Gujarat NRE Resources NL

EL 37/2004 Dazzler Range

FINAL REPORT

and Year 2 Annual Report

For the period 1 March 2006 to 1 March 2007

W M Harder

19 February 2007

Gujarat NRE Resources NL
ABN 12 109 660 497

Broker Street
Russell Vale NSW 2517

Ph + 61 2 4223 6818
Fx + 61 2 4283 7449
Mb 0404 050 468

PO Box 281
FAIRY MEADOW
NSW 2519
AUSTRALIA

Abstract

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

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

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

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

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

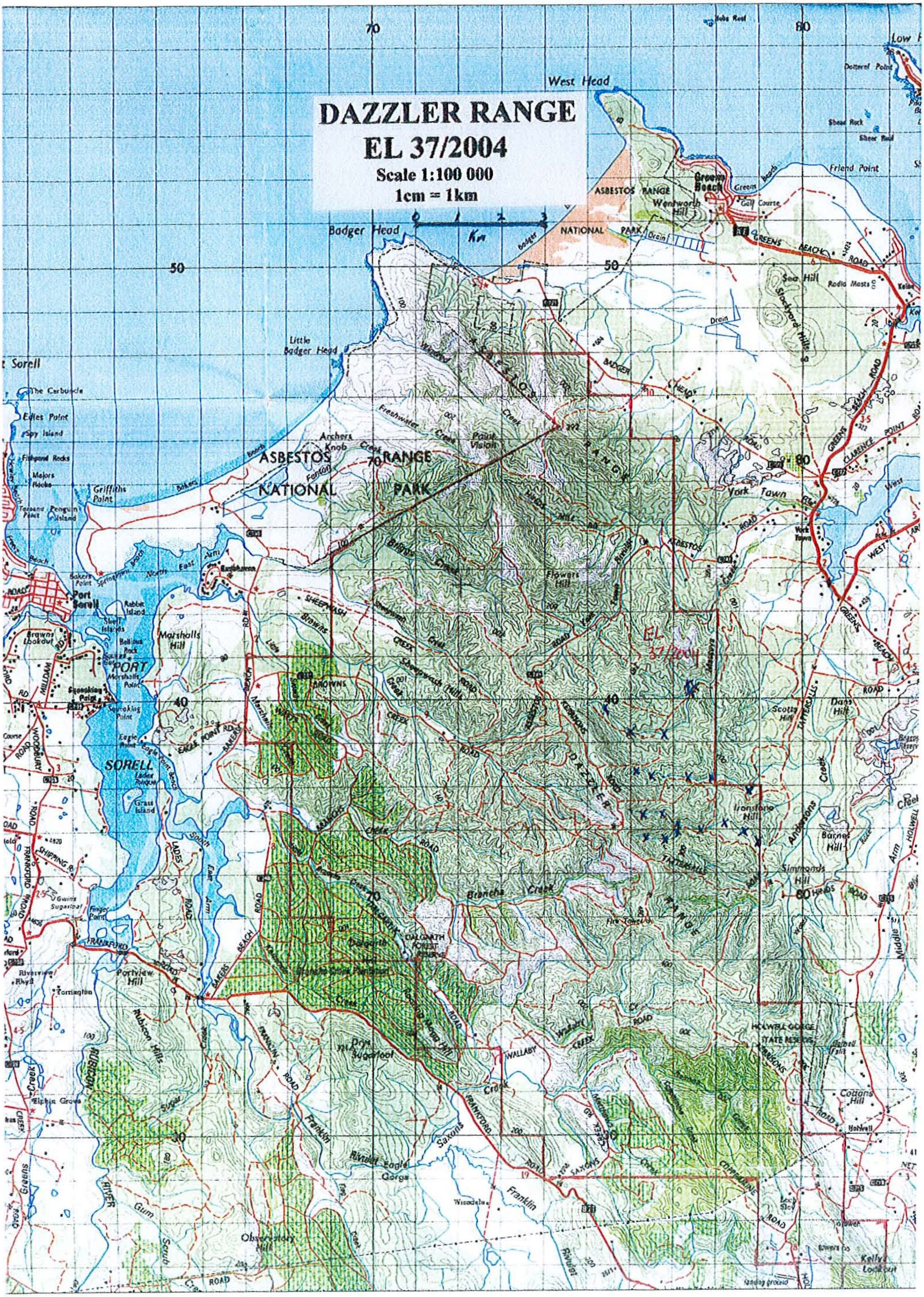
Assay results form field sampling work was disappointing.

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.

CONTENTS Page Number


DAZZLER RANGE
EL 37/2004
Scale 1:100 000
1cm = 1km
0 1 2 3
Km
West Head
Badger Head
Little Badger Head
ASBESTOS RANGE NATIONAL PARK
Archers Knob
Freshwater Creek
Port Sorell
PORT SORELL
Marshalls Hill
Griffiths Point
Green Beach
Wentworth Hill
Sea Hill
York Town
Flowers Hill
EL 37/2004
Ironstone Hill
Barnes Hill
Simmonds Hill
DALGARTH FOREST RESERVE
Dalgarth
Brancha Creek
Fire Tower
Portview Hill
Rubicon Hills
HOLWELL GORGE STATE RESERVE
Cottons Hill
Holwell
Rivulet
Franklin
Wairadela
Observatory Hill
Gum
Kellys Lookout

1 Introduction

1.1 Exploration Rational

In recent time there has been very little exploration carried out for metals within the exploration licence area and around the Dazzler Range region. There are no gold prospects or historic gold diggings known within the EL but some minor metallic occurrences and minor gold anomalies.

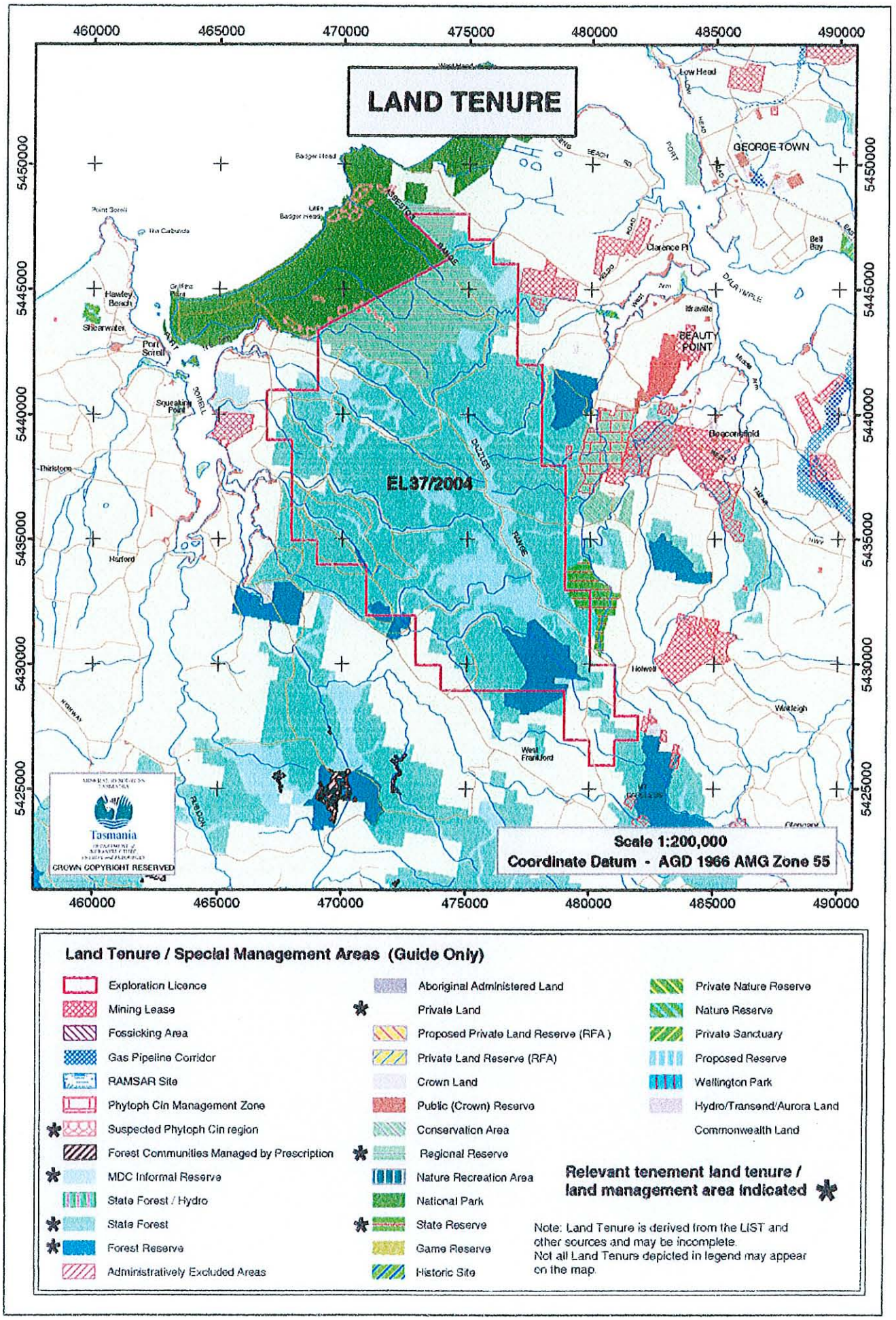
Recent regional mapping by the MRT has provided some evidence that the structural histological analogies to the setting which hosts the Tasmanian Reef at Beaconsfield are likely within the region, some of these are at locations which have seen very little gold exploration.

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

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

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

The minor occurrences at Branches Creek and Yorktown Rivulet and in the east abutting the Anderson Creek nickel laterites, all warrant further investigation.



Land Tenure / Special Management Areas (Guide Only)

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

Relevant tenement land tenure / land management area indicated *

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

1.2 Tenement Information

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

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

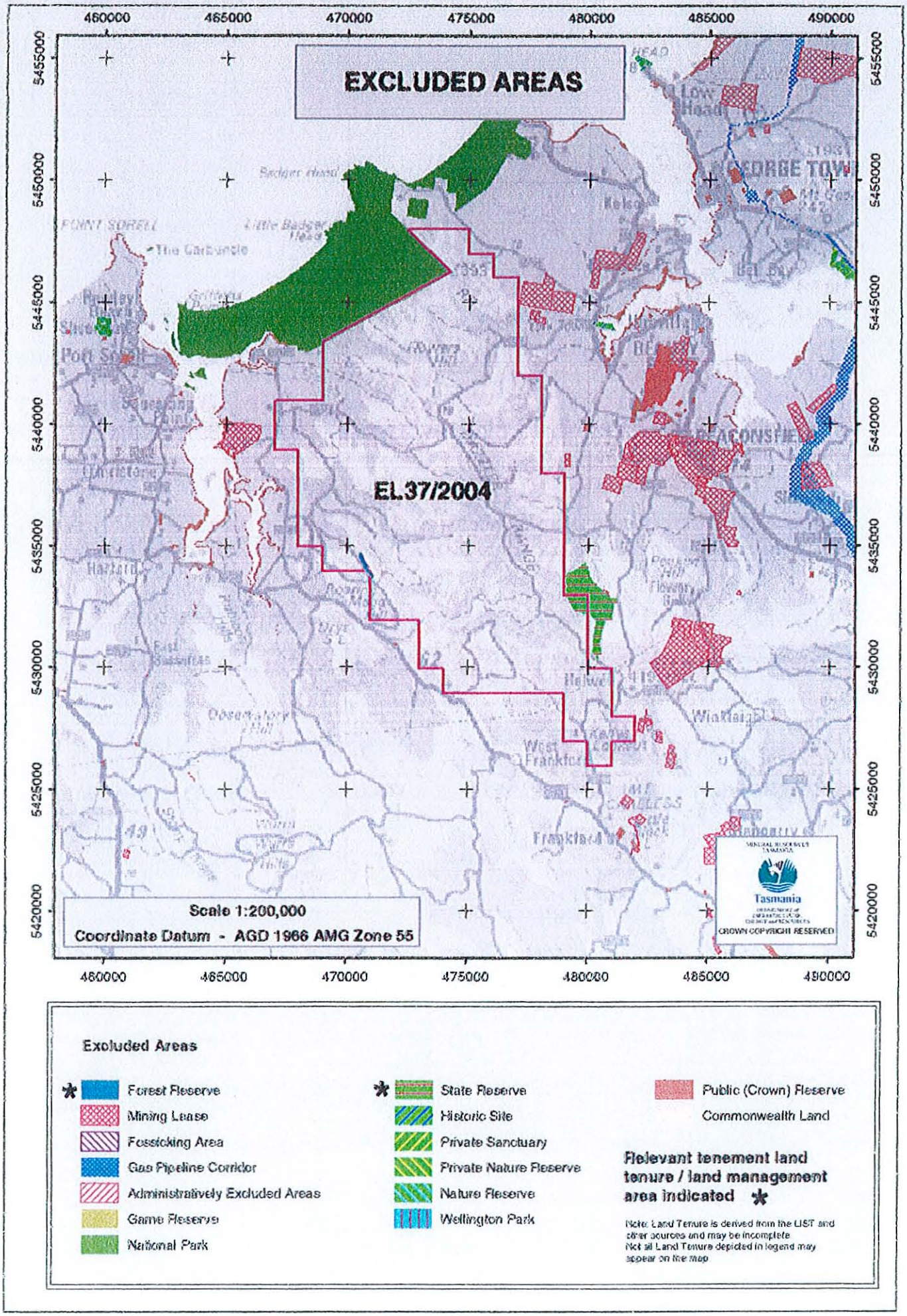
Approximately 12% of the EL is on private land comprising 13 disconnected parcels of farmland around the edges of the EL.

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

The company intends to relinquish the EL at the date of renewal 1 March 2007.

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

Gujarat NRE Resources NL was listed on the stock exchange the 25th August 2005 as Zinico Resources NL and then changed it name to Zelos Resources NL at the first AGM on 22 November 2005. Exploration didn't commence until September 2005.Therefore the first year Annual Report covered the period from the 1st of July 2005 to 1 March 2006. This Final and Second Annual Report covers the year from 1 March 2006 to 1 March 2007.


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

2 Review of Previous Work

2.1 Regional Geology

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

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

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

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

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

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

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

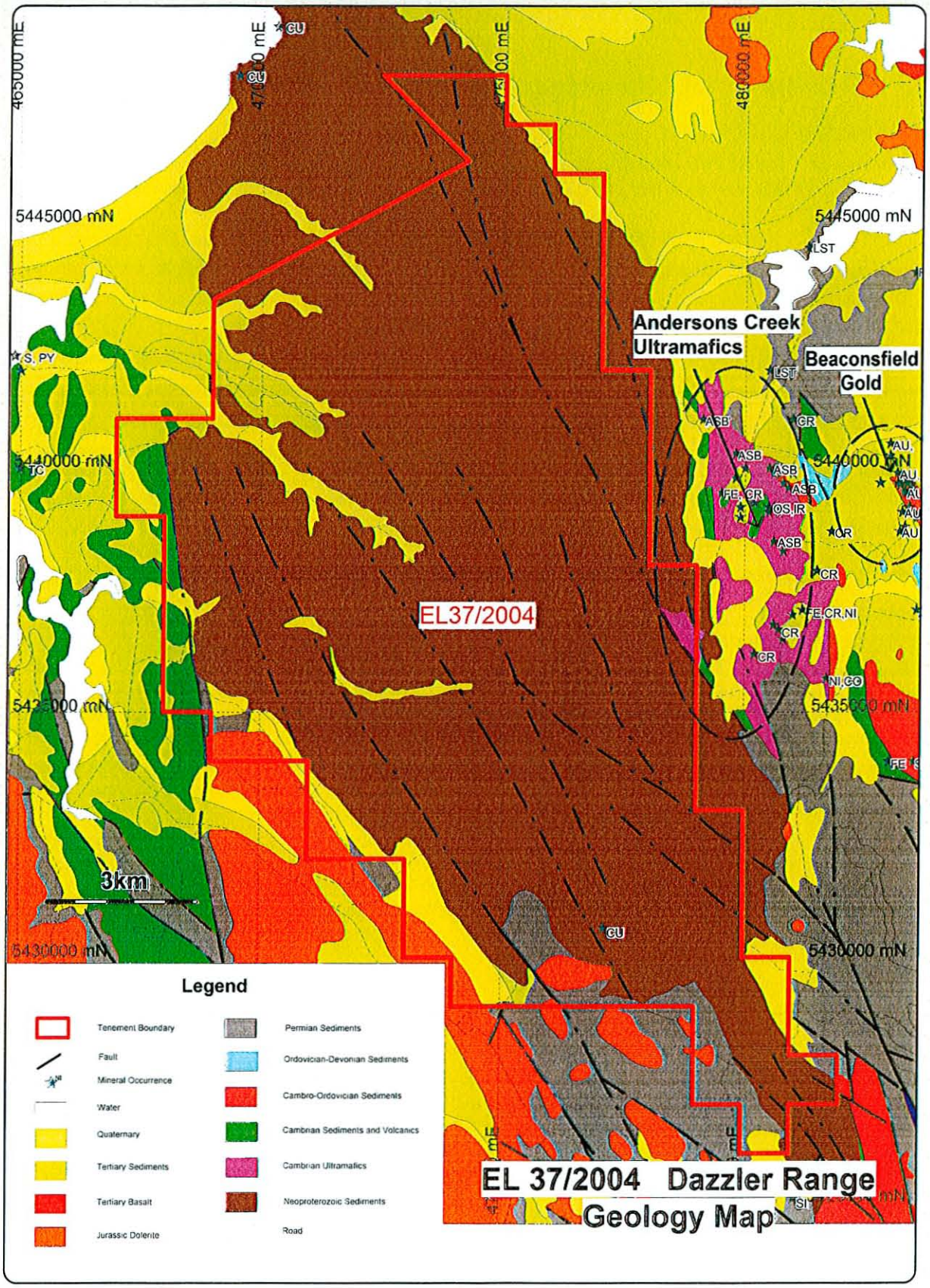


Figure 3: Dazzler Range Geology Map

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2 Previous Exploration and Mining

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 The Beaconsfield Gold Exploration Results

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

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

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

3 Current Exploration

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

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

The detail and discussion on these reports is contained in the sections reported above on regional and local past exploration.

Company reports are also listed and are discussed below.

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

3.2 Regional Exploration Activities

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

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

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

3.3 Prospect-based Exploration Activities.

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

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

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

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

He was commissioned to do further work including being involved in the supervision of the proposed field work he recommended, but his unfortunate untimely death prevented any further involvement.

His report is appended in the first Annual Report for 2006 and his results are discussed below.

2 A one day reconnaissance was made to the old Pandora's Box copper mine. There are two tracks into the mine both with fallen trees hindering vehicular access. The old mine adits were located, entered and their backs sampled. As per the literature there was no discernable gold recorded and assays of the samples collected confirmed that the mine does not have any gold. A suite of assays were run and results discussed below. Full details are in the report and assay results appended to the Annual Report 2006.

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

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

He was asked to do a geophysical interpretation report of this data and how it may impact on the EL. A description of the process, notes on which surveys were accessed is noted. Filtration of data and its effects were all discussed. Geology affecting the geophysics was discussed as was mineralization, targets and recommendations.

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

In the period under discussion recommended field work from this report was not carried out. It was proposed to be carried out in the next year 2007- 2008.
The report in full is appended in the First Annual Report 2006

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

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

4 Discussion of Result

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

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

The BHP survey showed anomalous nickel results in the eastern side of the EL and adjacent to the Anderson's Creek Ultramafic Complex. Dr Keele recommended that 21 sites within the EL be sampled and analysed for Nickel. This was subsequently carried out in December 2005. The results were disappointing no anomalies were evident.

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

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

2 At Pandora's Box mine site adits eight rock chip samples were taken. Of these four were from in situ wall rock and four from came from mullock heaps.
Descriptions and location details are in the table attached to the report in the appendix of the First Annual Report for 2006.

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

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

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

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

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

More detailed gravity surveying was suggested as being of help to define major structures particularly along strike from Beaconsfield. The full report is appended in the First Annual Report 2006.

4 The geochemistry results from this sampling exercise is disappointing as no anomalism was found. Background readings were recorded for gold <0.01 ppm and also for nickel mostly around 10 ppm, one sample reported 38ppm.
A full suite of the geochemistry results is appended in the First Annual Report 2006.

5 Conclusions

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

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

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

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

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

The company has proposed a field work programme to carry out these exploration tasks.

However the lack of encouragement from the airborne magnetics which showed a flat pattern over the main Badger Head Group rocks, no major anomalous geochemistry of substance therefore no discernable target and the likely depth therefore cost, preclude drilling at the present time.

The results of the field work carried out in the previous year, has been disappointing. For a variety of reasons the company has not been in a position to carry out field work in the current year and had planned to recommence field work in 2007.

A reassessment of the proposed programme for this EL and the required expenditure commitments has led to the conclusion that the company should not carry out any further work on this EL and therefore surrender the licence.

6 Environment

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

7 Expenditure

There has been no expenditure on the EL in the current reporting period.

Total Expenditure accrued to EL 37/2004 (including GST) for the reporting period to March 2006 is $ 17 705

Major Expenditure Items are listed below and include GST

Geology	$	7 564
Geophysics		3 152
Geochemistry		1 380

8 References

MRT Open File Reports

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

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

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

Gujarat NRE Resources NL: In House Commissioned Reports

TEAR S
Zinico Resources NL: Prospectus — August 2005

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

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

GREENER S
Preliminary Report on Stream Sediment Survey — December 2005

HUNGERFORD N
Geophysical Interpretation Report — December 2005