ZZ EXPLORATION Pty Ltd

EXPLORATION LICENCE 20/2002
ANNUAL REPORT

DECEMBER 2006 – DECEMBER 2007

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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 (ZZE) over the Exploration Licence 20/2002 (EL 20/2002) during December 2006 - December 2007.

Role in the Regulation Process

This document fulfils the role of an Annual Report for EL 20/2002 during December 2006-December 2007, as required under Section 28 of the *Mineral Resources Development Act 1995*.

EXECUTIVE SUMMARY

ZZ Exploration Pty Ltd (ZZE) currently holds Exploration Licence 20/2002 (EL20/2002), 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 December 2006 – December 2007.

During December 2006 – December 2007, ZZE have focused on the exploration of small to large-scale (<0.5Mt to >100Mt) economic resources, based on extensive exploration of previously identified mineral deposits. During this, exploration efforts by ZZE have focused on the Oceana and Mariposa prospects, located within EL 20/2002. A summary of exploration activities undertaken is presented below.

Regional Exploration

- Seismic survey conducted by Terrex Seismic, traversing Trial Harbour Road incorporating Balstrup Fault, Tenth Legion Fault and associated prospects;
- Preliminary Seismic Interpretation report by Dr. Robert Findlay
- Gravity survey completed by SOLO Geophysics traversing Trial Harbour Road;
- Ground magnetics survey completed in the south western area of EL 20/2002;
- Soil survey completed in the south western area of EL 20/2002;
- Approval of EL 20-1 and EL 20-2 grids to complete geophysical and geochemical work in the Melba Flats region;
- Approval of grid EL 20-3 grid for geophysical and geochemical surveys between the Oceana and Mariposa deposits;
- Old workings survey commenced including sample collection of waste rock and outcrop;
- Old workings sample collection assay results received

Mariposa Prospect

- European heritage survey conducted by Arc Tas Pty Ltd.;
- Approval for upgrade of the Mariposa Tramway;
- Construction started on access track for approved drilling programme;
- Application for Mining Lease 7M/2007 over 98.78 hectares;
- Upgrade of 2.5km or mariposa tramway for seismic survey;
- Completion of Seismic line TB02B-ZB (Mariposa Tramway);
- Drill pad construction of approved drilling programme Mariposa;
- Preliminary Seismic interpretation on line TB02B-ZB by Dr Findlay;
- Gravity survey completed along line TB02B-ZB;

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ABBREVIATIONS

Ag	silver
AMOCO	American Oil Company
ANC	Acid Neutralising Capacity
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
gms/cc	grams per cubic centimetre
GPS	Global Positioning System
ha	hectares
JORC	Joint Ore Resource Committee
km	kilometre
m	metre
m2	square metre
m3	cubic metre
MRT	Mineral Resources Tasmania
NAG	Net Acid Generation
NAPP	Net Acid Producing Potential
Pb	lead
ppm	parts per million
RL	Relative Level
ROM	Run Of Mine
S	sulphur
SEMF	SEMF Pty Ltd
SMG Consultants	SMG Consultants Pty Ltd
TALSC	Tasmanian Aboriginal Land and Sea Council
TASI	Tasmanian Aboriginal Site Index
Zeehan Zinc	Zeehan Zinc Ltd
ZZE	ZZ Exploration Pty Ltd
Zn	zinc

1 INTRODUCTION

1.1 PURPOSE OF THIS DOCUMENT

ZZ Exploration Pty Ltd (ZZE) currently hold Exploration Licence 20/2002, 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 EL 20/2002 during December 2006 – December 2007, as required under Section 28 of the *Mineral Resources Development Act 1995*, and as requested of ZZE by Mineral Resources Tasmania (MRT) on October 30 2007.

1.2 THE PROPONENT

ZZ Exploration Pty Ltd is a wholly owned subsidiary of Zeehan Zinc Ltd (Zeehan Zinc). ZZE currently holds Exploration Licence 20/2002, which includes several known mineral deposits, including the Oceana and Mariposa prospects. ZZE's long term objective is to be one of the leading mineral exploration companies for Category 1 mineral deposits within the Zeehan area.

Through the continued exploration for mineral deposits, ZZE 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 20/2002, 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 EXPLORTION AREA

EL 20/2002 covers approximately 71km2, and is located 1km southeast from Zeehan, western Tasmania (fig. 1). The Murchison Hwy, Zeehan Hwy, and Henty Rd provide road access to EL 20/2002. The Emu Bay Railway and the Murchison Hwy connect the township of Zeehan with the Port of Burnie, located approximately 140km to the north.

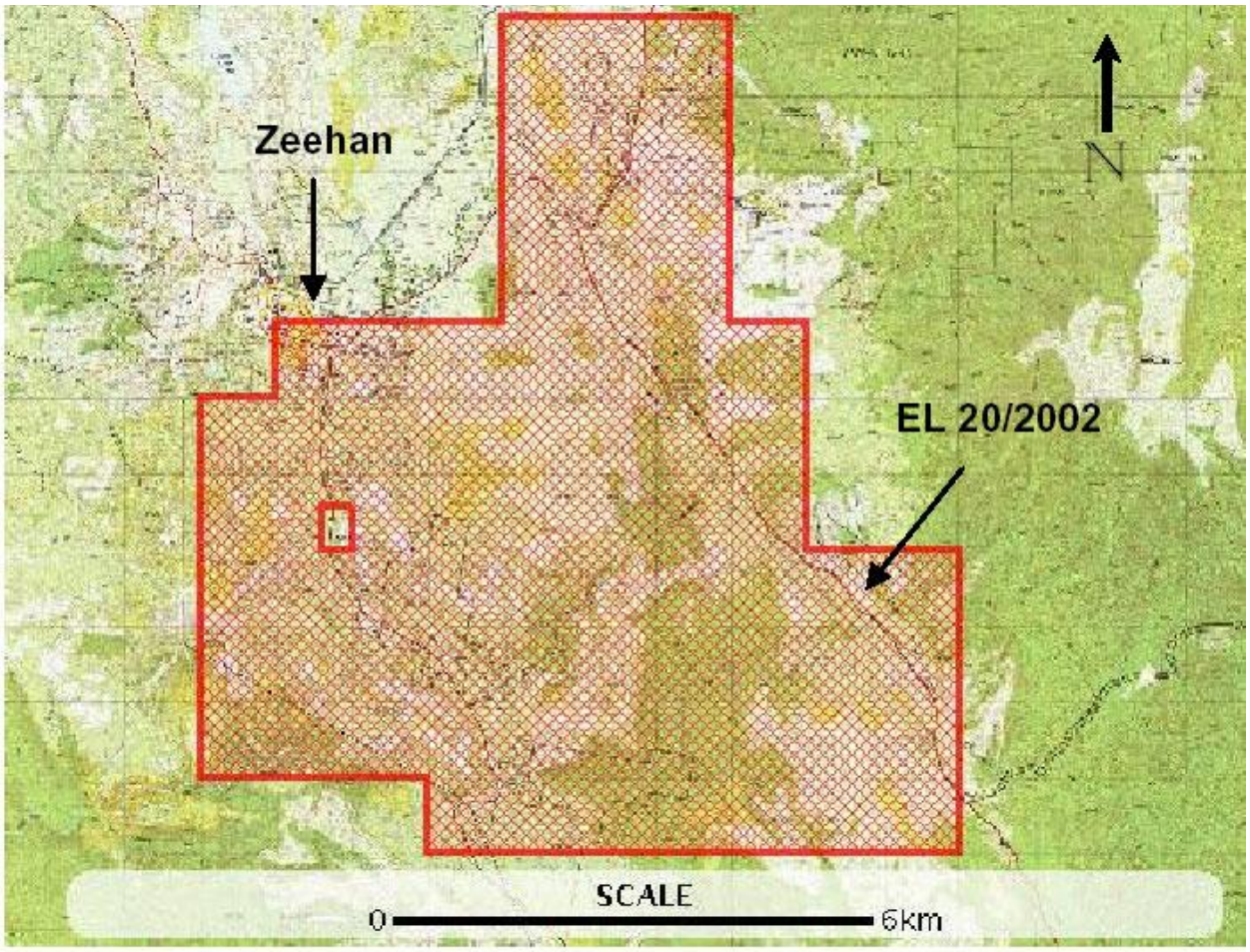

Figure 1: Location of EL 20/2002 relative to Zeehan.

Vegetation cover is generally sparse over EL 20/2002, dominated by button grass on ridges and in valleys, with dense tea-tree and eucalypt scrub occurring along creek lines.
Exploration activities undertaken by ZZE during the reporting period have included regional explorations, with prospect focused exploration undertaken at the Mariposa prospects.

1.4.2 Exploration Lease Tenure

EL 20/2002 was granted to ZZ Exploration on February 7, 2003 for a period of 5 years, and applies to all Category 1 minerals. The licence covers approximately 71km2, with excluded areas including:

- Retention Licence 3/1996;
- Any land owned or leased by the Commonwealth of Australia;
- Mining Leases; and
- Crown reservations.

The current land tenure in and around EL 20/2002 is provided in Figure 2.

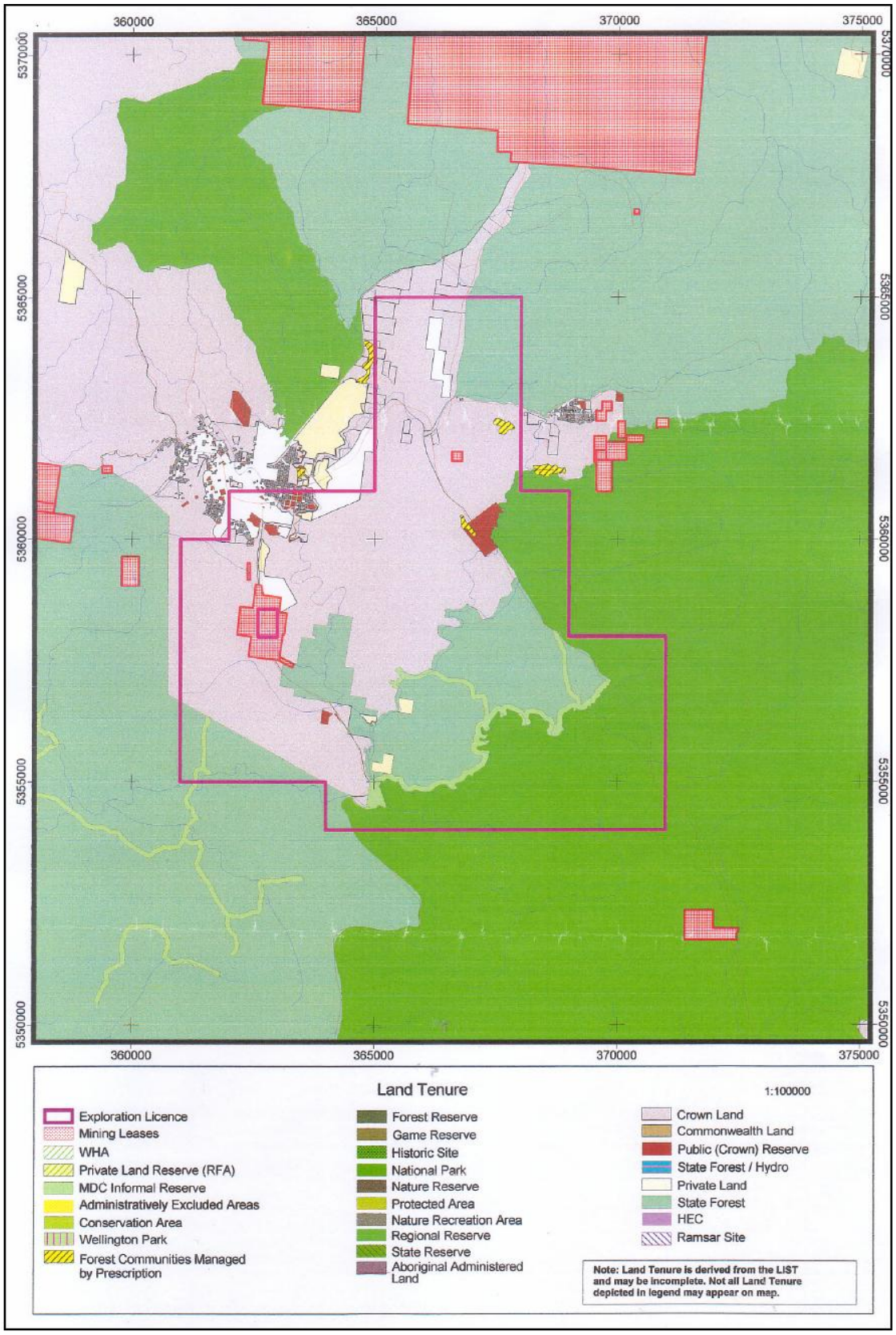

Figure 2: Land tenure for EL 20/2002.

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	Description of the Information Provided
Executive Summary	A summary of the exploration activities undertaken within Exploration Licence 20/2002.
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 20/2002.
3.0 Regional Exploration Undertaken during report period	Description of exploration activities by ZZ Exploration on a regional scale within EL 20/2002 during the reporting period.
4.0 Prospect Based Exploration undertaken during the reporting period	Details of exploration activities by ZZ Exploration at the Oceana prospect Mariposa Prospect
5.0 Exploration Expenditure	Summary of exploration expenditure by ZZ Exploration over EL 20/2002 during the reporting period.
6.0 Proposed Work Program	Description of the proposed exploration program within EL 20/2002 For the 2008 period
7.0 References	List of references throughout the report
8.0 Appendices	List of appendices attached to this report

2 SUMMARY OF PREVIOUS WORK

2.1 PREVIOUS MINING AND EXPLORATION WITHIN EL 20/2002

2.1.1 Regional Exploration Activities

A series of limestone-hosted base metal prospects are located around Zeehan and have been subjected to substantial previous mineral exploration. The Oceana lead/zinc deposit/mine provided much of the impetus for such exploration to be undertaken over all the outcropping areas of the Gordon Limestone in the general Zeehan area (SMG Consultants 2005).

The known mineral deposits within EL 20/2002 have been subjected to various phases of mineral exploration which date back to the 19th century (Appendix B). The regional geology of the area has been described in Blissett (1962), Taylor (1983), Jones (1988), and McGilvray (2003), and also provided in previous Annual Reports for EL 20/2002.

2.1.2 Previous Exploration at the Mariposa Prospect

The Mariposa prospect has been subjected to discontinuous phases of mining and mineral exploration:
- Underground mining commenced in the 1890's;
- Various attempts at re-opening the mine during the early 1950's;
- Further exploration of the mine during the 1970's;
- Extensive surface exploration over the main Mariposa Lode during the 1980's; and
- Detailed drilling program conducted during the mid 1990's

Details of the episodes of mining and exploration are provided in Appendix M.

3 REGIONAL EXPLORATION UNDERTAKEN DURING 2006-2007

ZZE has undertaken regional and prospect based exploration activities within EL 20/2002, during December 2006 – December 2007. Prospect based exploration activities are discussed in detail in subsequent sections. For location of all exploration completed during 2007 see figure 3.

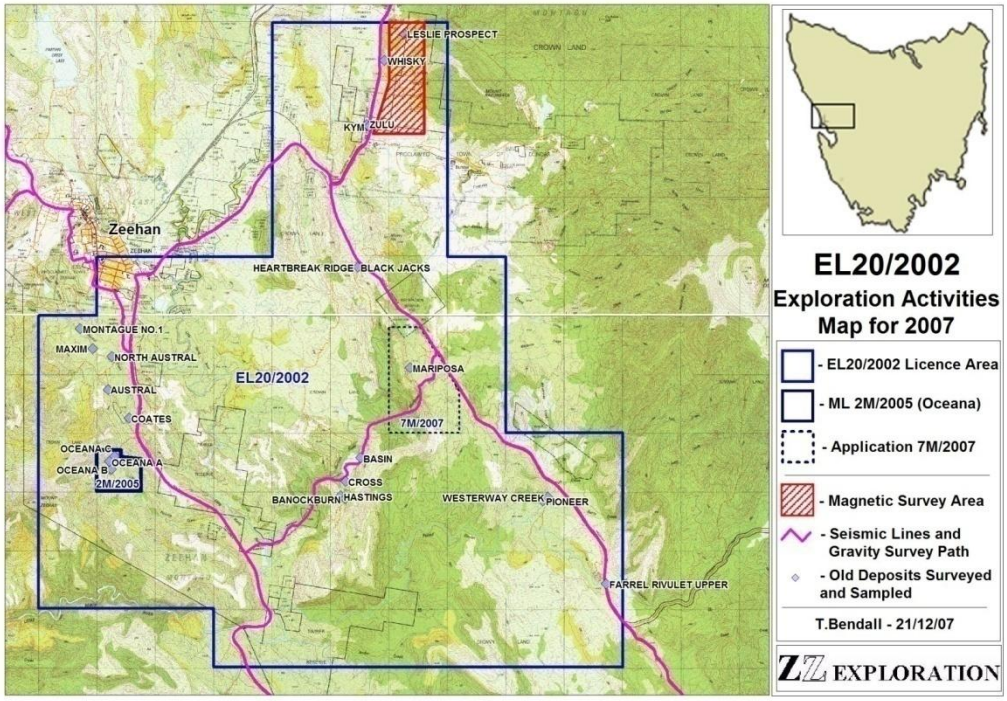

Figure 3: Activity map for EL20/2002 for the 2007 period

3.1 GEOPHYSICS

3.1.1 Seismic Survey

Terrex Seismic was contracted by Great South Land Minerals to conduct the Zeehan Zinc 2D Seismic Survey in Tasmania. The crew mobilised on the 9th of March to Launceston and then travelled to Devonport to pick up vehicles and equipment and continued on to Zeehan to start the program. Testing and acquisition commenced on the 20th of March 2007 and the program was completed on the 7th of May 2007. For full details on the Terrex seismic report see Appendix C.

The Zeehan Zinc 2D grid is situated approximately 150kms south/south west of Burnie. For the majority of the Zeehan portion of the prospect, the seismic lines were recorded on existing roads – with the exception of line TB02b-ZB which followed the Mariposa tram line (figure 4).

Line TB02b-ZF
Acquisition commenced on line TB02b-ZF at station 1000.5 on the 20th March 2007 after the crew mobilised from Launceston the previous day and spread layout was completed. Production was completed on line ZF the following day at station 1572.5, a total of 11.44 kilometres recorded including 55 skipped VP's due to proximity of dwellings, road culverts etc.

Line TB02b-ZC
Acquisition commenced on line TB02b-ZC at station 1000.5 on the 22nd March 2007 and was completed the following day at station 2002.5, a total of 20.04 kilometres including 122 skipped VP's for the town of Zeehan.

Line TB02b-ZD
Acquisition commenced on line TB02b-ZD at station 900.5 on the 24th March 2007 and was completed two days later at station 1400.5, a total of 10.0 kilometres including 21 skipped VP's due to proximity of dwellings, road culverts etc.

Line TB02b-ZA
Acquisition commenced on line TB02b-ZA at station 1000.5 on the 25th March 2007 and was completed two days later at station 1864.5, a total of 17.28 kilometres including 8 skipped VP's due to proximity of dwellings, road culverts etc. At the completion of line ZA the crew mobilized to the GSLM Miena Highlands 2D prospect, this was due to delays in line preparation on line TB02B-ZB which was scheduled for completion at a later date.

Line TB02b-ZB
Acquisition commenced on line TB02b-ZB at station 1600.5 on the 5th May 2007 after the crew had mobilized from Bronte Park that same day. Production was completed on line ZB on the 7th May 2007 at station 1160.5, a total of 5.69 kilometres including 14 skipped VP's due to difficult terrain, a total of 64.45 kilometres recorded for the Zeehan Zinc 2D. Zeehan Zinc personnel assisted the line crew in moving the acquisition equipment which aided to hasten the completion of the contract. All line equipment was retrieved and packed onto transports by late afternoon on the 7th May. All vehicles and equipment were washed down and prepared for demobilisation on the ferry to the mainland the on the 8th May, with the crew leaving on the 9th May 2007; this represented the completion of the 2007 Great South Land Minerals Seismic Programme.

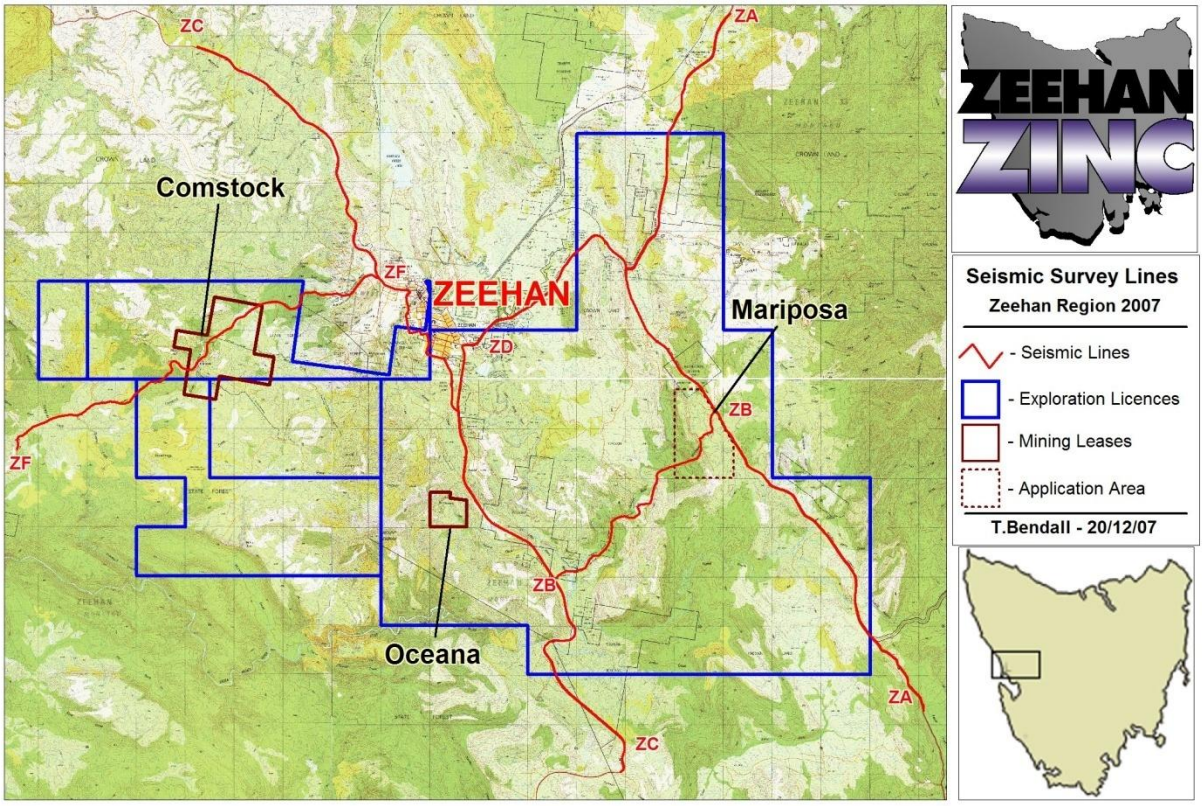

Figure 4: Seismic survey lines.

3.1.2 Preliminary Seismic Interpretation

DR. R. H. Findlay of Montagu Minerals Mapping Pty was commissioned by Zeehan Zinc Ltd to prepare a preliminary report based on his knowledge of structural geology in the Oceana and Mariposa areas (Appendix D). The report incorporated the interpretation of some drill-hole data, surface mapping and data received from seismic lines of the above mentioned Terrex Seismic survey.

Preliminary conclusions are that the seismic programme carried out by Zeehan Zinc Ltd has the potential for revealing the previously not well understood regional deformation style and critical rock relationships in that it appears to show important 3-dimensional information concerning the shallow (200-300m deep) to deep (5-6km deep) structural geological evolution of the exploration licences held in the Zeehan district by Zeehan Zinc Ltd.

The work can be interpreted to confirm thin-skinned thrust tectonics across the area to depths of about 3000m, with production of numerous concomitant and seismically identifiable structural geological fairways for mineralising fluids and mineralisation in the appropriate chemical environments.
The seismic images can be interpreted as showing that thin-skinned thrust tectonics has produced a 1.2 to 1.5 second deep (approx. depth 2 400-3 000m) thrust-stack overlying a very poorly reflective basement, which incorporates at between 1.6 and 2.1 seconds depth

(approx. 3 200 to 4 200m depth) a subhorizontal textural zone indicative possibly of a regional granitic sill extending from west to east across the study area. Dr Findlay's interpretation of thrusts in the Zeehan quadrangle is shown in Figure 5.

The seismic data, when considered with gravity and magnetic geophysical data, point to the presence of possibly nickeliferous Cambrian rocks both below the Precambrian and Ordovician series immediately west and south of Zeehan and within Zeehan Zinc's exploration licence.

The seismic data indicate also the probable subterranean extent of the Heemskirk Granite, which accords reasonably with geophysical information, and also demonstrates the previously unknown probability of post-granite thrusting or reverse faulting, possibly related to Palaeocene to Middle Tertiary tectonics related to major strike-slip faulting. This interpreted faulting may involve a seismic reflector indicative of shallowly dipping beds and may be of significance to oil exploration both offshore and onshore. A complete copy of digital and manually interpreted images are included in Appendix E.

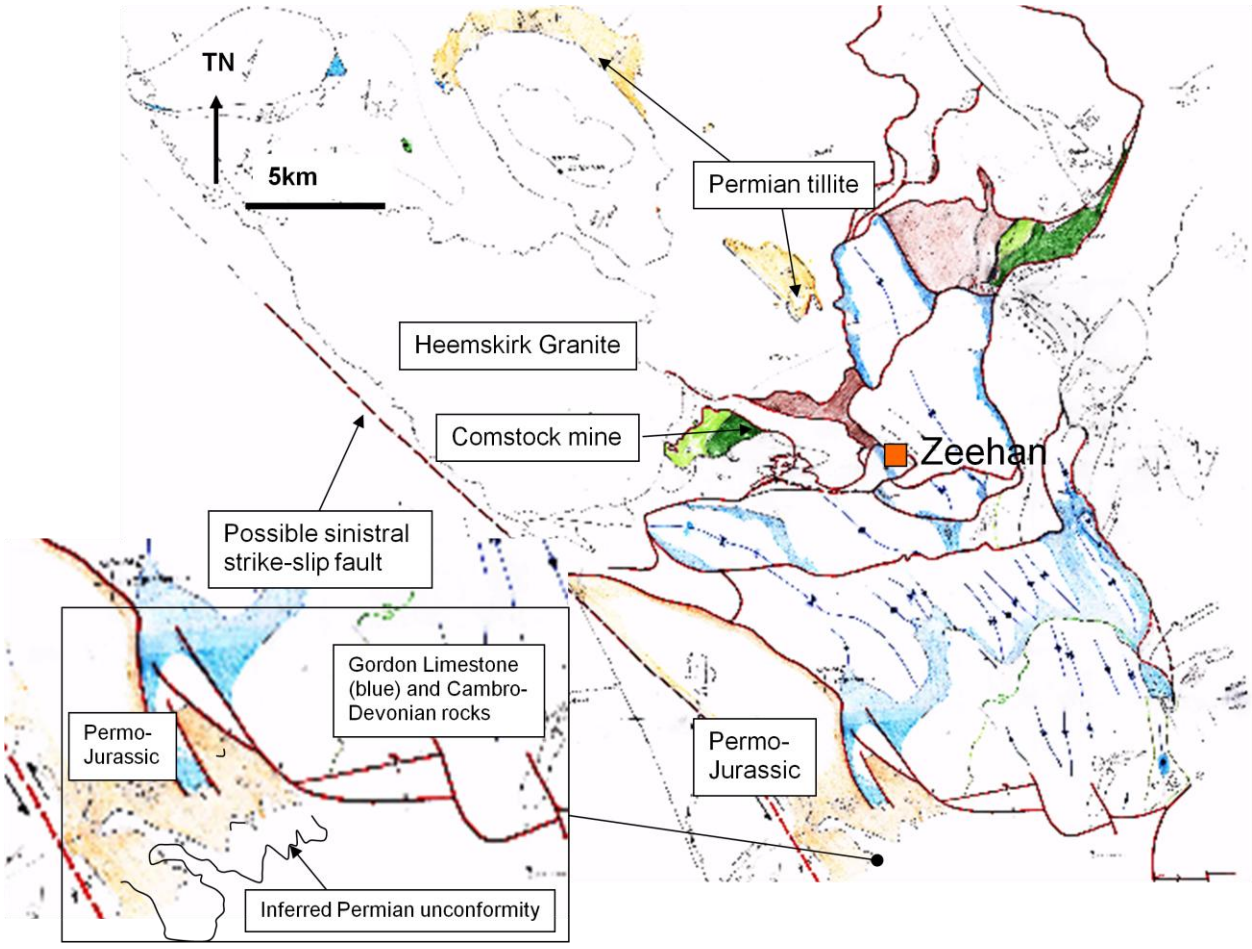

Figure 5: Summary sketch of mapped thrusts in ZEEHAN quadrangle. Red lines are faults. Blue is Gordon Limestone, green is Cambrian. Inset shows Permian contact with Cambro-Devonian rocks in STRAHAN. The inferred Permian unconformity is cut by apparent lateral thrust ramps of these pre-Late Devonian thrusts.

3.1.3 Gravity Survey

A gravity survey was undertaken in April and early May 2007 by Solo Geophysics Pty Ltd and supervised by Leaman Geophysics Pty Ltd. The gravity data was acquired along the seismic traverses carried out by Zeehan Zinc Ltd in the Zeehan area of western Tasmania. These traverses radiate from the township of Zeehan along the principal roads; one traverse re-established the route of the Mariposa tramway in the south Zeehan area. For full results of the gravity survey see Appendix F.

The data links and infills blocks of more detailed coverage in the area (figure 6), and the more coarsely-spaced regional data accumulated over many years, including the survey conducted by Solo Geophysics Ltd for Zeehan Zinc Ltd, in 2006 (Appendix G). This data will, in conjunction with the seismic survey and existing geological and aeromagnetic data in the public domain, enable a thorough multi-method interpretation of the complex geological environments present at Zeehan.

The survey was completed as a single combined GPS and gravity survey over six traverse segments. The equipment used included a Leica 1200 dual frequency RTK base station for survey control, a Garmin GPS 60 for roving observations tied with a 4W/2W UHF radio link. Optical survey support required Sokisha B1 Theodolite and 5 m staff. The resolution of the basic GPS survey component was better than 5 cm horizontally and 3 cm vertically. Gravity observations were completed with a La Coste & Romberg meter G556, calibrated in November 2005.

Elevation control was based on State survey marks linked to the RTK GPS control station. The fundamental tie and reference station ST1115 on the hill behind the Zeehan Museum, with several subsidiary elevation reference points established beside the routes traversed.

The density data allows consistent merging with the Tasmanian gravity data base with all data verification and checking was undertaken by David Leaman of Leaman Geophysics and reviewed and inserted in the official data base by Dr Robert Richardson of Mineral Resources Tasmania.

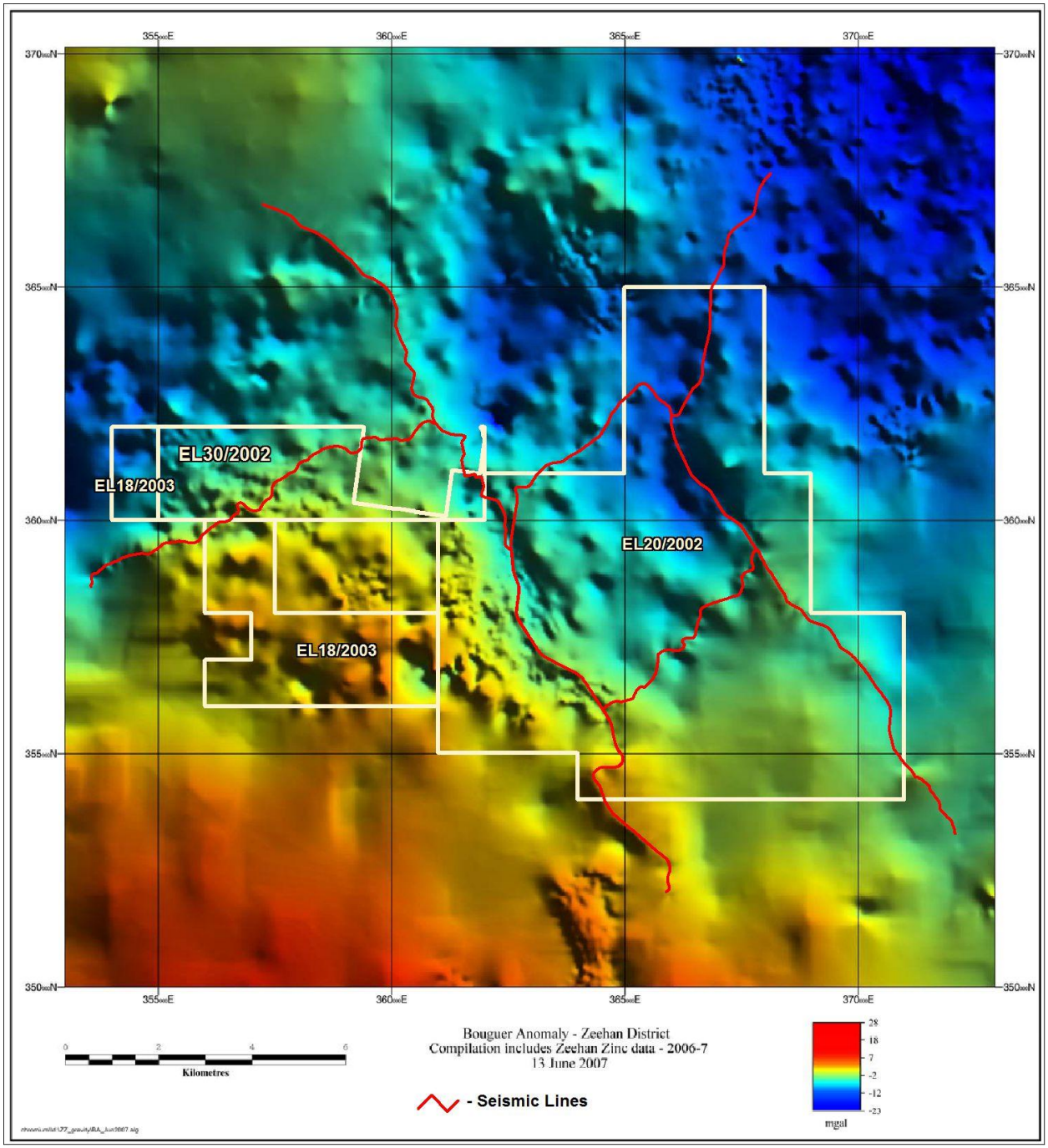

Figure 6: Bouguer Anomaly Zeehan District.

3.1.4 Ground Magnetics Survey and Geochemical Sampling

In August 2007, ZZ Exploration began work on a ground magnetics survey and soil sampling of the Melba Flats region on their EL 20/2002 exploration lease (figure 7). Due to time constraints, grid cutters were unable to prepare the survey area so the ground crews were only able to cover the accessible areas.

A Geometrics G856 magnetometer was used for the base station with a G858 magnetometer used to survey the grid lines. Ten survey lines with spacing kept of 200m made up the grid with each line made as long as possible. Magnetometer readings and soil samples were collected every 25 meters. Readings from each location were stored in the magnetometer and written down until the end of survey and then both downloaded onto the computer for processing.

Soil samples were collected at each point using a two meter long hand auger with a 75mm head piece. The auger would be wound down as far as possible and the sample was brought to the surface, bagged and labelled to be sent for further analysis.

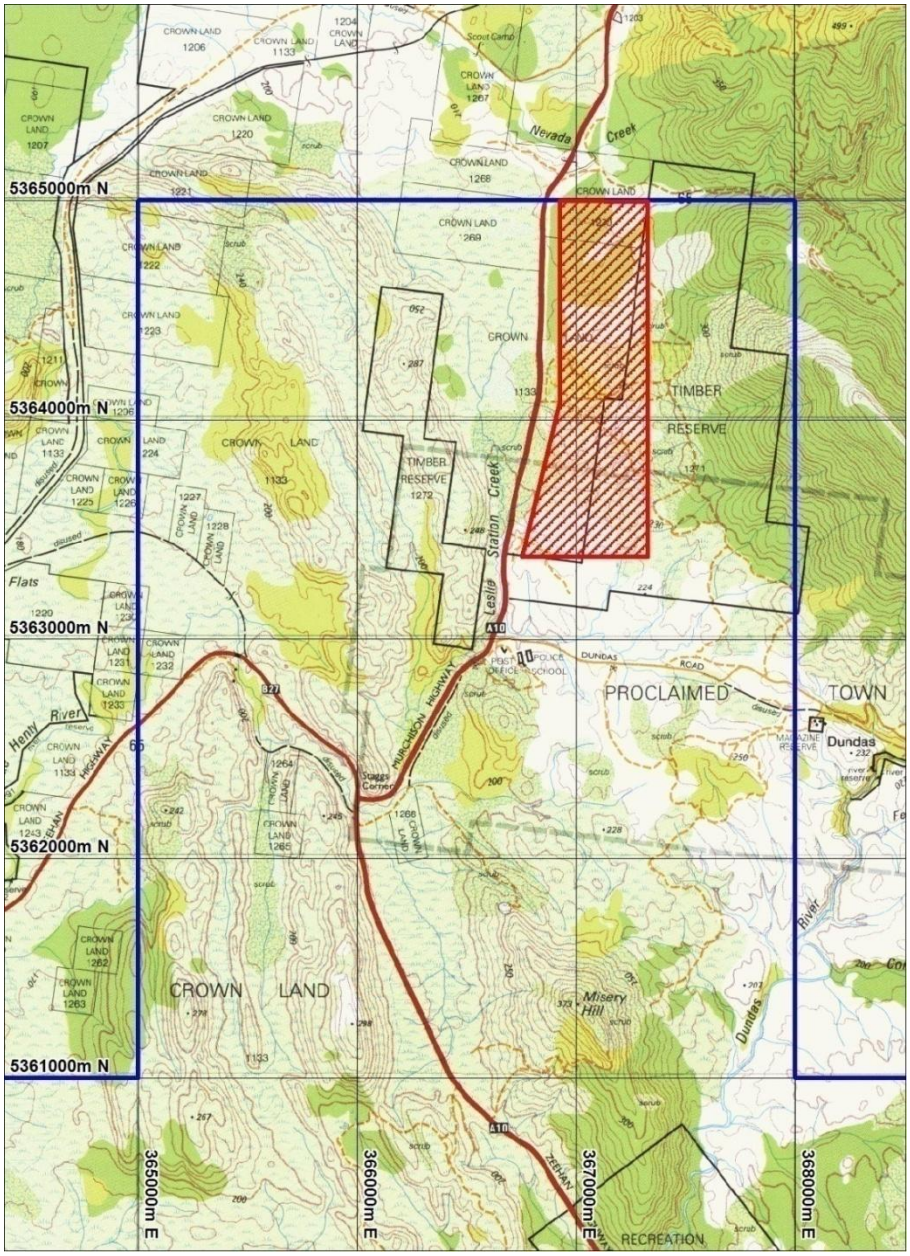

Figure 7: Map showing the northern end of the EL 20/2002 licence. Red shading shows the location for the magnetic survey and soil sampling this year.

The samples have been sent to SGS Welshpool Laboratories in Western Australia for geochemical analysis however, the assay results have not been supplied at this stage. Once the assay results have been received and evaluated in conjunction with the magnetic data, it is envisaged that ZZE will submit the necessary works programmes to undertake drilling based on these results.

A preliminary methods report (Appendix H) has been prepared outlining the project in detail. A complete report will be made available after all assay results have been received.

3.1.5 Additional Surveys Approved

ZZE submitted an application to MRT in September 2007 to continue geophysical and geochemical surveys within the EL 20/2002 exploration area. The proposed surveys have been labelled EL 20-1, EL 20-2 and EL 20-3 (Appendix I).

The areas nominated incorporate a larger area in the Melba Flats region only accessible with track cutting and a grid focussing on the Oceana and Mariposa prospects. All three grids cover a number of identified prospects existing in the exploration area. EL 20-1 and EL 20-2 will cover the Melba Flats region previously not accessible.

EL 20-1 (fig. 8) is scheduled to be within coordinates (A) 5365000mN and 367000mE, (B) 5365000mN and 368000mE, (C) 5363000mN and 368000mE and (D) 5363000mN and 367000mE.

EL20-2 (fig. 9) is scheduled to be within coordinates (A) 5365000mN and 365000mE, (B) 5365000mN and 367000mE, (C) 363000mN and 367000mE and (D) 5363000mN and 365000mE.

EL 20-3 is designed to incorporate the area between the Oceana deposit and the Mariposa deposit (fig. 10). Coordinates for EL 20-3 are (A) 5363000mN and 365000mE, (B) 5363000mN and 368000mE, (C) 5362000mN and 368000mE and (D) 5362000mN and 365000mE.

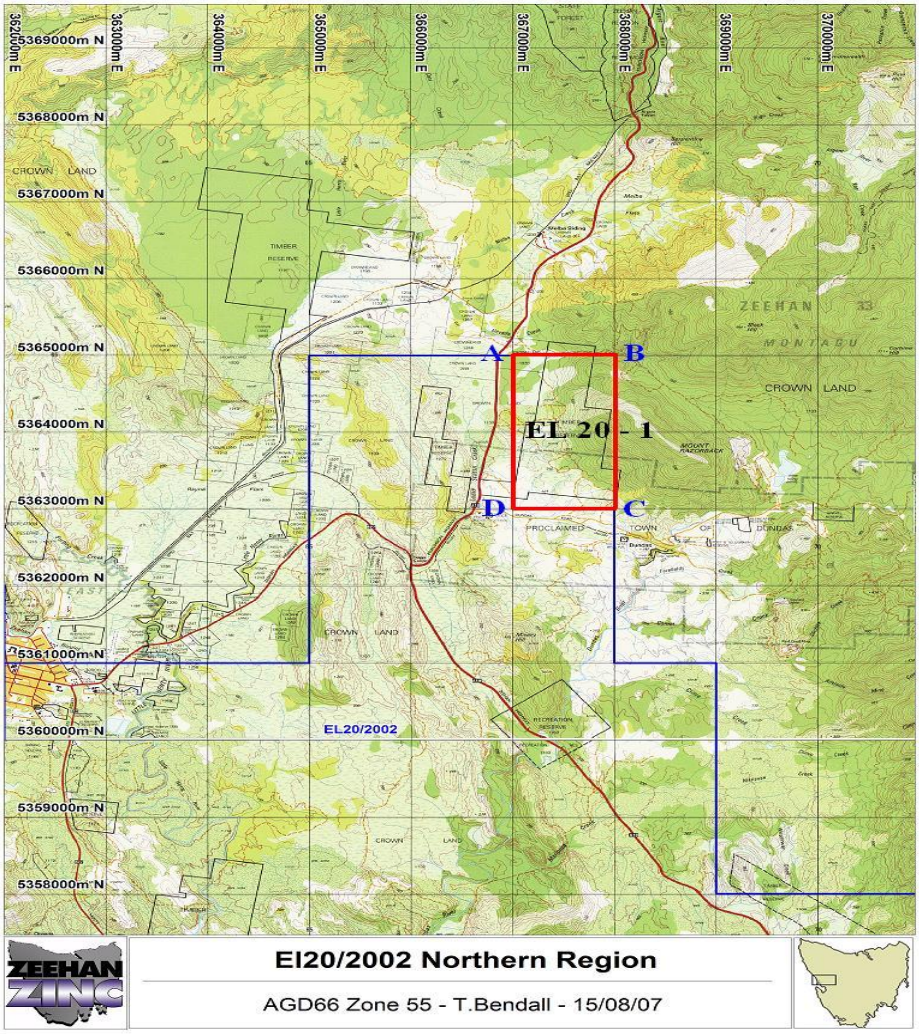

Figure 8: EL 20-1 grid incorporating the previous Melba Flats grid and dense vegetation areas.

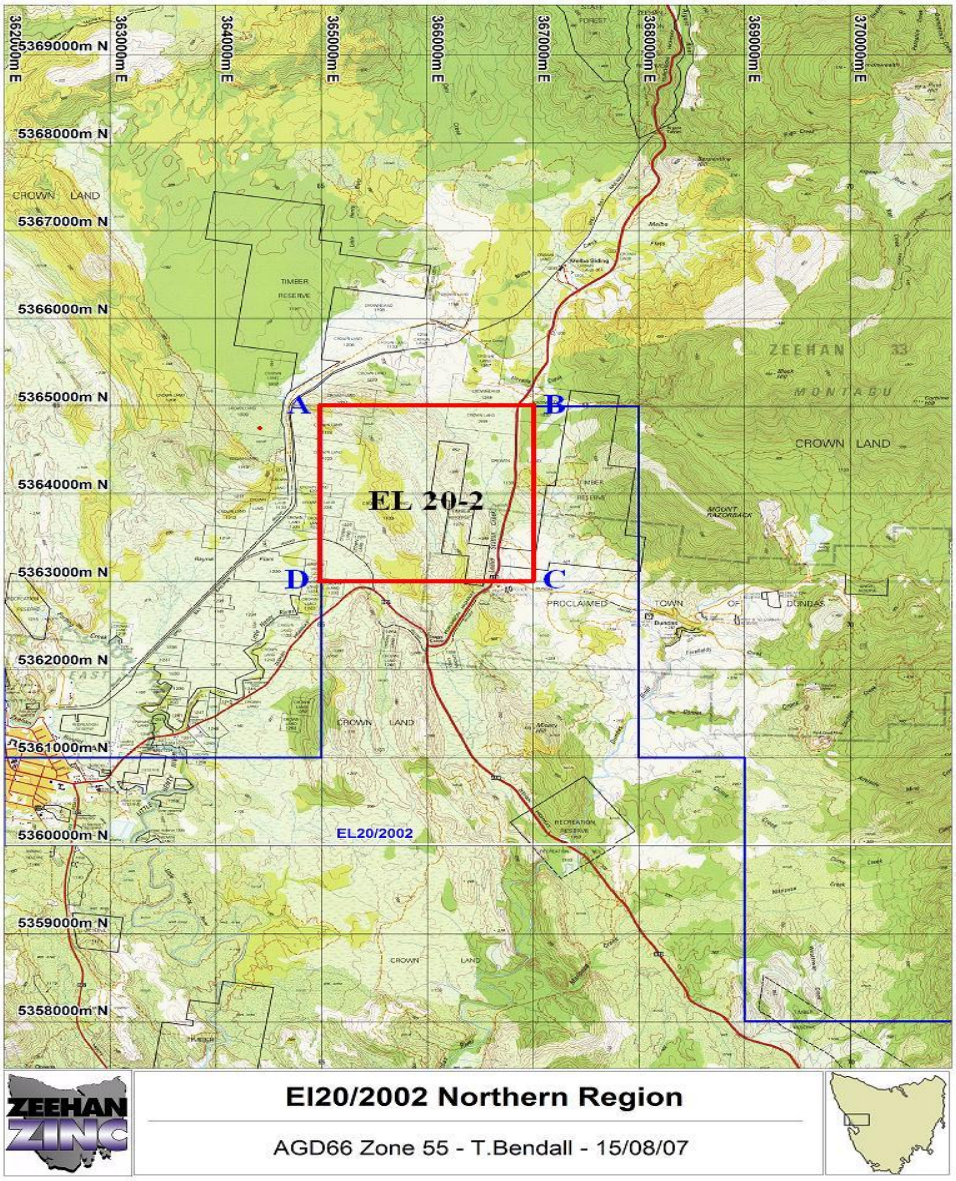

Figure 9: EL 20-2 grid to complete geochemical and geophysical sampling in the Melba Flats region.

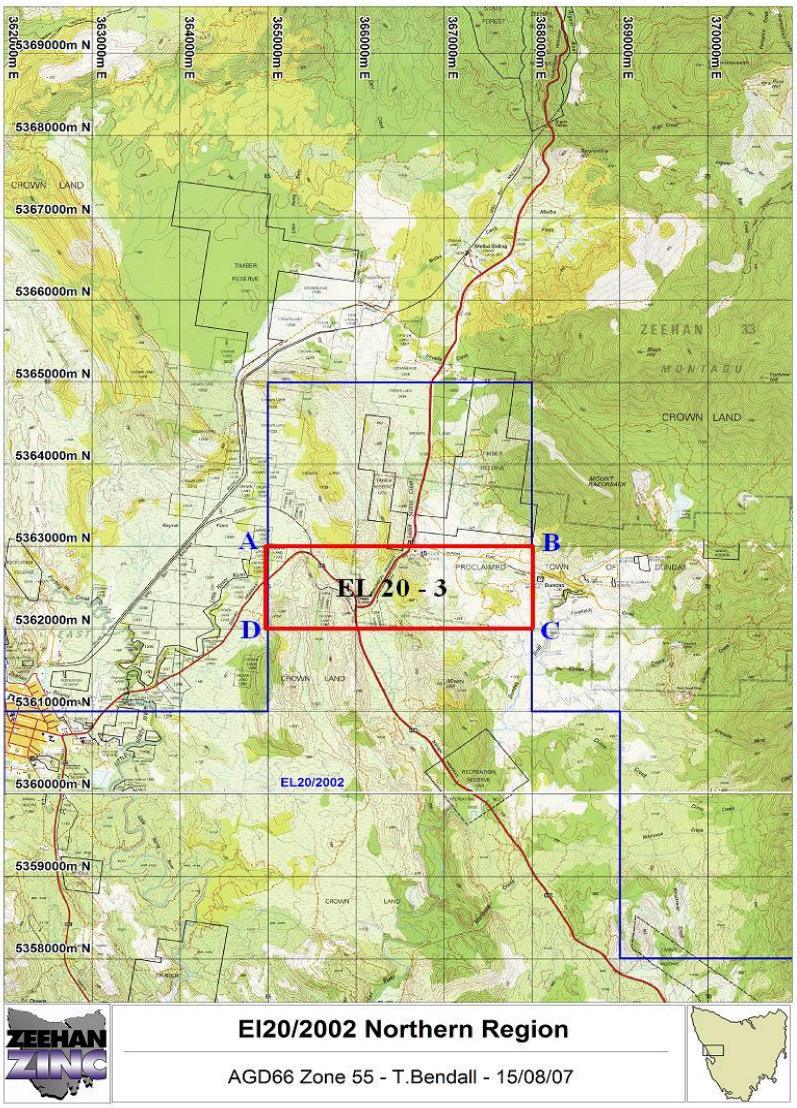

Figure 10: EL 20-3 grid to be completed over the area between the Oceana and Mariposa deposits.

3.2 Surface Exploration

3.2.1 Old Workings Survey

Undertaken by ZZE from April to September 2007, the old workings survey aimed to locate previous mining activities on current licences EL 18/2003, EL 20/2002 and EL 30/2002. Teams of 3 people were sent out into the field with the GPS locations of mines in the area and once these old workings were located and mapped, small representative samples were taken from the waste rock piles.

Samples were dried and re-labelled before transporting to SGS Welshpool Laboratories. Preliminary assays have been completed on selected elements only with the intention to do multi element assay pending on results. Assay results were received in September and Table 2 shows representative samples from some of the areas.

The Old Workings Survey has enabled ZZE to ascertain possible economic targets from old workings within the company's tenements. Pending extension of the exploration licence, the necessary works programs and subsequent approval, these targets will be further evaluated during 2008. These works would include bulk samples collected for assay, soil geochemical sampling, and subsequent RC drilling of prospective targets as determined by previous evaluation techniques. For full details on the old workings survey see Appendix J.

Plates 1 and 2: Exploration teams searching for previous workings.

Table 2: Assay results from selected old workings located within EL20/2002

Mine	Pb (%)	Zn (%)	Ag (g/t)
Oceana A1	8.9	6.75	60
Silver King 1	9.3	6.09	520
Silver King 2	11.1	5.27	420

3.2.2 Cultural Heritage survey

ZZ Exploration Ltd commissioned Arc Tas Pty Ltd. in February 2007 to identify cultural heritage sites that may be at risk from the proposed seismic survey (Appendix K). The assessment involved a review of literature from previous cultural heritage surveys and field work.

Field work over a three day period involved the relocation of all mine sites occurring within 50 metres of the relevant roadways. Sites were recorded using a handheld GPS unit and descriptive notes entered on standard pro-forma site recording forms.

A total of thirteen sites were located during the survey. Assessment of these sites can be seen in Table 3.

Table 3: Recommendations of sites located in the vicinity of subject road lines

Site No.	Site Name	Significant Yes/No	Recommendations
01	Roadside tunnel (No. 6 adit)	Yes	Protect
02	Unknown Concentrating mill (Zeehan Queen lease)	Yes	Protect
03	Silver Queen No. 4 shaft	No	None made
04	Silver Queen No.3 mullock dump	Yes	Protect
05	Unknown mullock dump 1	No	None made
06	North Comstock (adjacent unnamed working	No	None made
07	Zeehan Western mill site	Yes	Protect
08	Montana mill site	Yes	Protect
09	Western Extended mullock dump	Yes	Protect
10	Unnamed silver lead mine (Rayna Flats vicinity)	Yes	Protect
11	Australian Mine	No	None made
12	Black Jacks (adjacent unnamed working)	No	None made
13	Unnamed workings (Dundas River)	No	None made

3.3 RESEARCH THESIS

3.3.1 Sequence Stratigraphy of the Gordon Group Limestone

During 2007 ZZ Exploration sponsored an honours project based on the stratigraphy of the Gordon Group Limestone (Appendix L). ZZ Exploration hold an interest in the Gordon Group Limestone as it is host to both the Oceana and Mariposa mineralisation as well as many other prospects throughout EL 20/2002.

As the Gordon Group Limestone rarely outcrops stratigraphy studies relied on drill core to determine lithofacies and stratal stacking patterns. Seven lithofacies and three subfacies have been identified from the Gordon Group in the Zeehan region, that record deposition within three distinct depositional environments, supratidal, intertidal and subtidal. A fence of eight drill cores were used to correlate three depositional sequences.

4 PROSPECT BASED EXPLORATION

4.1 MARIPOSA PROSPECT

4.1.1 Deposit Type

The Mariposa prospect is part of a series of limestone-hosted mineral prospects located around Zeehan that have been subjected to substantial previous mineral exploration. The Oceana lead-zinc deposit is considered to have provided much of the impetus for such exploration to be undertaken over all the outcropping areas of the Gordon Limestone in the general Zeehan area (SMG Consultants 2005).

Similar to the Oceana prospect, the mineralisation that occurs at Mariposa is hosted by calcarenites and calcsiltites of the Ordovician-aged Gordon Limestone. The sequence is steeply dipping to the west with the Crotty Quartzite overlying the limestone, forming a distinct topographic high, possibly as a faulted contact (SMG Consultants 2006b) (Figure 11).

For the main Mariposa Lode, now called the Western Lode, the lead-zinc mineralization is associated with a seemingly strata-parallel, siderite replacement unit. Galena is the dominant sulphide species in conjunction with lesser amounts of sphalerite (SMG Consultants 2006b). This lode has been the subject to the majority of previous diamond drilling operations. The eastern lodes are weakly defined due to limited shallow drilling, but they are perceived to be steeply dipping and strata-parallel (SMG Consultants 2006b).
Further details of the Mariposa deposit are provided in SMG Consultants (2006b) (Appendix M).

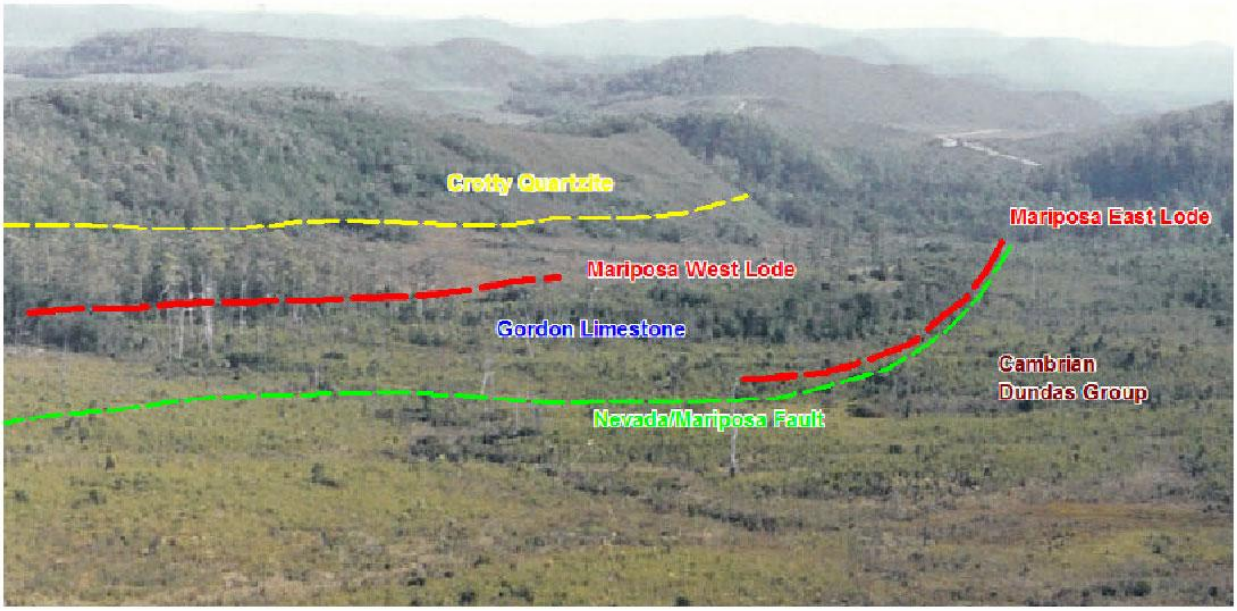

Figure 11: Local geology of the Mariposa prospect (looking north) (SMG Consultants 2006b).

4.1.2 Geophysics

4.1.2.1 Seismic Line TB02b-ZB

Scheduled as part of the regional seismic survey commissioned by ZZE during 2007, was Line TB02b-ZB. This line was designed to traverse along the upgraded Mariposa tramway between the Zeehan Highway and Henty Road (figure 4). Seismic commenced on the Mariposa Line TB02b-ZB on May 5 2007 and was completed on May 7 2007. Of the initial planned traverse, 5.69 kilometres including 14 skipped VP's were not completed due to difficult terrain.

4.1.2.2 Seismic Interpretation Line TB02b-ZB

As part of the Short Seismic Interpretation provided by Dr Robert Findlay August 2007 (Appendix D) was a number of observations for the Mariposa Tramway area Line TB02b-ZB. Due to the conditions of the track some areas were not completed. Dr Findlay also notes that there is no seismic response to the mid section of Line TB02b-ZB due to a large swamp area.
The positioning of the Mariposa Tramway and therefore seismic line TB02b-ZB resulted in the line crossing almost orthogonally the broad part of the post-Early Devonian syncline trending NW. The western and eastern parts of the section followed the predominant strike of the rocks in the area.

Dr Findlay noted the western part of the section indicated thrust and thrust duplexes with a westward vergence, similar to observations in seismic section ZA (figure 12). The interpreted dip of the thrust and thrust duplexes appears shallow. It is suggested that Late Cambrian beds in the west overthrust the Ordovician Gordon Limestone. Mineralisation hosted within the limestone would therefore underlie the Cambrian units.

A texturally distinct zone occurs at approximately 3600-4000m, this is also evident in section ZA. This same zone has been identified in other seismic sections as a subhorizontal unit and may indicate a granitic body. Dr Findlay was unable to correlate different rock units in the regional post-Early Devonian syncline due to poor reflectors.

4.1.2.3 Gravity Survey over the Mariposa Tramway

As part of the seismic survey completed by SOLO Geophysics in April and May was a completion report by supervisor David Leaman (Appendix F). The Mariposa Traverse covered in the survey was completed at 50m spacing for the segment between Strahn Road and Little Henty River. The section between Little Henty River and Zeehan Highway towards Queenstown was completed at 25m spacing.

The traverse was considered difficult with a number of survey problems encountered. These included a large river crossing, soft ground, dense vegetation and the need for optical levelling in some areas. A total of 215 stations were recorded at the completion of the traverse.

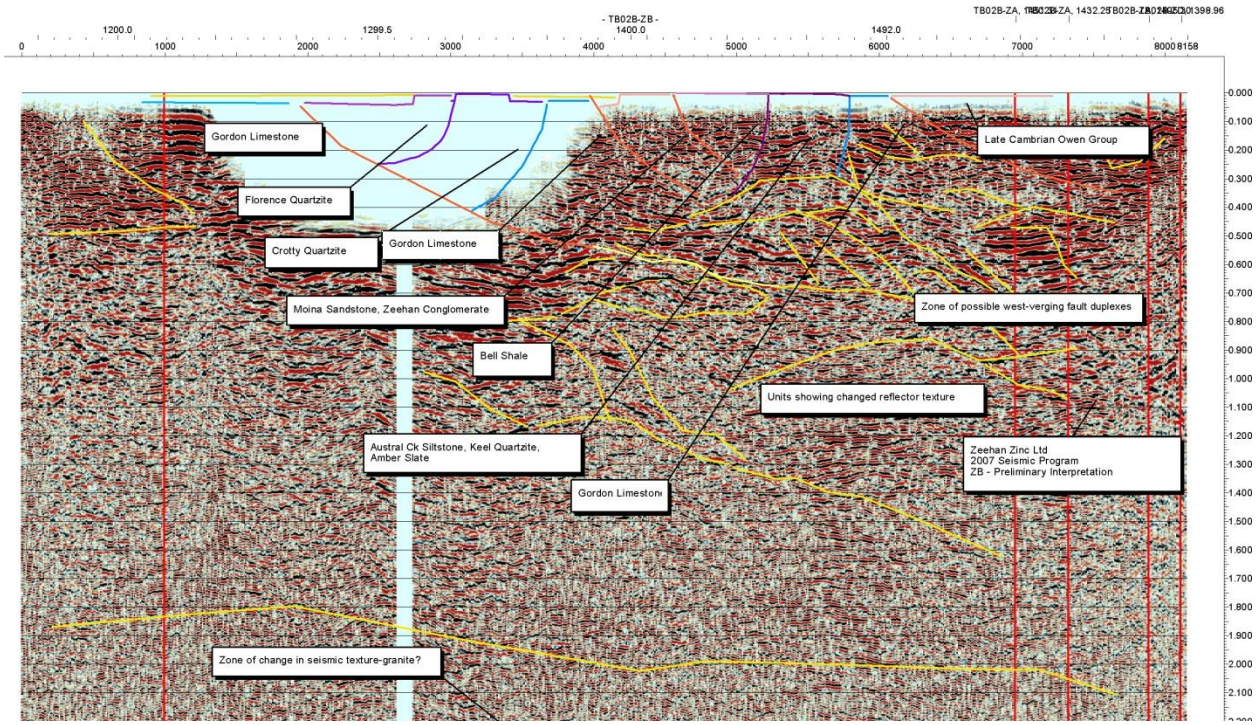

Figure 12: Dr Findlay's interpretation of seismic line ZB which traversed the Mariposa Tramway.

4.1.3 Environment at the Mariposa Prospect

On March 16 2007 a Cultural Heritage Survey was conducted by Arc Tas Pty Ltd, on the eastern half of the former Mariposa Mine tramway between the Zeehan Highway and the Dundas River. Senior consultant Parry Kostoglou assessed the cut/bench formation originally laid down c1900 and the stone cuttings which the cut/benched formation had been driven through (Appendix N). It was concluded that the cut/benched formation had been re-used during the 1950's when logging the area, and again for mineral exploration in the 1970's. Substantial modification and degradation of the original structure had occurred with the exception of incidental celery top pine sleeper sequence. The feature was deemed Low Significance negating further consideration. The stone cuttings that the formation had been driven through were considered extensive and well preserved. It was deemed an area of High Significance requiring further consideration in the event of impact.

From the survey it was recommended that the eastern half of the former Mariposa tramway can be re-used providing the cuttings were not impacted on.

On the 17 April 2007, the western half of the former Mariposa mine tramway between Henty Road and the Dundas River was inspected. The elevated tramway embankment originally laid down c1900 had been re-used for selective logging in the 1950's. Two wooden bridges also remained evident. Both the bridges and the embankment were deemed of High Significance. It was also found that a settlement at the western end of the tramway section was still evident. The site consisted of a number of hut sites and machinery scatters. The site was deemed High Significance.

From the survey it was recommended that the works proposed for the Mariposa Tramway be approved providing the following conditions were followed:

- The client will lay down a substantial layer of crushed limestone over the existing formation to protect it from vehicle damage. Likewise related timber bridge adjustments will be covered by the same material thus ensuring their survival.
- The formation alignment through the township site had been relocated and providing there was no deviation from the alignment, the significant historic fabric would not be disturbed.

It was concluded that both the eastern and western halves of the Mariposa tramway have approval for re-use.

4.1.4 Approval for upgrade of the Mariposa Tramway

On March 9 2007, MRT granted approval to refurbish the first section of the Mariposa Tramway to facilitate the planned drilling programme. MRT also suggested traffic management would need to be considered for the Lyell Highway entrance. On March 9 2007, approval was also granted to engage the services of a track cutter. Appendix O lists the items granted approval by MRT.

Approval to upgrade the Mariposa Tramway for the scheduled seismic survey was granted by MRT on the April 29 2007, after review of the submitted work programme and European Heritage Survey (Appendix P).

4.1.5 Progress on Drilling Programmes

ZZE submitted a proposed drilling program for approval from MRT on 21 February, 2006 (Appendix Q). Further information was subsequently provided by ZZE on the 16 March 2006. On 21 April, confirmation of approval for the proposed Mariposa drilling program was received by ZZE from MRT. During the upgrade of the Mariposa Tramway May and June 2007, an access track was started to allow drill pad construction for the 2006 approved drilling program. The access track allowed the construction of pads scheduled on the lower topography only.

During 2007 ZZE contracted both an RC drill rig through Tasmanian Drilling Services Pty. Ltd and a diamond drill rig through Spauldings Drilling Services Pty Ltd. Both rigs were involved in resource and infill drilling within the Comstock mine lease. No drilling has been completed on the Mariposa Prospect as yet.

4.1.6 Mining Lease Application

On May 23 2007, ZZE applied for Mining Lease 7M/2007 covering an area of 98.78ha on the Mariposa Prospect (Appendix R). In a previous application for 4M/2006 ZZE was advised by MRT it considered there was insufficient information to grant a mining lease over the resource defined at the Mariposa Mine. MRT informed ZZE that an application for a retention licence would be received favourably by MRT.

5 EXPLORATION EXPENDITURE

5.1 EXPENDITURE DURING THIS REPORTING PERIOD

Table 4 summarises the expenditure by ZZ Exploration over EL 20/2002 during quarters one, two and three of the reporting period. Quarter four has not been included due to the report submission required prior to the end of the December quarter.

Table 4: Summary of expenditure over EL 20/2002 during December 2006 – December 2007.

Expenditure Statement	2007				Dec 2006-Dec 2007
Category	March Quarter	June Quarter	September Quarter	December Quarter	Category Total
Geology	$10,000.00	$58,492.80	$28,833.70	$644.49	$97,970.99
Geochemistry	$702.40	$1,469.13	$457.98		$2,629.51
Geophysics - Air					$0.00
Geophysics - Ground		$791,033.72	-$46,374.40	$6,431.88	$751,091.20
Feasabibily Studies	$180.91				$180.91
Rehabilitation					$0.00
Drilling (m)		$46,059.78	$1,306.80		$47,366.58
Griding line (km)		$52,505.00	$900.00		$53,405.00
Administration	$999.16	$61.00	$35,723.90		$36,784.06
Other	$5,417.68	$165,862.22		$30,349.91	$201,629.81
Grand Total	**$17,300.15**	**$1,115,483.65**	**$20,847.98**		**$1,153,631.78**

5.2 EXPENDITURE COMMITMENTS

EL 20/2002 was granted on 7 February 2003 with an attaching expenditure commitment of $750,000 for the first two years. Subsequent expenditure commitments are based on 71km2 area of EL 20/2002.

Minimum expenditure commitments are provided in Table 5 with a total expenditure to date outlined in Table 6.

Table 5: Minimum required expenditure commitments by ZZ Exploration over EL 20/2002

Expenditure required (minimum)	EL20/2002 (71km2)	Total
Years 1 & 2	$ 750,000	$750,000
Year 3	$ 1000 per km2 per annum	$71,000
Year 4	$ 2000 per km2 per annum	$142,000
Year 5	$ 5000 per km2 per annum	$355,000
Total minimum expenditure up to December quarter 2007	**$ 1,318,000.00**	**$1,318,000**

Table 6: Expenditure over EL 20/2002 by ZZ Exploration Pty Ltd during 2003 - 2007.

Expenditure Statement	**2003**	**2004**	**2005**	**2006**	**2007**	**2003-2007**
Category	**Total**	**Total**	**Total**	**Total**	**Total**	**Total**
Geology	$87,948.07	$26,772.54	$79,893.62	$254,667.21	$97,970.99	**$547,252.43**
Geochemistry		$200.00	$3,560.63	$32,011.65	$2,629.51	**$38,401.79**
Geophysics-Air	$2,200.00				$0.00	**$2,200.00**
Geophysics - Ground				$80,214.77	$751,091.20	**$831,305.97**
Feasibility Studies	$5,488.00	$3,549.05	$12,641.14	$104,782.93	$180.91	**$126,642.03**
Rehabilitation					$0.00	**$0.00**
Drilling (m)			$13,934.16	$84,142.27	$47,366.58	**$145,443.01**
Gridding line (km)					$53,405.00	**$53,405.00**
Administration	$9,992.11	$497.00	$1,420.74	$17,093.75	$36,784.06	**$65,787.66**
Other	$4,285.00	$20,516.50	$129,212.88	$217,749.52	$201,629.81	**$573,393.71**
GST Error	$0.00	-$200.00	$0.00	$0.00		
Grand Total	**$109,913.18**	**$51,335.09**	**$240,663.17**	**$790,662.10**	**$1,153,631.78**	**$2,346,205.32**

6 PROPOSED WORK PROGRAMME

ZZ Exploration has prepared a detailed proposed work programme and budget for exploration during 2008. For complete details see Appendix T.

7 REFERENCES

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Taylor, B.L. (1983). Amco – E.Z exploration of the Gordon Limestone: Electolytic Zinc Co. of Australasia Ltd & Amoco Minerals Aust. Co. [84-2192].

8 APPENDICES

Appendix A: *Schedule from Exploration Licence EL 20/2002*
Appendix B: *Location of Mineral Deposits within EL 20/2002*
MIRLOCH Mineral Locations
Appendix C: *Great South Land Minerals 2007 Zeehan Zinc 2D Operations Report* by Terrex Seismic
Appendix D: *Short Seismic Interpretation* by Dr. R. H. Findlay
Appendix E: *Seismic Line Images.* Terrex Seismic Survey 2007
Appendix F: *Completion Report Gravity Survey Zeehan Area* by Leaman Geophysics
Appendix G: *Gravity Surveys Zeehan Area Tasmania* SOLO GEOPHYSICS and CO
Appendix H: *Magnetic Survey and Soil Sampling at Melba Flats and Tenth Legion South. ZZ* Exploration Pty Ltd
Appendix I: EL 20-1, EL20-2 and EL 20-3 Works Programs for Magnetic Survey and Soil Sampling
Appendix J: *Old Workings Survey Report,* ZZ Exploration Pty Ltd
Appendix K: *Cultural Heritage Survey, Zeehan vicinity*. ArcTas Pty. Ltd.
Appendix L: Sequence Stratigraphy of the Gordon Group Limestone, Zeehan Area, Western Tasmania
Appendix M: *Geological Interpretation and Block Model Report for The Mariposa Prospect*. SMG Consultants
Appendix N: *Recommendation for Approval of Re-Use of the Mariposa Tramway* Arc Tas Pty Ltd.
Appendix O: *Approval to Refurbish First Section of Mariposa Tramway and Track Cut Complete Sections* Mineral Resources Tasmania
Appendix P: *Approval to Upgrade Mariposa Tramway* Mineral Resources Tasmania
Appendix Q: *Mariposa Drilling Programme*
Appendix R: *Mining Lease Application 7M/2007*
Appendix S: *Proposed Work Programmes for 2008*