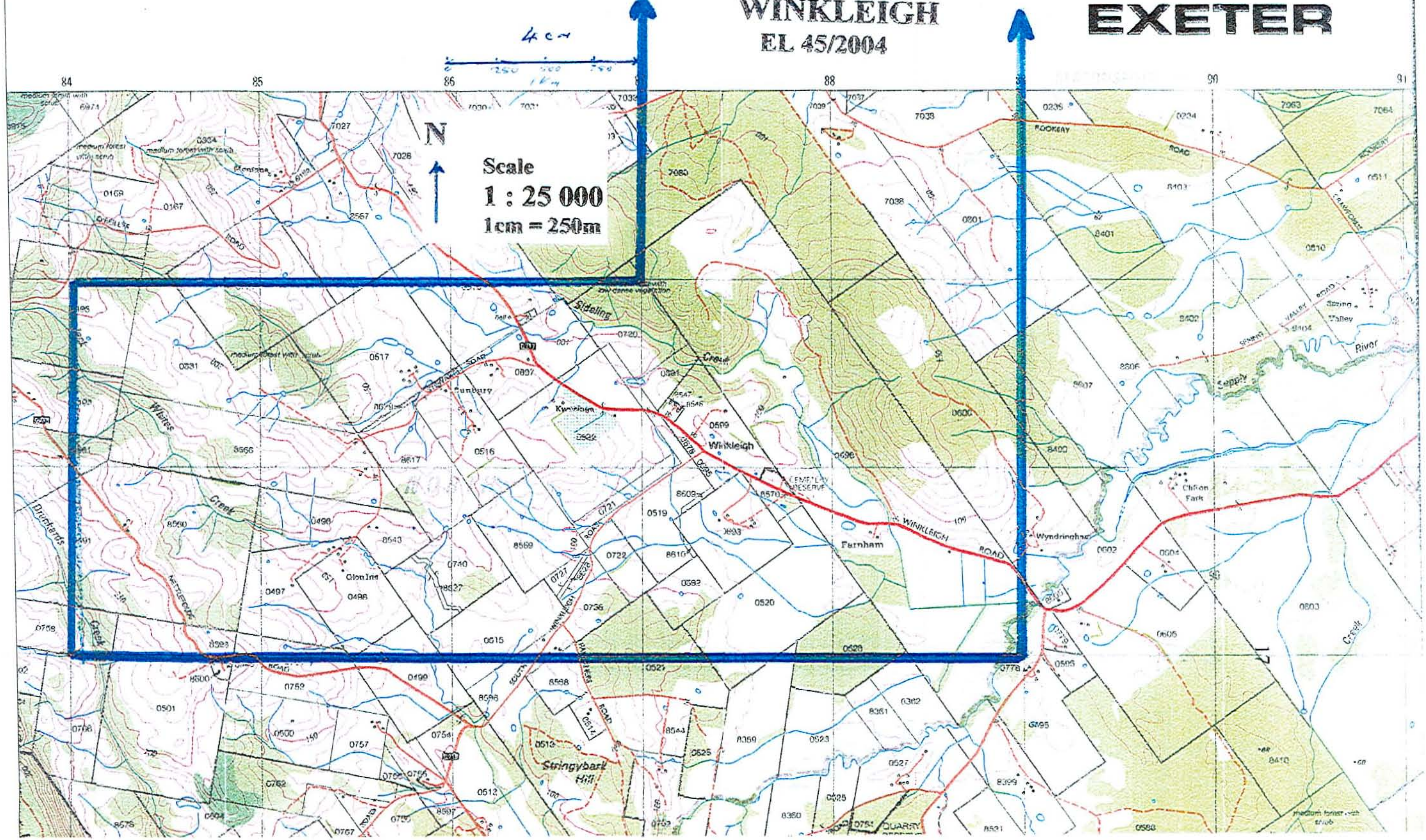
WDH-2 was sited 50m SW of the baseline at 450N and was directed -45 deg at 290 deg and was terminated at 200.9m depth. Morrison reports 98.9% of the core was recovered. The hole was planned to jointly test the two prognosed fault trends considered as sources for the arsenic and gold soil anomalism and 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
STATE
FOREST
GRAVEL RESERVE
CROWN LAND
N
Scale
1 : 25 000
1cm = 250m
4cm = 1km
0 250 500 750m
45/2004
Flowery Gully
The Rookery
Creek
SCALE 1:25 000
BEACONSFIELD 41



WINKLEIGH
EL 45/2004
EXETER
4 cm
1 km
N
Scale
1 : 25 000
1cm = 250m
84
85
86
88
90
91
Winkleigh
WINKLEIGH ROAD
Farnham
Wyndringhae
Clifton Park
Sideling
Creek
River
Stringybark Hill
QUARRY

3 Current Exploration

During the period of March 2006 to March 2007 very little field or desk top work was carried out on the EL.

The notes below refer to the previous period to March 2006, full details are available in the First Annual Report for the EL which covers this period.

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.

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

3.3 Land Use

The entire EL is held by private land holders, much of it farming and tree (both pine and eucalypt) plantations.

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 in the Annual Report for Year 1 and was for our access to the magnetic anomaly in the south-east corner of the licence.

3.4 Prospect Based Exploration Activities

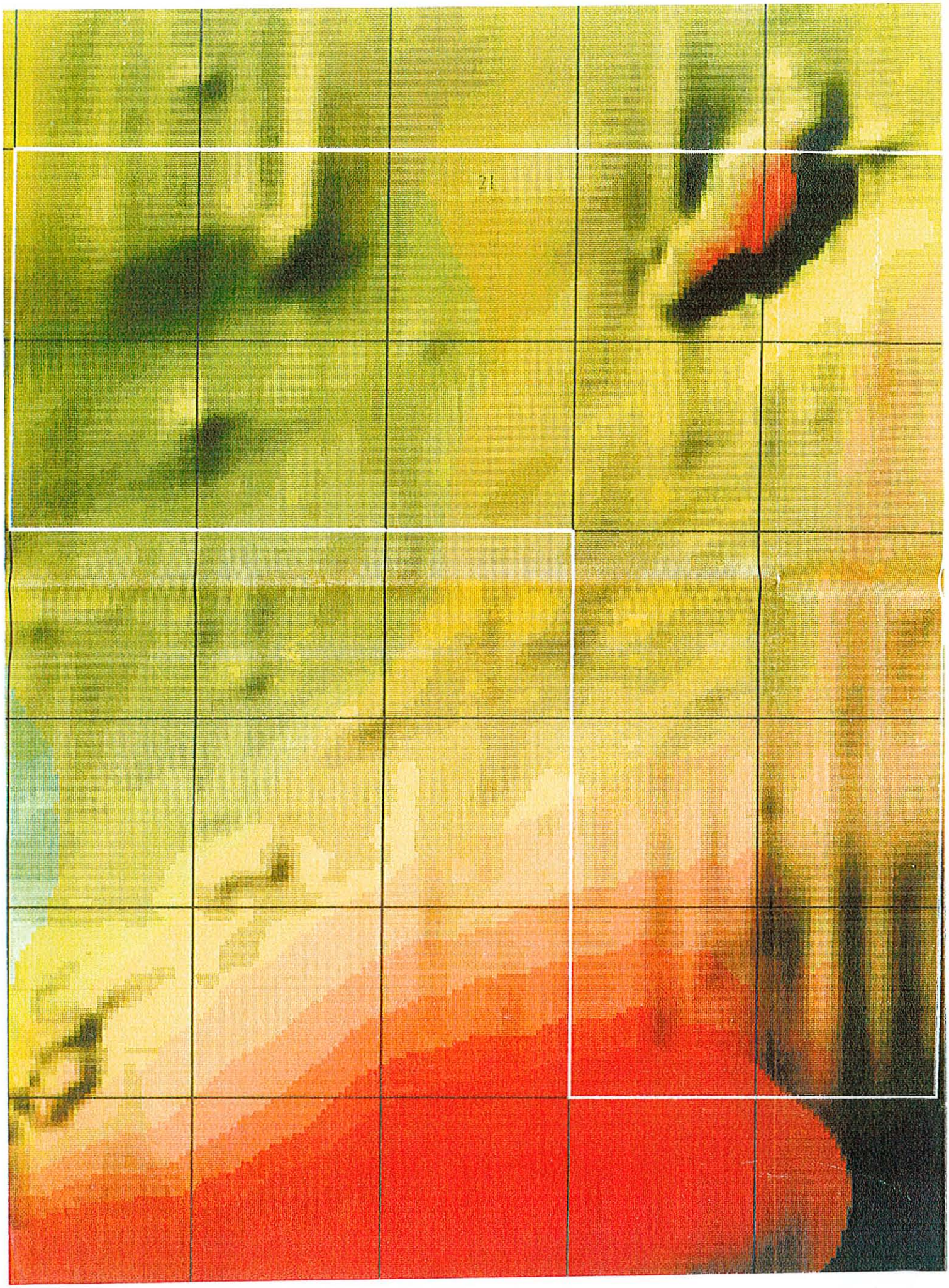
3.4.1 Airborne Magnetic Geophysical Survey

After the granting of the EL 45/2004 and prior to listing on the Australian Stock Exchange (ASX), Gujarat 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 by AGSO/MRT was down loaded and analysed by our consultant Geophysicist Nigel Hungerford (his entire report is appended in the Winkleigh Annual Report Year 1 2006).

Hungerford conducted a re interpretation of the anomaly.
His findings were verbally reported in at a consultants technical meeting held on 2nd February 2006.

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 in its entirety in the Winkleigh Annual Report Year 1 2006.

4 Discussion of Results

4.1 The interpretation of the large airborne magnetic anomaly

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 in the Winkleigh Annual Report Year 1 2006.

His recommendations were:

"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."

The company decided to conduct the recommended ground survey and a consultant geologist was contracted to carry out a one day field survey over the hill.

Below are the results and conclusions.

4.2 The ground magnetic susceptibility survey

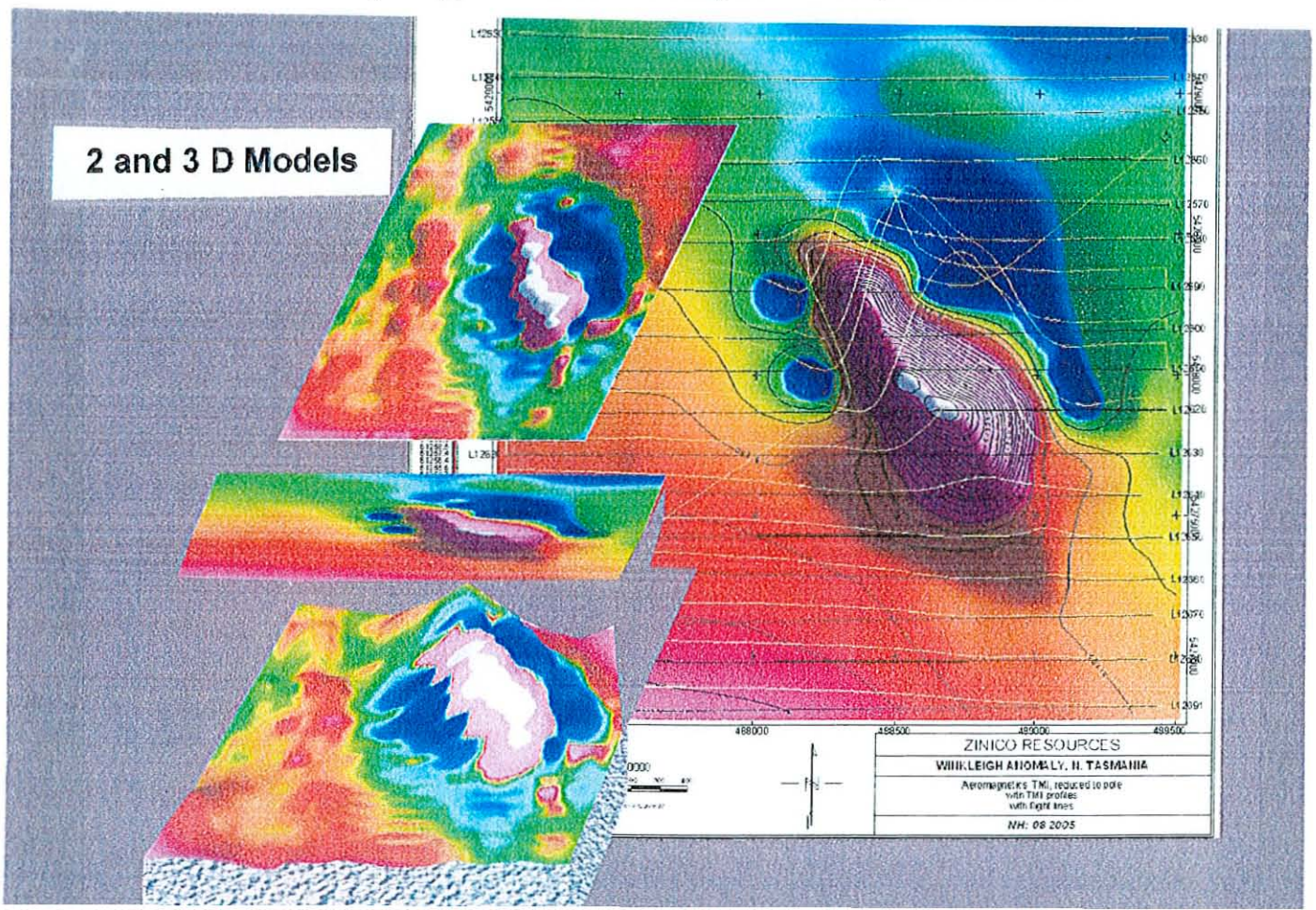
The magnetic anomaly was traversed two times. The hill is elongated to NW-SE and the ground sampling tracks across it were in a SW-NE direction and then reversed. These traverses were 250 metres apart and sample intervals were 50metres. A hand held K9 magnetic susceptibility metre was used and readings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

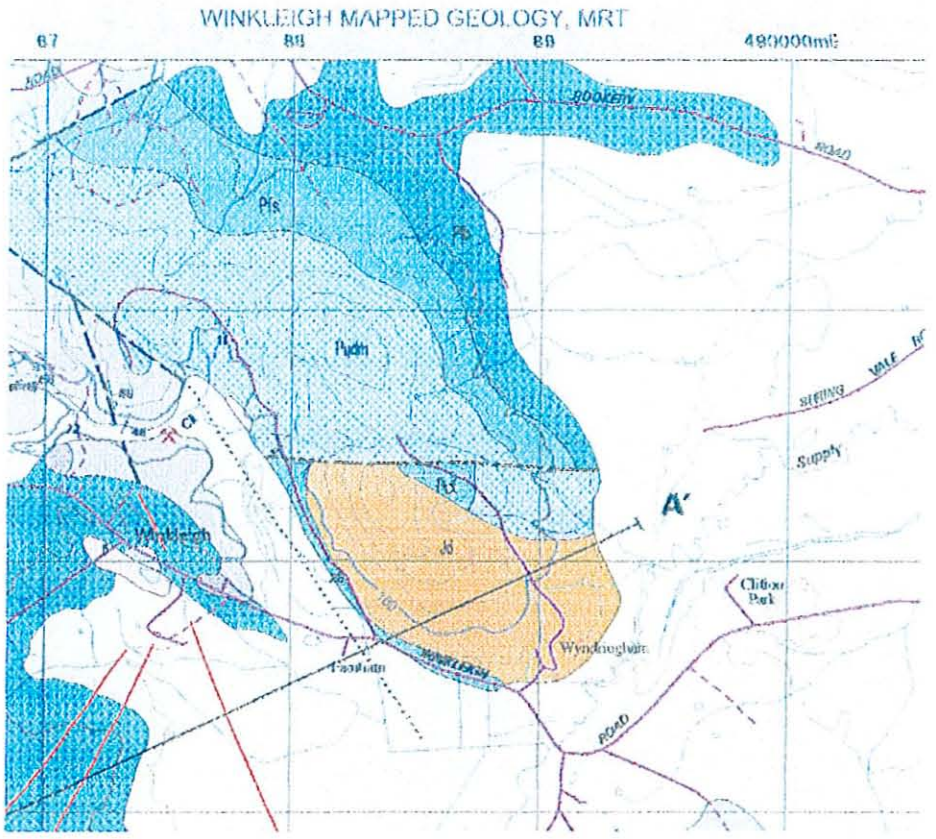
The majority of readings were high: >6 and over a medium grained dolerite outcrop. By contrast low readings of <3 were over siltstones, and sandy soils.

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 in the Winkleigh Annual Report Year 1 2006.





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1cm = 250m

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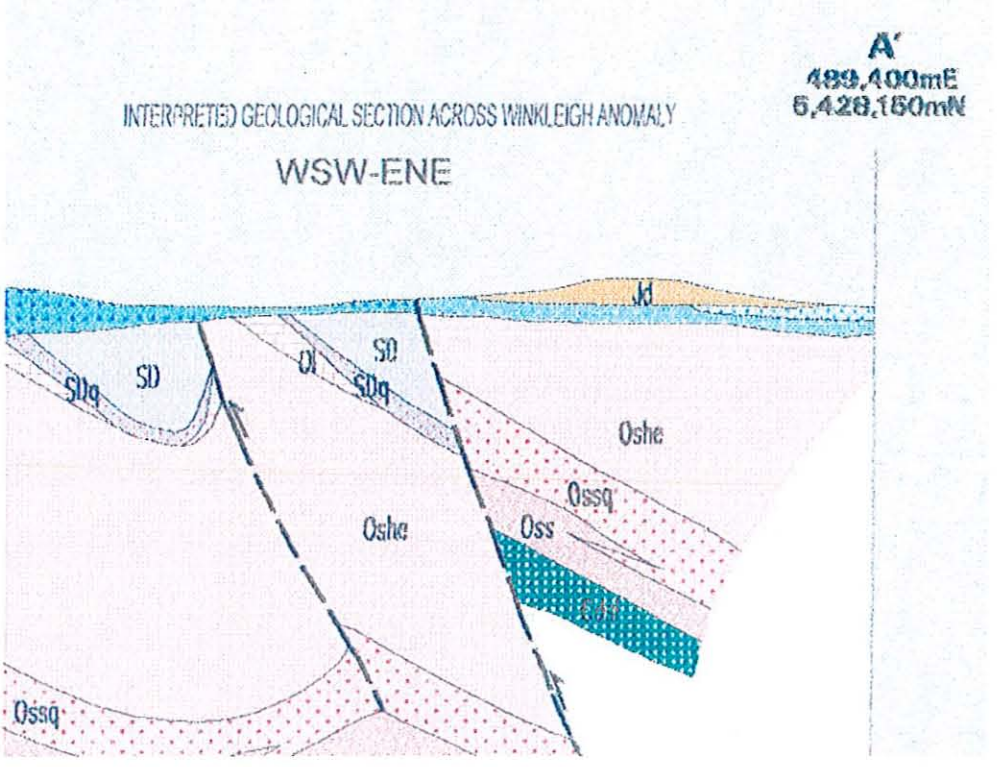

5 Conclusions

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 re interpreted and ground investigations concluded that the large magnetic anomaly in the south east 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 future field work.

The EL area has a good network of main and rural property roads and tracks. Furthermore it is close to the moderating climatic influence of the ocean. It is therefore accessible all year round.

In addition, there was a lack of technical staff (the proposed 4 geological consultants to work on the area died, too busy elsewhere in Tasmania (x2), and the fourth one returned to Western Australia.

Based on these facts, and that other areas within the company's portfolio took precedence; consequently no work was carried out on the EL during the current period.

Furthermore, the EL was won on the tender system and a high level of expenditure commitment has therefore not been reached nor likely to be attained in the near future therefore the company has decided to surrender the exploration licence.

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 $ 7 565.29

Major items of expenditure :

Geological	$	2 817
Geophysical		1 510
Admin , Travel & Miscellaneous		3 238.29

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

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).

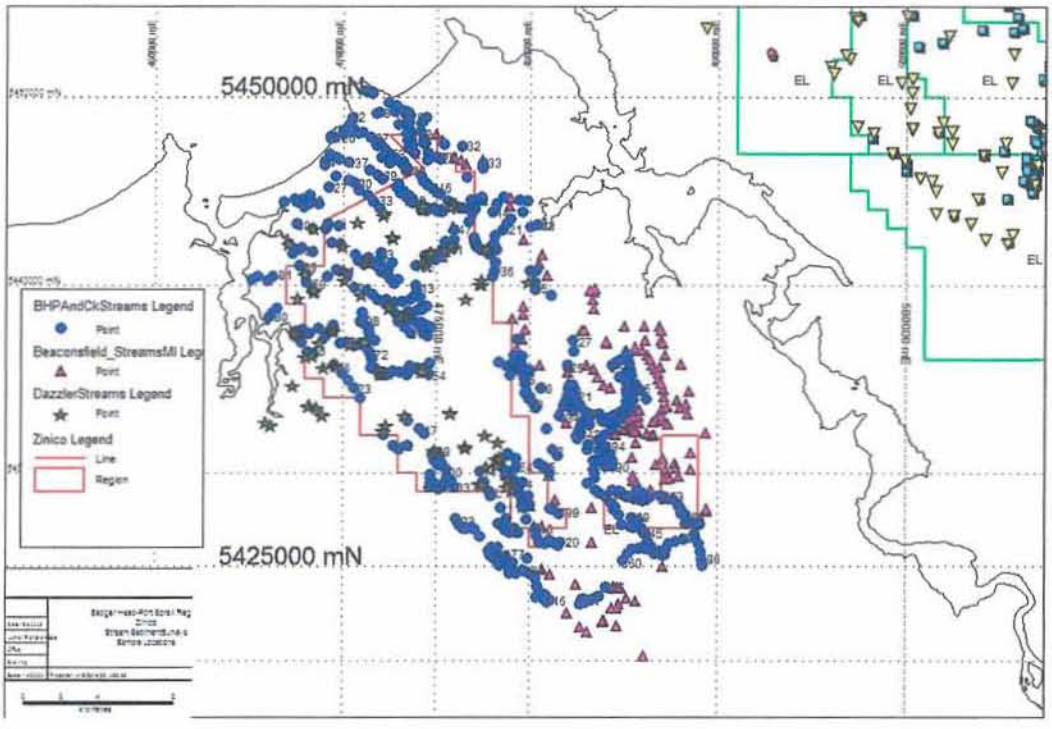

Figure 1 Sample locations for three historic stream sediment surveys (see text for explanation)

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).

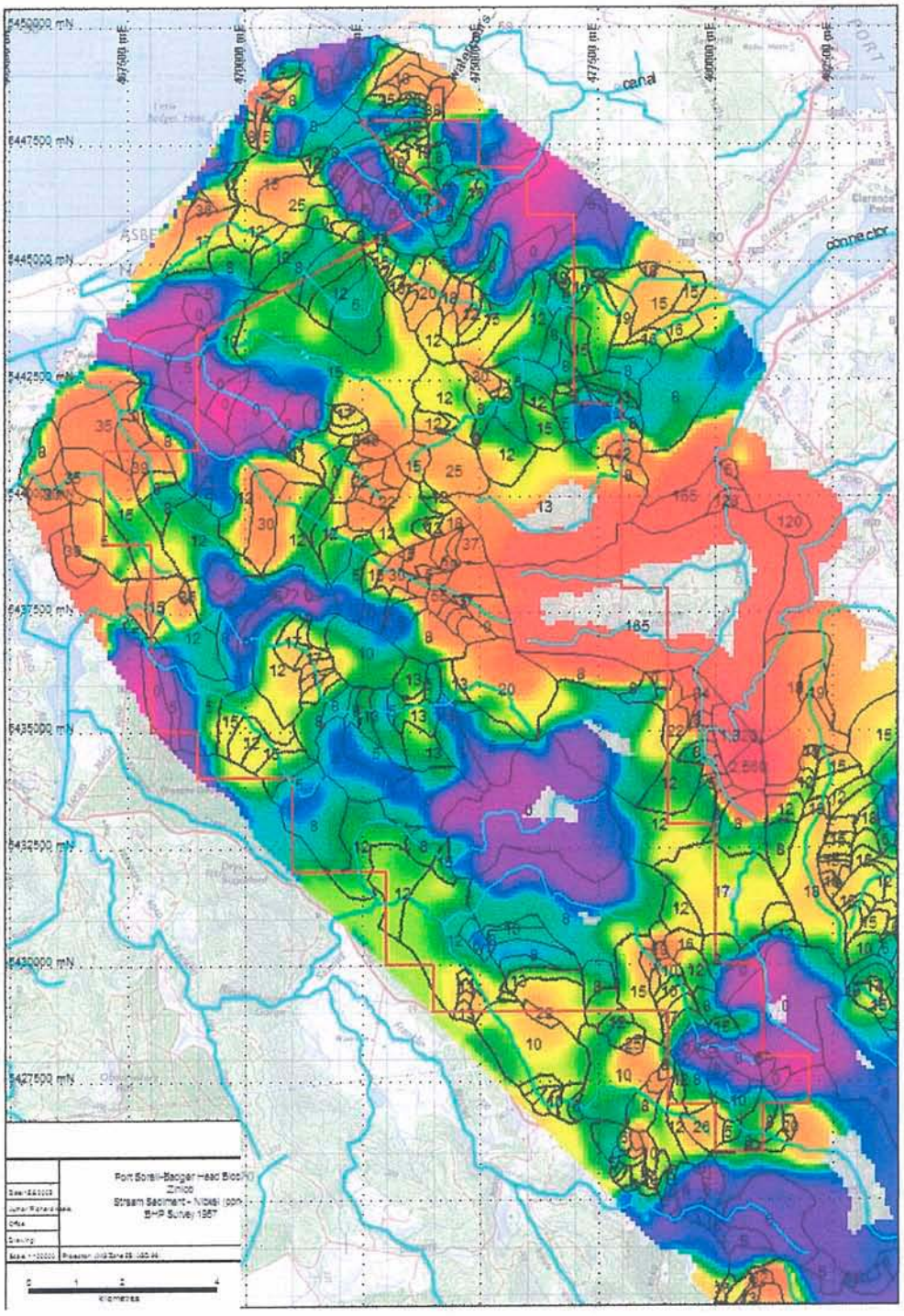

Figure 2 Stream catchments (black, Ni ppm) and gridded Z-values (Ni, red-highest purple-lowest) for Dazzler Range EL 37/2004. Data are from Gebert (1967).

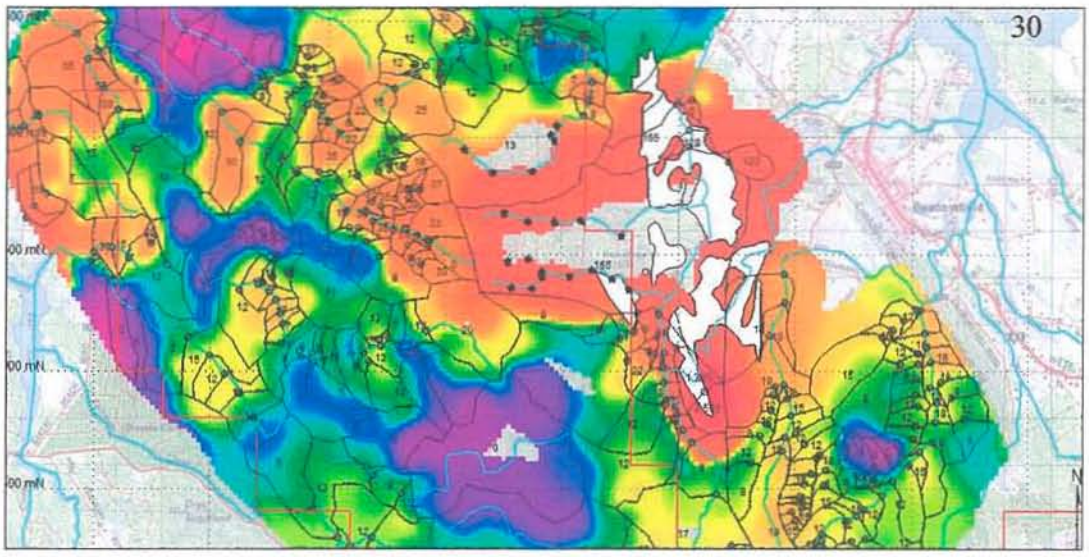

Figure 3 Close-up of Stream Sediment Anomaly (Nickel in ppm) showing insufficient catchment sampling on Zinico's tenement EL37/2004 (data extracted from BHP, Gebert 1967). White areas represent outcropping/subcropping ultramafic rock. The suggested sample locations for stream sediment follow-up are shown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

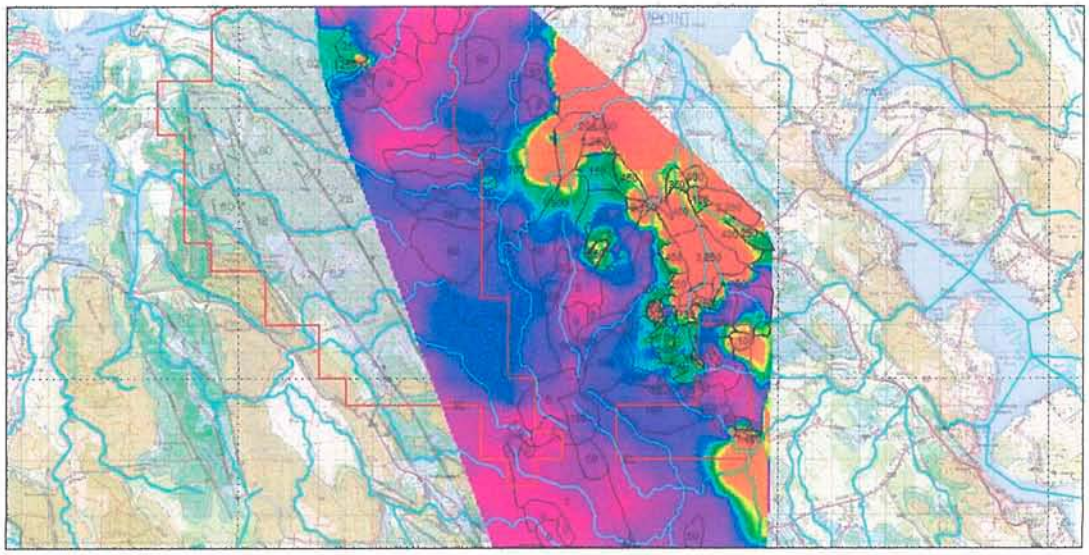

Figure 4 Beaconsfield Drainage Survey (Hicks, 1989). Gridded data is for Au BLEGS (in parts per trillion; red - high, blue-purple - low). Two anomalous samples (1100 &1400 ppt Au) require follow-up in EL45/2004 (Winkleigh). A third anomalous sample in the northern sector of EL37/2004 should also be looked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

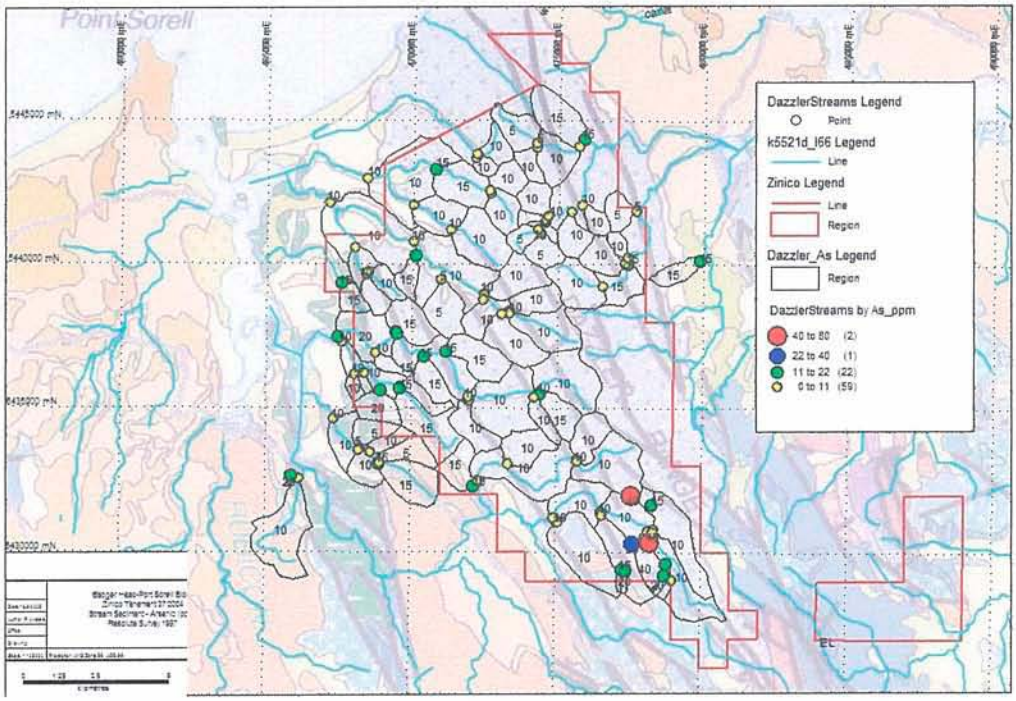

Figure 6 Stream catchments in EL37/2004 showing sample sites with thematic in Arsenic (ppm). Results from the Resolute stream sediment survey 1996 (Macdonald, 1997)

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)