

ZZ EXPLORATION_{Pty Ltd}

EXPLORATION LICENCE 30/2002

ANNUAL REPORT

JANUARY 2006 – DECEMBER 2006

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FOREWORD

Function of the Annual Report

This Annual Report has been prepared as a public document for submission to Mineral Resources Tasmania (MRT). The report provides a summary of the exploration activities undertaken by ZZ Exploration Pty Ltd (ZZ Exploration) over the Exploration Licence EL 30/2002 (EL 30/2002) during January 2006 - December 2006.

Role in the Regulation Process

This document fulfils the role of an Annual Report for EL 30/2002 during January 2006 – December 2006, as required under Section 28 of the *Mineral Resources Development Act 1995*, and as requested of ZZ Exploration by Mineral Resources Tasmania (MRT) on the 2 November, 2006.

EXECUTIVE SUMMARY

ZZ Exploration Pty Ltd (ZZ Exploration) currently hold Exploration Licence EL 30/2002 (EL 30/2002), which contains a number of known mineral deposits and the potential for new economic mineral deposits to be discovered. This document fulfils the role of an Annual Report for the period January 2006 – December 2006.

Regional Exploration

- Gravity Survey – approximately 18 km of on ground gravity surveying, at 25m spacing has been undertaken by Solo Geophysics Pty Ltd under the supervision of David Leaman;
- Initiation of a study into the possibility of other outcrops (e.g. Gordon Limestone, Oonah Formation, Bell Shale) hosting small scale lead-zinc deposits, nickel mineralization (e.g. Avebury of Melba Flats style deposits), and the potential for iron-magnetite resources proximal to the Heemskirk Granite;
- Preliminary potential nickel investigation and power point presentation of areas within EL30/2002, EL20/2002 and EL18/2003;
- Construction of a 3D model presentation of geological models and proposed processing by CMA;
- Construction of detailed maps with enhanced magnetic anomaly over the Tenth Legion fault and Balstrup Fault areas; and
- Construction of ortho-corrected aerial photographs to assist with regional exploration.

Balstrup Fault Prospect

- Collection of 7 samples for nickel analysis;
- Completion of a JORC compliant resource estimation and classification for the Balstrup Fault and its extension into EL 30/2002;
- Application for a mining lease (5M/2005) over the extension of the Balstrup Fault;
- Completion of a valuation of the mineral and production assets of Zeehan Zinc, which includes the Balstrup Fault;
- Revision of the Zeehan Zinc Business Plan to reflect current changes to metals prices and exchange rates;
- Cut core samples of Sylvester (SY0) holes drilled on the during the 1990's to re assay for Ni content;
- Analysis of Sylvester (SY0) holes by Burnie Research laboratories and SGS Welshpool laboratories in western Australia;
- Proposed drilling to infill and provide regular spaced drilling to the Sylvester (SY0) holes drilled on the Balstrup Fault area in 1990's;

Tenth Legion Fault Prospect

- Proposed ground mapping of the Tenth Legion Fault area for drilling to target Ni. Based on RGC TLC holes.
- Proposed drilling of minimum 10 holes to target nickel in the Tenth Legion Fault area

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ABBREVIATIONS

Ag silver
Allegiance Mining Allegiance Mining No Liabilities
Anderson and Schwab Anderson and Schwab Australia Ltd
Coffey Geosciences Coffey Geosciences Pty Ltd
DIER Department of Infrastructure, Energy, and Resources
DRP Decommissioning and Rehabilitation Plan
DTAE Department of Tourism, Arts, and the Environment
GPS Global Positioning System
ha hectares
JORC Joint Ore Resource Committee
MRT Mineral Resources Tasmania
Ni nickel
NPV Net Present Value
Pb lead
RGC Renison Goldfields Consolidated Ltd
SEMF SEMF Pty Ltd
SMG Consultants SMG Consultants Pty Ltd
Western Metals Western Metal Resources Ltd
Zeehan Zinc Zeehan Zinc Ltd
ZZ Exploration ZZ Exploration Pty Ltd
Zn zinc

1 INTRODUCTION

1.1 PURPOSE OF THIS DOCUMENT

ZZ Exploration Pty Ltd (ZZ Exploration) currently hold Exploration Licence EL 30/2002 (EL 30/2002), which is located near the Comstock mine.

This document fulfils the role of an Annual Report for EL 30/2002 during January 2006 – December 2006, as required under Section 28 of the *Mineral Resources Development Act 1995*, and as requested of ZZ Exploration by Mineral Resources Tasmania (MRT) on the 2 November, 2006.

1.2 THE PROPONENT

ZZ Exploration is a wholly owned subsidiary of Zeehan Zinc Ltd (Zeehan Zinc). ZZ Exploration currently holds Exploration Licence EL 30/2002. ZZ Exploration's long term objective is to be one of the leading mineral exploration companies for Category 1 mineral deposits within the Zeehan area.

ZZ Exploration has applied for mining lease 5M/2005 over the Balstrup Fault, located within EL 30/2002, covering approximately 47ha.

Through the continued exploration for mineral deposits, ZZ Exploration aim to provide Zeehan Zinc's gravity separation plant at the Comstock mine with mineral resources for further processing over the medium to long-term period.

1.3 EXPLORATION LICENCE SCHEDULE

Details of EL 30/2002, including grid coordinates, are provided in Appendix A. The location of known mineral deposits within EL 30/2002 is provided in Appendix B.

1.4 EXPLORATION LICENCE LOCATION AND OPERATIONS

1.4.1 Site Location and Mineral Exploration Area

EL30/2002 covers 8 square kilometres and is located directly west of Zeehan, western Tasmania (Figure 1).

The main access to EL30/2002 is via Trial Harbour Road and a 4WD is required to negotiate the numerous partially overgrown former tramways that cross the area. EL30/2002 is dominated by flat open button grass plains, rolling hills, swamps, tea-tree scrubland and dense eucalypt regrowth. The latter is particularly dense along creek beds and in other low-lying areas.

EL30/2002 is of primary interest to ZZ Exploration as it largely encloses current mining tenements held by Oceania Tasmania Pty Ltd (Oceania Tasmania) and covers the strike extent of the dominant mineralised structures within the tenements.

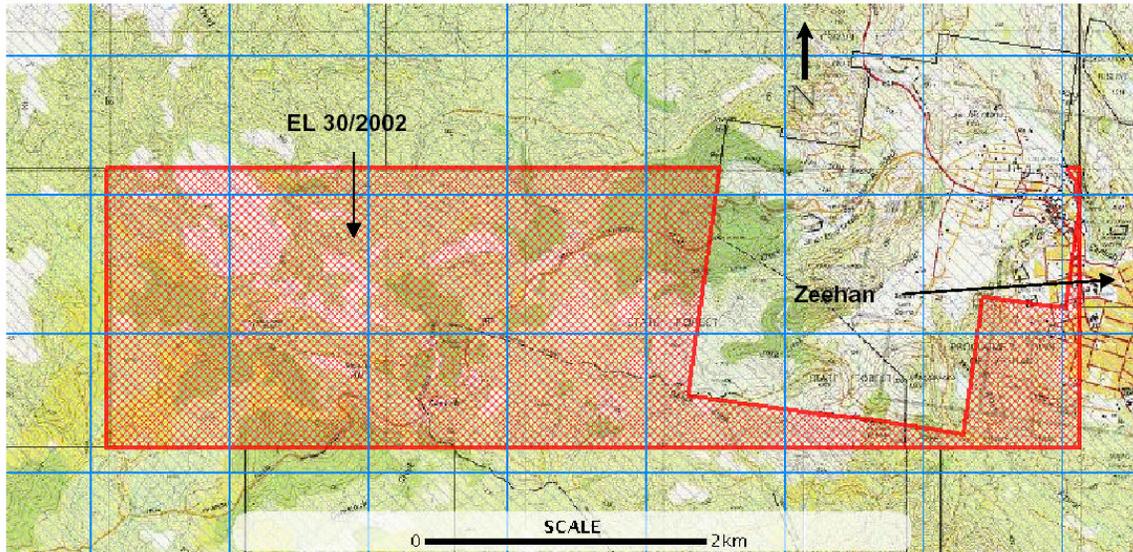


Figure 1: Location of EL 30/2002 relative to Zeehan.

ZZ Exploration has focused on finding minable extensions of the known Devonian granite related deposits extending from the Comstock mining leases (the Balstrup Fault), as well as deposits of similar and/or litho-stratigraphic position.

1.4.2 Exploration Lease Tenure

EL 30/2002 was granted to ZZ Exploration on the 7 February 2003 for a period of five years and applies to all Category 1 minerals. The licence covers 8 square kilometres and excluded areas include:

- Any land owned or leased by the Commonwealth of Australia;
- Mining Leases;
- Retention Licences; and
- Crown reservations.

The current land tenure in and around EL 30/2002 is provided in Figure 2.

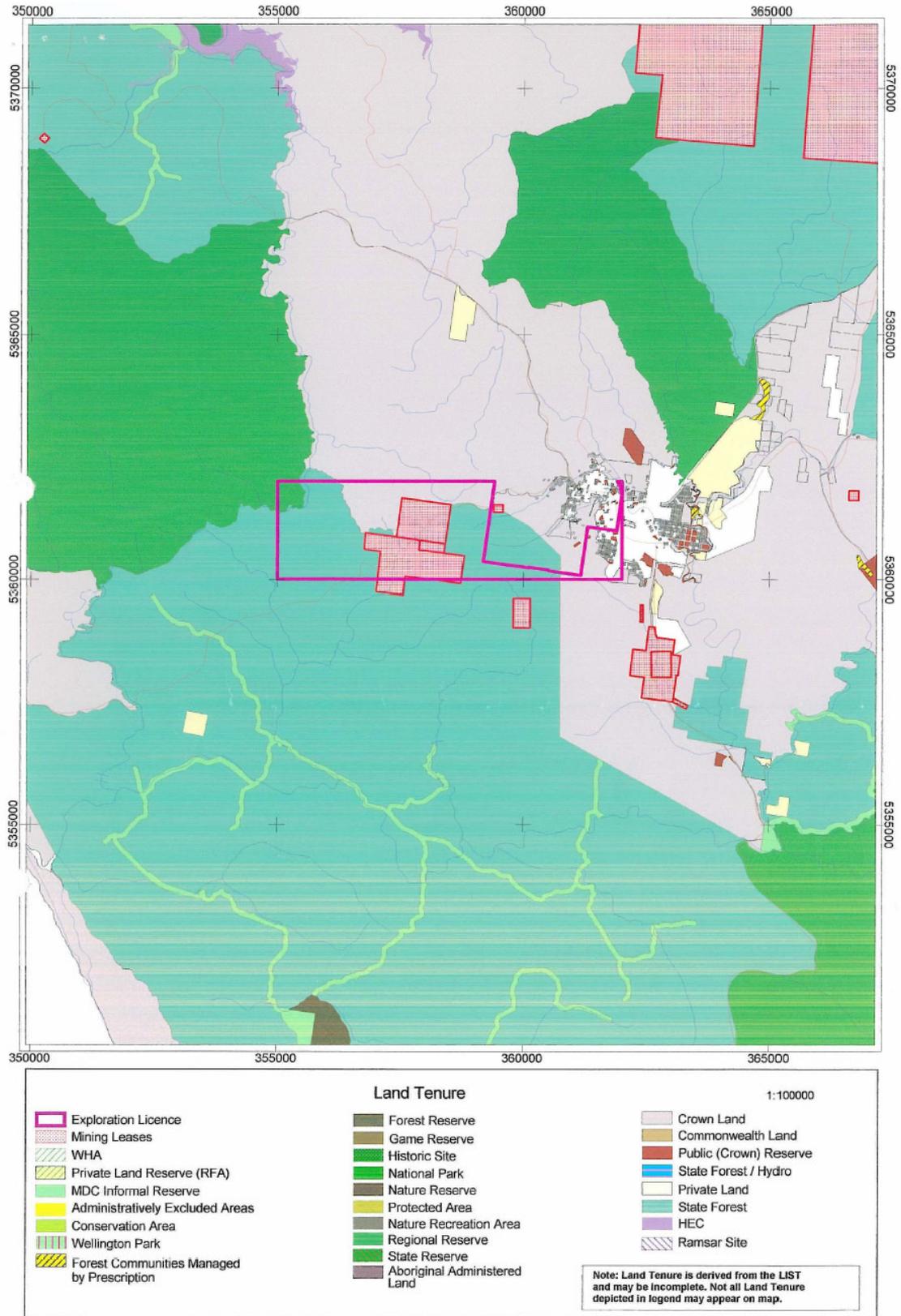


Figure 2: Land tenure for EL 30/2002.

1.5 STRUCTURE OF THIS DOCUMENT

A brief description of the structure of this report is provided in Table 1.

Table 1: Brief description of the report structure

| Section Heading | Brief Description of the Information Provided |
|--|--|
| Executive Summary | A summary of the exploration activities undertaken within Exploration Licence 30/2002. |
| 1.0 Introduction | Brief description of the proponent, the exploration licence location and tenure. |
| 2.0 Summary of Previous Work | Summary of geological exploration previously undertaken with the area covered by EL 30/2002. |
| 3.0 Regional Exploration Undertaken during 2005-2006 | Description of exploration activities by ZZ Exploration on a regional scale within EL 30/2002 during the reporting period. |
| 4.0 Exploration at the Balstrup Fault 2005-2006 | Details of exploration activities by ZZ Exploration at the Balstrup Fault. |
| 5.0 Exploration at the Tenth Legion Fault 2005-2006 | Details of exploration activities by ZZ Exploration at the Tenth Legion Fault. |
| 6.0 Exploration Expenditure | Summary of exploration expenditure by ZZ Exploration over EL 30/2002 during the reporting period. |
| 7.0 Proposed Work Program | Description of the proposed exploration program within EL 30/2002 during 2006. |

2 SUMMARY OF PREVIOUS WORK

2.1 PREVIOUS MINING AND EXPLORATION WITHIN EL 30/2002

2.1.1 Regional Exploration Activities

EL30/2002 is considered to be geologically complex, dominated by deformed turbidites, carbonates and volcanics of the Neoproterozoic Oonah Formation (Tear 2005). Sediments and volcanics of the Crimson Creek Formation and Dundas Group occupy the central and eastern portions; while gabbros, basalt flows and massive serpentinite of the Mclvor Hill Complex (bounded by the Tenth Legion Fault) crop out in the SW portion of EL30/2002. Siluro-Devonian sediments of the Zeehan Sub-basin including the Crotty Quartzite, Amber Slate, Keel Quartzite, Austral Creek Siltstone, Florence Quartzite and Bell Shale are exposed in the eastern portion of EL30/2002. An ENE-trending Devonian granitoid spine associated with the Heemskirk Granite is shown to extend beneath EL30/2002 (Leaman & Richardson, 1989).

The Oonah Formation, south of the Balstrup Fault, comprises the main target sequence for zinc mineralisation. These units are thought to form a complexly folded, flat lying sequence in this area (Tear 2005). At greater depths, some carbonates in the Oonah Formation have been intruded by serpentinitised ultramafic units, thereby producing mineralised skarn lithologies (Tear 2005).

A high resolution helimag survey conducted in 1998 identified and defined several anomalies within the area now covered by EL 30/2002. Allegiance Mining No Liabilities (Allegiance Mining) conducted research into the evaluation of these anomalies to determine their potential to host nickel sulphide deposits in the 'Avebury style', with one anomaly considered to potentially host a nickel deposit (Newnham 2000). There has been no further research into the anomalies identified since 2000.

2.1.2 Previous Exploration over the Balstrup Fault Prospect

Exploration into the mineral deposit associated with the Balstrup Fault have been previously carried out by Renison Goldfields Consolidated Ltd (RGC) and Western Metal Resources Ltd (WMR), including resource estimation based on limited drilling operations (Cotlco 2005a).

Research conducted by Farrell (2001) investigated the structural relationships and development of the Comstock Zn-Pb-Ag deposit host rocks. This study also provides a summary of past exploration activities and results of exploration within the Comstock mine area.

2.1.3 Previous Exploration over the Tenth Legion Fault Prospect

Exploration over the Tenth Legion Fault area previously known as EL2/96 was conducted by Newnham Exploration and mining services for report to Allegiance Mining NL.

A high resolution aeromagnetic survey was flown over EL2/96 in 1998 to detect similar magnetic anomalies to the Avebury nickel deposit situated to the immediate south.

Several substantial anomalies were defined by this survey and it was decided to extend exploration through detailed mapping and lithochemical sampling and re examination

of core from previous drilling by C.R.A Exploration Pty. Limited. Following this, further exploration was confined to zinc rich zones in the far south west corner adjacent to a nickel enriched structural zone on the contiguous EL22/97 (Newnham 2000).

3 REGIONAL EXPLORATION UNDERTAKEN DURING 2006

ZZ Exploration has undertaken regional and prospect based exploration activities within EL 30/2002, during 2006. Prospect based exploration activities have focussed on the Balstrup Fault massive sulphide deposit, with details provided in Section 4.

As part of the regional exploration of EL 30/2002, ZZ Exploration undertook a detailed combined GPS and gravity survey during March – May 2006 across the Balstrup Fault and area within EL 30/2002 (Figure 3) (Plates 1 and 2).

Survey lines were surveyed at 25m intervals (east-west direction) and 50m intervals (north-south direction), where access was possible (Solo Geophysics 2006). Gravity survey lines were located at 25m station intervals along the survey lines (Solo Geophysics 2006). Further details of the gravity survey are provided in Appendix C.

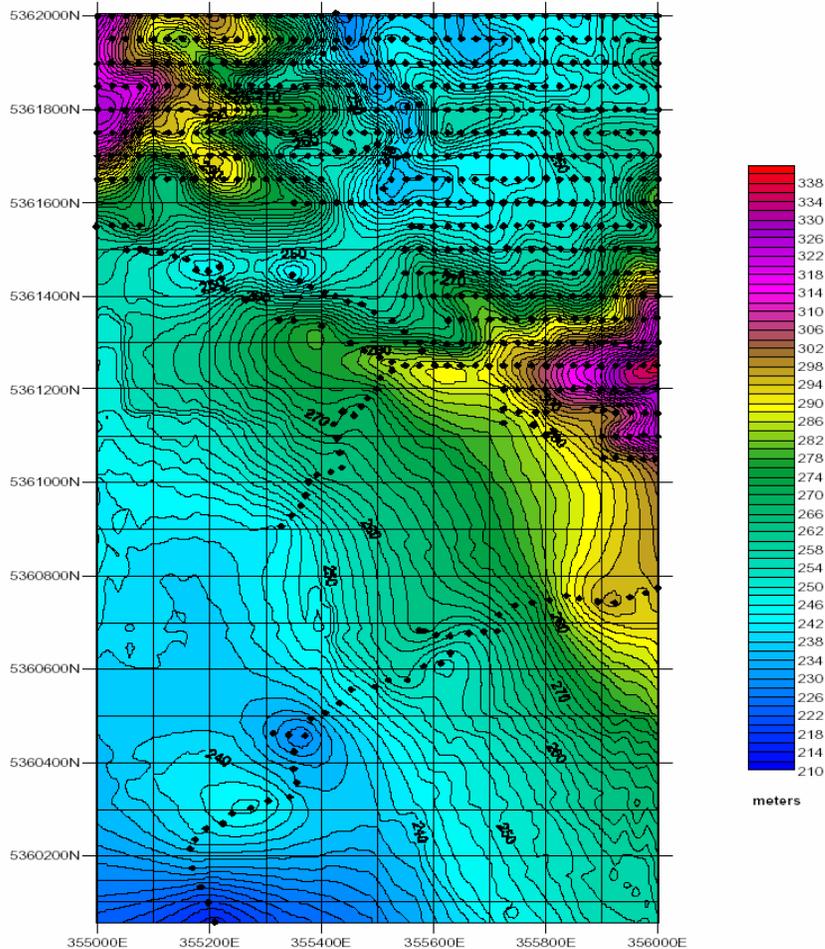


Figure 3: EL 30/2002 (West Comstock) gravity survey results (at 2.67 gms/cc) (Solo Geophysics 2006).

Plates 1 and 2: Gravity surveying within EL 30/2002



Photos courtesy of Solo Geophysics (2006).

ZZ Exploration have also initiated a detailed regional study within EL 30/2002 (Appendix D), focussing on:

- Fine grained clastic hosted stratabound lead-zinc deposits in the Proterozoic Oonah Formation and the Devonian Bell Shale;
- Nickel mineralisation of the Avebury-type or the Melba Flats style; and
- The potential for iron/magnetite resources proximal to the Heemskirk Granite.

As part of extending mineral exploration, ZZ Exploration have expanded investigations into potential and known nickel deposits within the exploration licences of EL 30/2002, EL 20/2002 and EL 18/2003 (Appendix E).

Of the eleven prospects located within ZZ Exploration licences, three exist within the boundry of EL 30/2002.

These three location include;

Central Balstrup

Location: Easting 361130
Northing 5360150

Nickel PR

Location: Easting 359780
Northing 5360400

Sylvester Mine

Location: Easting 358300
Northing 5361300

Drilling these target areas will include both diamond and RC drilling as outlined in the work programs section 6.

Investigations into mineral resources other than lead- silver- zinc deposits within ZZ Exploration licences have resulted in the construction of detailed maps for all licences. Potential nickel deposits have been identified using the known location of old workings and aeromagnetic data obtained from Mineral Resources Tasmania.

The aeromagnetic survey identified a number of large magnetic anomalies within ZZ exploration Licences. The combination of the magnetic anomalies old workings and drilling results assisted in establishing detailed maps for planning drilling programs to commence in 2007 (Appendix F).

ZZ Exploration in conjunction with Construction Modelling Australia have developed a 3D model presentation of simplified known geological forms that exist within ZZ exploration licences. The 3 D model was developed as a tool to assist understanding of the known deposits as well as demonstrate future processing plans (Appendix G).

4 EXPLORATION AT THE BALSTRUP FAULT 2006

4.1 GEOLOGY

4.1.1 Deposit Type

Based on research conducted by RGC, the Balstrup Fault is considered to be a complex composite fault structure, with a traceable WNW-strike for at least 3.5km, with a width of up to 40m (Crossing, 1991).

The Balstrup massive sulphide deposit, associated with the Balstrup Fault, is considered to be a combination of an early skarn and a later base metal replacement deposit (hosted by Upper Oonah carbonates and siliciclastics), with the deposit restricted to the immediate footwall of the Balstrup Fault (Crossing 1993).

The Balstrup massive sulphide body is composed of two distinct sulphide assemblages (Taylor 1993). Medium- to coarse-grained massive pyrrhotite-sphalerite-galena is the characteristic assemblage at the deeper levels of the deposit, while coarse-grained euhedral massive pyrite ± sphalerite and galena is dominant in the upper levels (Taylor 1993, Crossing 1993).

Research by Radonich (2001) into the geochemical nature of the Balstrup Fault deposit has identified that the paragenetic sequence for the base metal sulphide assemblage hosted by the Balstrup Fault is complex, often obscured by post-formation plastic deformation, and possible remobilisation and recrystallisation of minerals. An investigation into the structural relationships and development of the Balstrup Fault deposit has been undertaken by Farrell (2001).

4.1.2 Nickel Deposits

In 2006, ZZ Exploration collected 7 samples from within EL 30/2002 as part of investigations into previously identified prospective nickel deposit areas. Samples were collected at the following locations (AGD66 projection):

- 55 361148E, 5360175N (sample ZZRHF 01/06); and
- 55 361127E, 5360142N (samples ZZRHF 02-06/06).

Significant old workings were located in this area indicated that it has previously been the subject of mining and mineral exploration.

Table 2 presents a summary of the geochemical results from the analysis of the 7 samples, with the complete results provided in Appendix H.

This site has been selected for proposed drilling to commence in 2007 by recommendation from Robert Findlay.

Table 2: Summary of nickel assay results for samples collected from within EL 30/2002 (ZZ Exploration 2006).

| Sample | Ni (ppm) |
|----------|----------|
| ZZRHF-01 | 221 |
| ZZRHF-02 | 14 |
| ZZRHF-03 | 106 |
| ZZRHF-04 | 91 |
| ZZRHF-05 | 55 |
| ZZRHF-06 | 34 |
| ZZRHF-07 | 75 |

As part of defining a nickel resource along the Balstrup Fault, 597 samples were cut from 7 holes drilled by C.R.A Exploration Pty Limited between 1981 and 1982 in the West Comstock area. Small fillets of core were cut in order to retain as much as possible.

The samples have been sent to Burnie Research Laboratories, Tasmania, and SGS Welshpool, Western Australia for analysis. Total number of samples sent included 48 samples from SY001, 61 samples from SY003, 182 samples from SY005, 214 samples from SY009, 54 samples from SY012, 15 samples from SY014 and 23 Samples from SY015.

Further exploration to target nickel and other sulphides within EL 30/2002 will concentrate on infill drilling of the SY0 holes drilled by R.G.C Exploration Pty Ltd. between 1990-1992 Further information is provided in section 7 under proposed work programs.

4.2 MINERAL RESOURCE

4.2.1 Resource Estimation

Inferred resource estimations (not JORC compliant) were undertaken by RCG and WMR during exploration over the Balstrup Fault prospect.

During 2005, ZZ Exploration commissioned an independent ‘competent’ geologist (Cotlco Pty Ltd) to undertake a resource estimation of the Balstrup Fault prospect, following the Joint Ore Resources Committee (JORC) Code (Table 3) (Appendix I).

Table 3: JORC resource classification for the Balstrup Fault prospect (Cotlco 2005b).

| Deposit | JORC Resource Category | Tonnes | Pb% | Zn% | Ag g/t |
|----------------|------------------------|-----------|-----|-----|--------|
| Balstrup Fault | Inferred | 4,600,000 | 3.3 | 5.7 | 35 |

Cotlco (2005a) notes that the comparatively large separation of the drill hole intercepts limits the resource category to the JORC Inferred category. Further drilling programs with increased drilling density would increase confidence in lode structure and grade projections (Cotlco 2005a). An average spacing of 50m for drill holes is considered to be likely to be required to confirm spatial continuity before a higher JORC resource classification category could be supported.

4.2.2 Resource Valuation

ZZ Exploration commissioned Anderson and Schwab Pty Ltd (Anderson and Schwab) in 2005 to undertake a review of the mineral assets of Zeehan Zinc Ltd (Zeehan Zinc), which includes the Balstrup Fault prospect (Appendix J). In May 2006, Anderson and Schwab reviewed the resource valuations, following further exploration activities by Zeehan Zinc (and associated companies). The valuation of the mineral assets of Zeehan Zinc are provided in Table 4.

Table 4: Estimated resource valuations of the mineral assets of Zeehan Zinc Ltd (Anderson and Schwab 2006).

| Asset | Valuation Method | Value | | |
|--|-------------------------------------|---------|---------|----------|
| | | Low | Market | High |
| Comstock mine (Allison’s Lode, Balstrup Fault , Main Lode including West Lode) and Oceana deposit | NPV of discounted future cash flows | \$93.5m | \$267 m | \$316.0m |

4.2.3 Mining Lease Application

On 7 July, 2005, ZZ Exploration applied for a mining lease over the Balstrup Fault (5M/2005) (Appendix K).

MRT subsequently advised on the 2 August 2005 that it would recommend to the Minister for Infrastructure, Energy, and Resources that he refuse the application on the grounds that the lease application was an attempt to circumvent the intent of the Minister to revoke Exploration Licences 20/2002 and 30/2002 (Appendix K). MRT also questioned the ability of ZZ Exploration to satisfy Section 75 of the *Mineral Resources Development Act 1995*.

ZZ Exploration provided MRT on the 19 August 2005 with further information regarding ZZ Exploration’s reasoning for applying for the mining lease 5M/2005, which was based on the results of a JORC compliant resource calculation.

ZZ Exploration was subsequently advised by MRT on 5 September 2005 that the recommendation from MRT for the Minister to refuse the grant of mining lease 5M/2005 would not be placed before the Minister until the revocation of EL 30/2002 has been resolved by the Mining Tribunal (Appendix K).

MRT refused the application for Mining Lease and notified ZZ exploration on the 29 November 2006 (Appendix K).

4.2.4 Business Plan

In 2003, Zeehan Zinc Ltd (the parent company of ZZ Exploration) developed a business plan. In October 2005, BDR Consulting Pty Ltd reviewed the business plan to reflect current changes to metals prices and exchange rates. In consideration of the significant increases in metal prices since October 2005, the business plan was reviewed again by BDR Consulting Pty Ltd, in January 2006 (Appendix L).

5 EXPLORATION AT THE TENTH LEGION FAULT

5.1 Geology

5.2 Deposit Type

The Tenth legion fault area consists of folded and faulted Ultra mafic rocks with hydrothermal alteration resulting from granitic intrusion of the Heemskirk granite.

The hydrothermal processes have resulted in extensive magnetite deposits within the ultra mafics. Nickel sulphides are often associated with the magnetite bodies as a result of remobilisation and accumulation by the hydrothermal fluids.

5.3 Mapping and Sample Collection

ZZ Exploration conducted two small scale mapping expeditions focusing on the Tenth legion fault area during 2006.

Due to road construction and upgrade of the Trial Harbour Road in January 2006 near McIvor hill, new rock faces were accessible for ground mapping. ZZ Exploration geologists have begun a preliminary mapping exercise which will expand into gridding the area with detailed mapping scheduled for 2007.

In December 2006, ZZ Exploration located access roads and the remains of drilling pads from the TLC holes drilled during 1981 and 1982 by C.R.A Exploration Pty Ltd. These locations provide the basis for planning infill drilling to obtain regularly spaced results.

Further mapping and sample collection for analysis is scheduled for 2007. The western target will focus on establishing regularly spaced holes to infill drilling of the TLC holes drilled in 1981 and 1982 by C.R.A exploration Pty Ltd.

The project will involve re-installation of the local grid and drill holes will be spaced approximately 50m apart.

Further information is provided in work programs under section 7.

6 EXPLORATION EXPENDITURE

6.1 EXPENDITURE DURING THIS REPORTING PERIOD

Table 5 summarises the expenditure by ZZ Exploration over EL 30/2002 during the reporting period.

Table 5: Summary of expenditure over EL 30/2002 during 2006.

| Expenditure Statement | 2006 | | | | 2006-2007 Category Total |
|-----------------------|---------------------|---------------------|--------------------|--------------------|--------------------------|
| | March Quarter | June Quarter | September Quarter | December Quarter | |
| Geology | \$37,483.39 | \$55,606.66 | \$12,528.48 | 11,487.52 | \$117,106.05 |
| Geochemistry | | \$420.00 | | | \$420.00 |
| Geophysics – Air | | | | | |
| Geophysics – Ground | \$21,270.55 | \$21,211.01 | \$816.68 | | \$43,298.24 |
| Feasibility Studies | \$12,978.89 | | \$6,176.05 | | \$19,154.94 |
| Rehabilitation | | | | | |
| Drilling (m) | | \$1,954.53 | | \$3,240.00 | \$5,194.53 |
| Gridding line (km) | | | | | |
| Administration | \$5,726.56 | \$2,162.40 | | | \$7,888.96 |
| Other | \$118,302.53 | \$57,062.04 | \$4,438.94 | \$19,733.60 | \$199,537.11 |
| Grand Total | \$195,761.92 | \$138,416.64 | \$23,960.15 | \$34,461.12 | \$392,599.83 |

6.2 EXPENDITURE COMMITMENTS

EL30/2002 was granted on 7 February 2003 with an attaching expenditure commitment of \$505,000 for the first two years. As the period covered in this report is January 2006 to December 2006 the expenditure commitments included cover the March to December quarters for 2006 (Table 6).

Table 6: Expenditure commitments by ZZ Exploration over EL 30/2002.

| Expenditure required (minimum) | EL30/2002 (71km ²) |
|---|--------------------------------------|
| Years 1 & 2 | \$505,000 |
| Year 3 | \$1000 per km ² per annum |
| Year 4 | \$2000 per km ² per annum |
| Year 5 | \$5000 per km ² per annum |
| Total minimum expenditure up to March quarter 2006 (including years 1, 2 & 3) | \$513,000 |

Information supplied by ZZ Exploration indicates that the actual expenditure for each exploration licence, for the first three year term of EL 30/2002 was \$551,902 (Table 7). This expenditure is in excess of the required commitment for EL 30/2002.

Table 7: Expenditure over EL 30/2002 by ZZ Exploration during 2003 - 2006.

| Expenditure Statement | 2003 | 2004 | 2005 | 2006 | 2003-2006 |
|------------------------------|------------------|-------------------|-------------------|---------------------|---------------------|
| Category | Total | Total | Total | Total | Total |
| Geology | \$42,466.43 | \$51,406.96 | \$52,166.54 | \$117,106.05 | \$263,145.98 |
| Geochemistry | - | - | - | \$420.00 | \$420.00 |
| Geophysics – Air | \$2,200.00 | - | - | | \$2,200.00 |
| Geophysics – Ground | - | - | - | \$43,298.24 | \$43,298.24 |
| Feasibility Studies | \$1,551.00 | \$3,549.05 | \$4,545.45 | \$19,154.94 | |
| Rehabilitation | - | - | - | | |
| Drilling (m) | - | - | - | \$5,194.53 | \$5,194.53 |
| Gridding line (km) | - | - | - | | |
| Administration | \$5,398.01 | \$3,695.68 | \$28,424.79 | \$7,888.96 | \$45,407.44 |
| Other | \$7,762.65 | \$48,002.00 | \$105,561.03 | \$199,537.11 | \$360,862.79 |
| Grand Total | 59,378.45 | 106,064.25 | 190,697.81 | \$392,599.83 | \$748,740.34 |

7 PROPOSED WORK PROGRAM

Proposed exploration during 2006 over EL 30/2002 by ZZ Exploration consisted of the following elements:

- A detailed regional study within EL 30/2002, focussing on:
 - Fine grained clastic hosted stratabound lead-zinc deposits in the Proterozoic Oonah Formation and the Devonian Bell Shale;
 - Nickel mineralisation of the Avebury-type or the Melba Flats style; and
 - The potential for iron/magnetite resources proximal to the Heemskirk Granite.
- Upgrade of all access tracks for proposed drilling projects;
- Collection and geochemical analysis of samples for nickel;
- Ground-based gravity survey over EL 30/2002 and part of the Balstrup Fault;
- RC drilling program over the Balstrup Fault area;
- RC drilling to infill SY0 holes in the Balstrup Fault area;
- Drilling potential Nickel targets as advised by Robert Findlay;
- Mapping along new road cut to define Balstrup fault
- RC drilling over TLC anomaly;
- Installation of the local grid to infill TLC holes;
- Evaluation of the nickel and zinc potential for the Tenth legion Fault area based on previous helimag survey results; and
- Development of a detailed geological database that includes the drilling results of previous exploration within EL 30/2002;
- Mapping to define the Tenth legion fault area.

Elements of the 2006 work program that have been completed include:

- Ground-based gravity survey over EL 30/2002;
- Collection and geochemical analysis of sample for nickel (initial sampling completed, further sampling planned for 2006);
- Preliminary mapping along new road cut to define Balstrup fault; and
- Preliminary mapping to define the Tenth Legion Fault area.

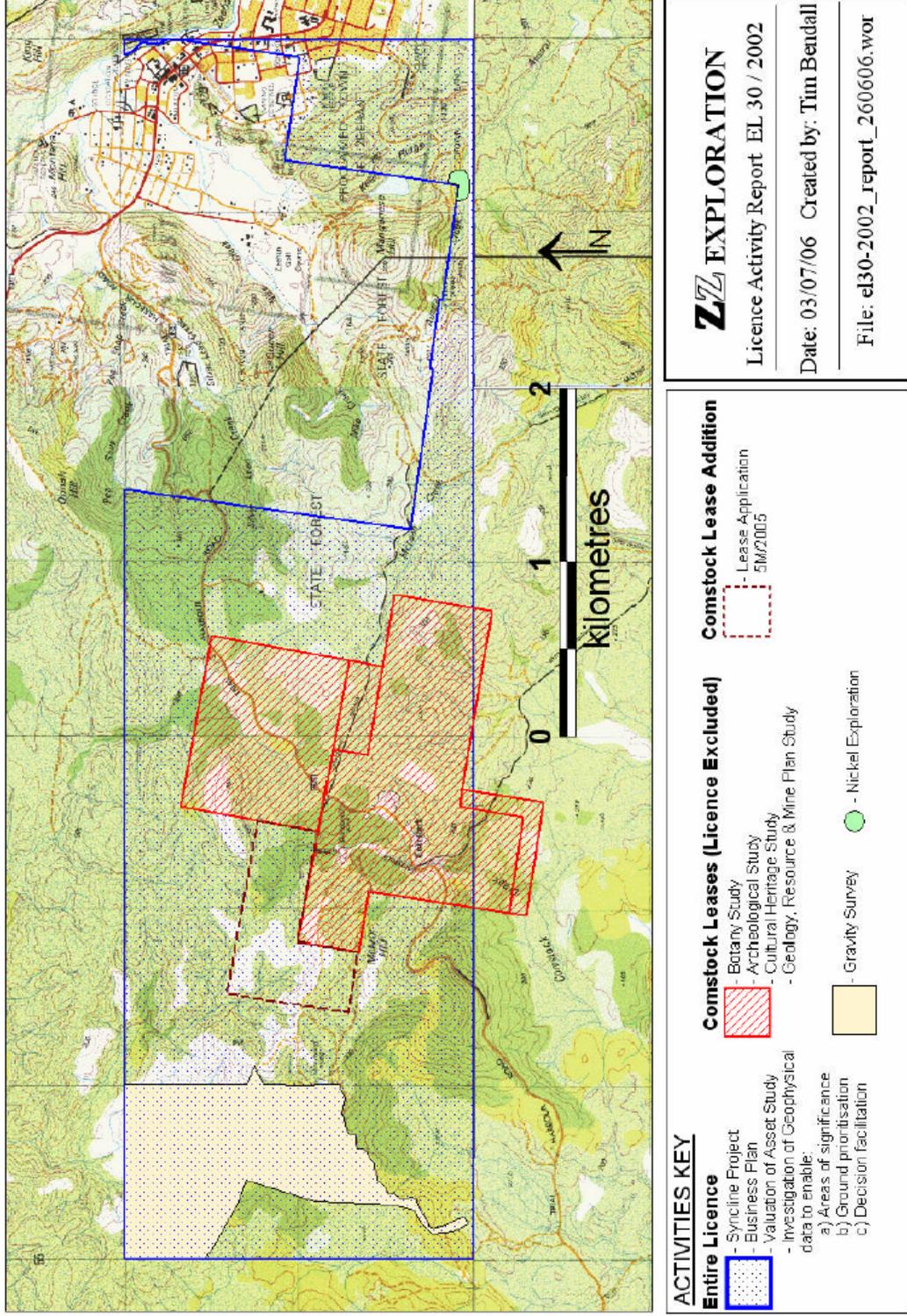


Figure 4: Exploration activity map for EL 30/2002 during 2006.

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9 APPENDICES

Appendix A: *Schedule from Exploration Licence EL 30/2002*

Appendix B: *Location of Mineral Deposits within EL 30/2002*
MIRLOCH Mineral Locations

Appendix C: *Gravity Surveys for the Zeehan Area, Tasmania*
Solo Geophysics & Co, 2006

Appendix D: *Proposed Geological Investigations over EL 30/2002*
Hellman & Schofield Pty Ltd, 2006

Appendix E: Potential nickel deposits of Tasmania S.Tear 2006

Appendix F : Exploration maps with detailed aeromagnetic data

Appendix G: 3D model presentation of simplified known geological forms. Construction Modelling Australia

Appendix H: Results of nickel Assays from EL 30/2002 ZZ Exploartaion Pty Ltd, 2006

Appendix I: *Resources Estimation and Classification Update*
Cotlco Pty Ltd, 2005

Appendix J: *Valuation of the Mineral Assets of Zeehan Zinc Limited*
Anderson & Schwab Australia Ltd, 2006

Appendix K: *Application for a Mining Lease over the Balstrup Fault*
ZZ Exploration Pty Ltd, 2005

Appendix L: *Business Plan – Update of Financial Aspects, January 2006*
BDR Consulting Pty Ltd, 2006