

ZZ EXPLORATION Pty Ltd

EXPLORATION LICENCE 30/2002 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 30/2002 (EL 30/2002) during December 2006 - December 2007.

Role in the Regulation Process

This document fulfils the role of an Annual Report for EL 30/2002 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.

EXECUTIVE SUMMARY

ZZ Exploration Pty Ltd (ZZ Exploration) currently holds Exploration Licence 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 December 2006 – December 2007.

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 of Montague Minerals Pty Ltd;
- Gravity survey completed by SOLO Geophysics traversing Trial Harbour Road;
- Ground magnetics survey completed in the south western area of EL 30/2002;
- Soil survey completed in the south western area of EL 30/2002;
- Approval of EL 30-1 grid in the north west of EL 30/2002 for geochemical and geophysical surveys;
- Old workings survey commenced including sample collection of waste rock and outcrop;
- Old workings sample collection assay results received.

Balstrup Fault Prospect

- Ground magnetics survey completed over the Balstrup Fault area;
- Preliminary seismic interpretation completed including interpretation of the Balstrup fault and structural relationships.

Tenth Legion Fault Prospect

- Soil survey completed in the Tenth Legion area;
- Ground magnetics survey completed over the Tenth Legion area;
- Geophysical preliminary interpretation by David Leaman Geophysics;
- Application submitted to upgrade access track to the Tenth Legion area;
- Application submitted to drill the Tenth Legion 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
ZZE	ZZ Exploration Pty Ltd
Zn	zinc

1: INTRODUCTION

1.1 PURPOSE OF THIS DOCUMENT

ZZ Exploration Pty Ltd (ZZE) 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 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

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

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

Exploration Licence 30/2002 (EL 30/2002) covers 8 square kilometres and is located directly west of Zeehan, western Tasmania (figure 1).

The main access to EL 30/2002 is via Trial Harbour Road and a 4WD is required to negotiate the numerous partially overgrown former tramways that cross the area.

EL 30/2002 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.

EL 30/2002 is of primary interest to ZZE as it largely encloses a current mining tenement (5M/2007) held by Oceania Tasmania Pty Ltd (Oceania Tasmania) and covers the strike extent of the dominant mineralised structures within the tenements.

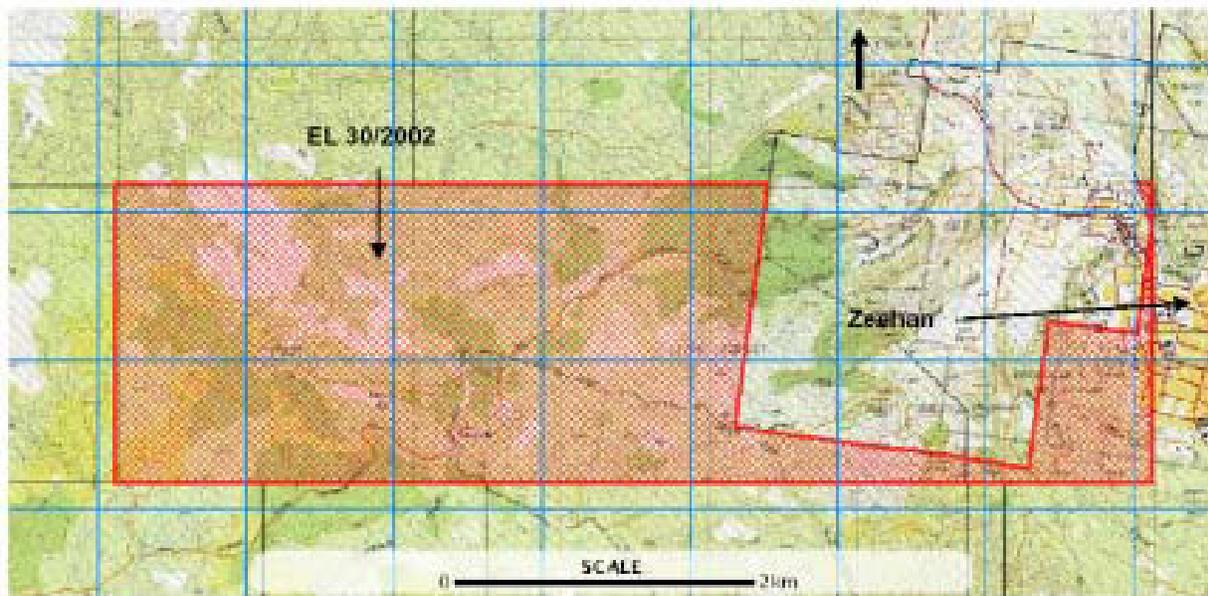


Figure 1: Location of EL 30/2002 relative to Zeehan.

ZZE 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 ZZE 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.

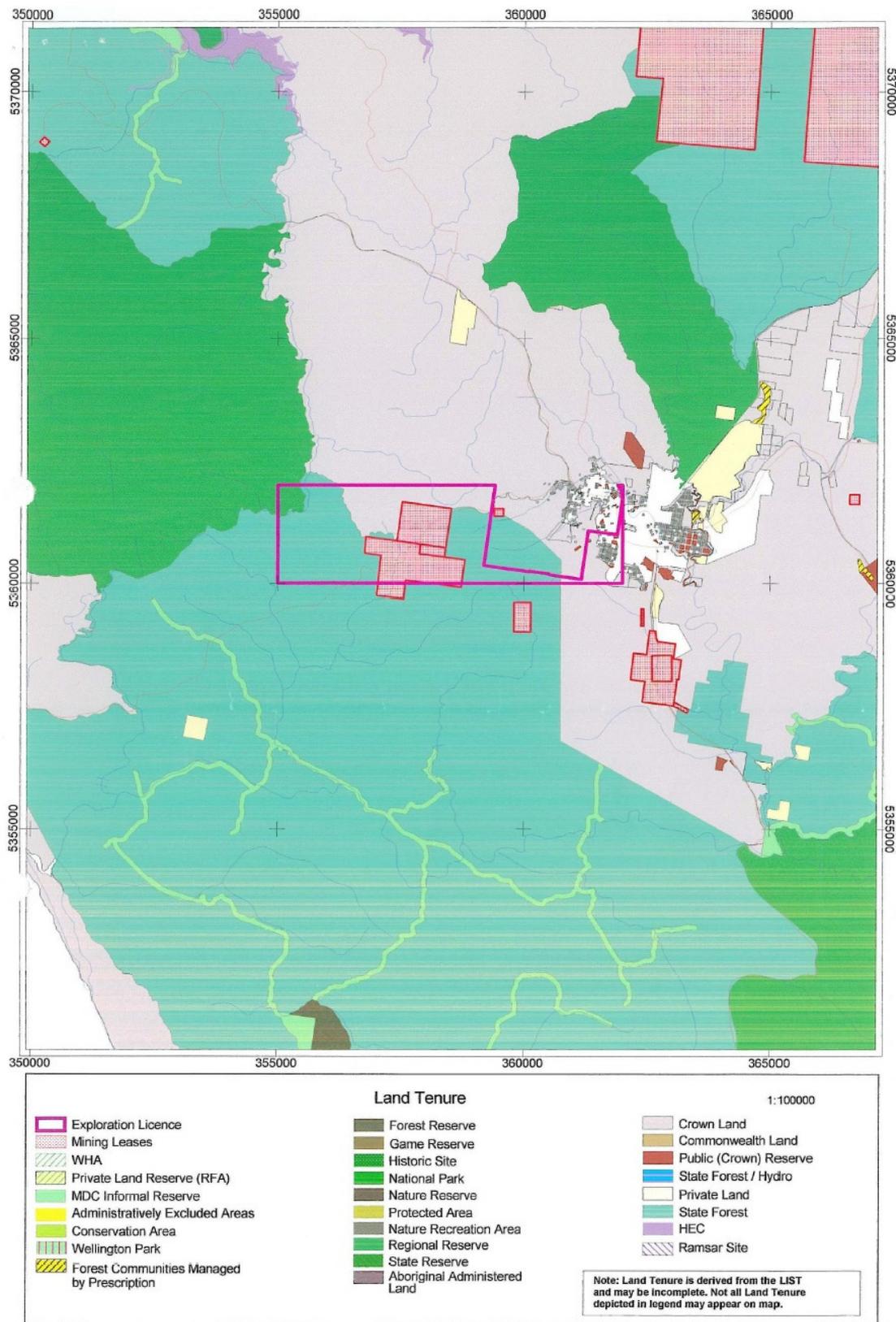


Figure 2: Land tenure for EL 30/2002.

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 2006-2007	Description of exploration activities by ZZ Exploration on a regional scale within EL 30/2002 during the reporting period.
4.0 Prospect Based Exploration	Exploration at the Balstrup Fault Exploration at the Tenth Legion Fault
5.0 Exploration Expenditure	Summary of exploration expenditure by ZZ Exploration over EL 30/2002 during the reporting period.
6.0 Proposed Work Program	Description of the proposed exploration program within EL 30/2002 during 2008.
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 30/2002

2.1.1 Regional Exploration Activities

EL 30/2002 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 McIvor Hill Complex (bounded by the Tenth Legion Fault) crop out in the SW portion of EL 30/2002. 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 EL 30/2002. An E/NE-trending Devonian granitoid spine associated with the Heemskirk Granite is shown to extend beneath EL 30/2002 (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 serpentinised 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).

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 2006-2007

ZZE has undertaken regional and prospect based exploration activities within EL 30/2002, during December 2006 – December 2007 (figure 3).

Regional exploration involved large scale geophysical projects as well as more directed exploration with the Old Workings Survey.

Prospect based exploration activities have focussed on the Tenth Legion area and on structural relationships between the Tenth Legion Fault and the Balstrup Fault.

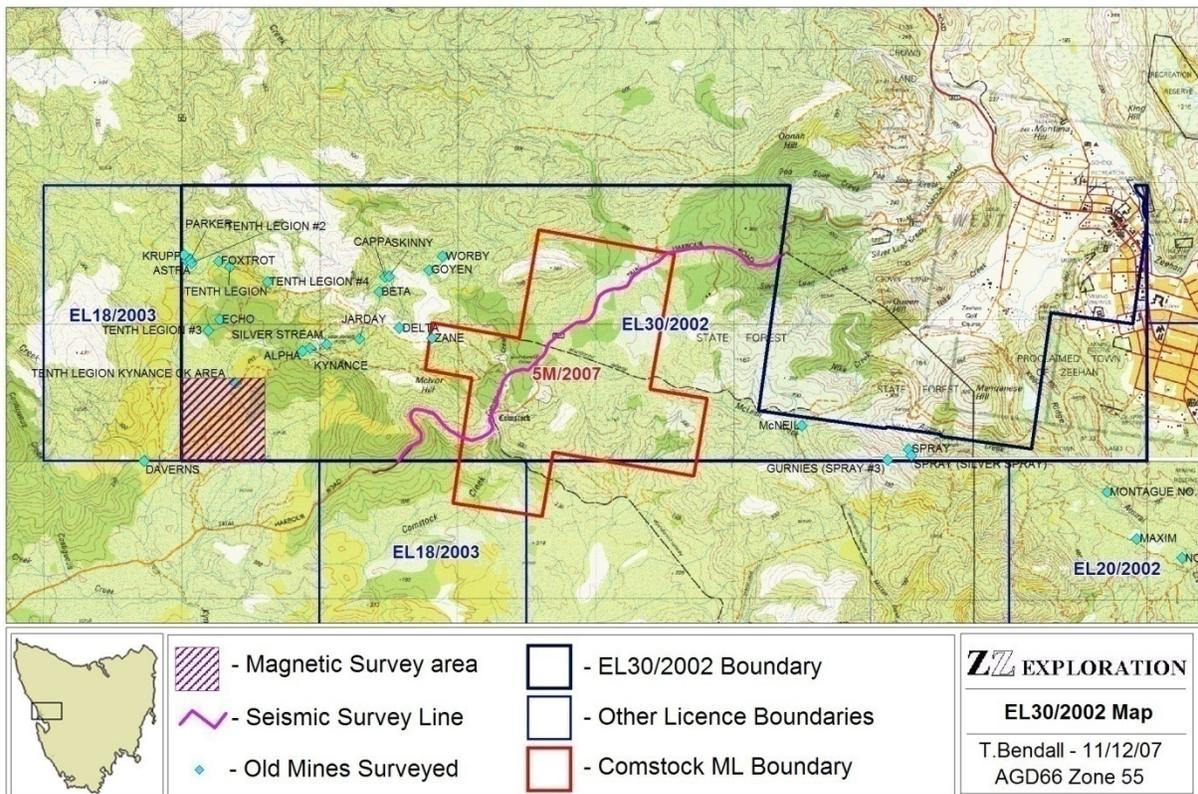


Figure 3: Exploration activity map for EL 30/2002 for the period December 2006 to December 2007.

3.1 GEOPHYSICS

3.1.1 Seismic Survey

Terrex Seismic was contracted by Great South Land Minerals (GSLM) 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 Great South Land Minerals 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.

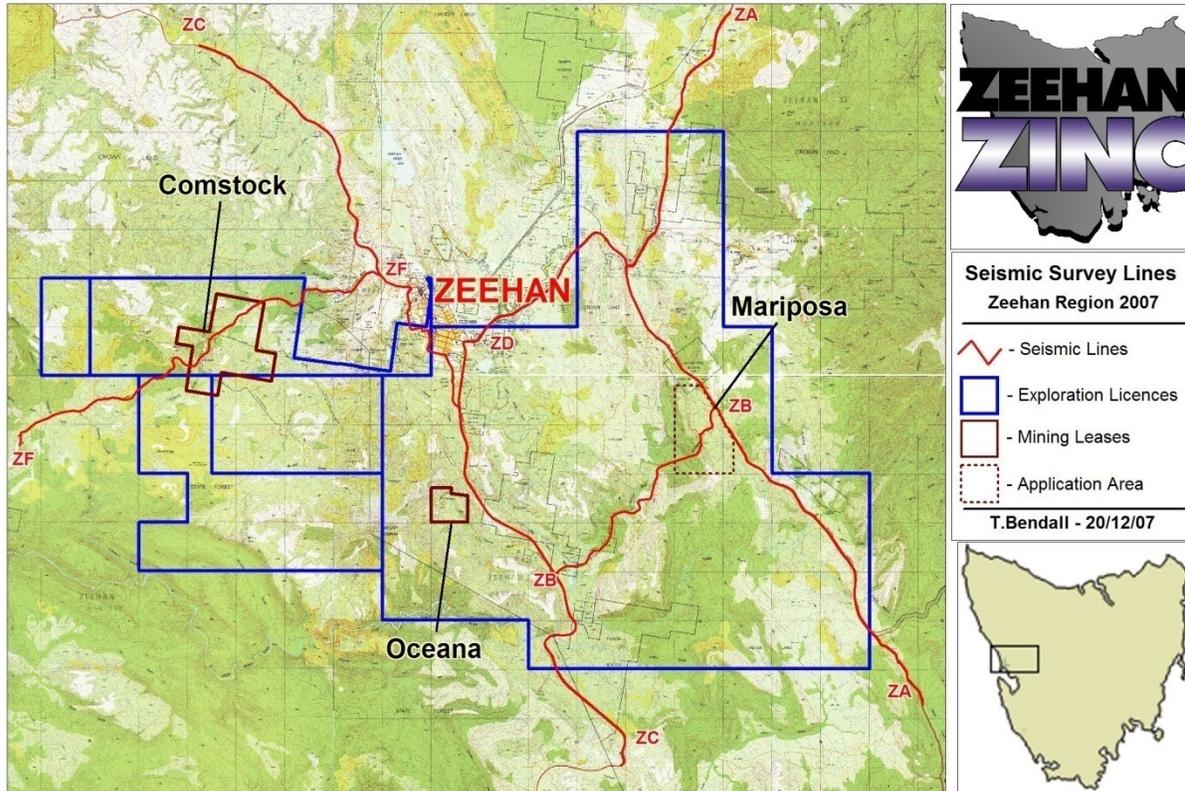


Figure 4: Seismic survey lines.

3.1.2 Preliminary Seismic Interpretation

Dr. R. H. Findlay of Montagu Minerals Mapping Pty Ltd was commissioned by Zeehan Zinc Ltd to prepare a preliminary report based on his knowledge of structural geology in the Zeehan area (Appendix D). The report incorporated the interpretation of 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 sub horizontal 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 ZZE'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 the digital and manually interpreted images is included in Appendix E.

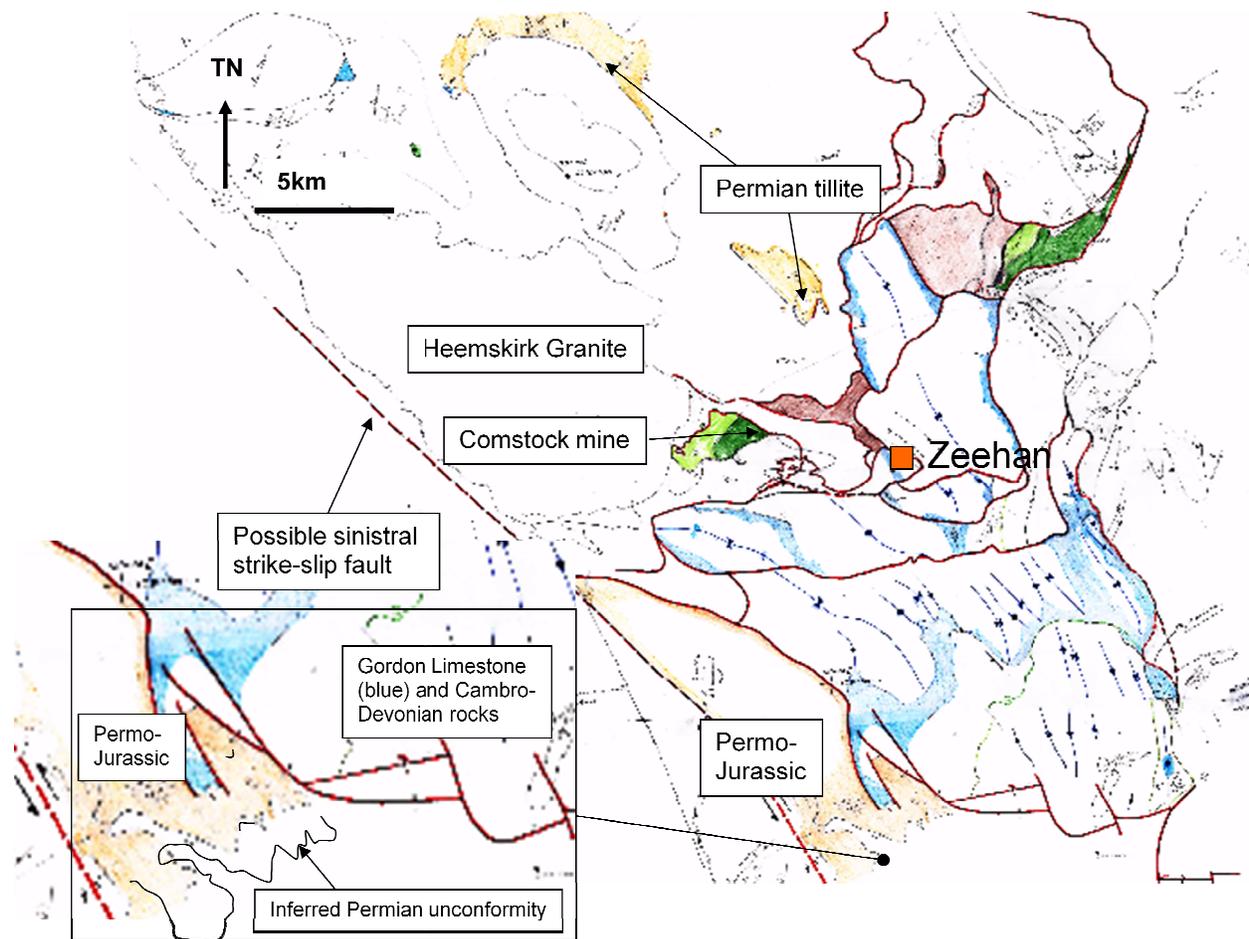


Figure 5: Summary sketch of mapped thrusts in ZEEHAN quadrangle. Red lines are faults. Blue is Gordon Limestone, green is Cambrian. Inset shows Permian contact with Cambro-Devonian rocks in STRAHAN. The inferred Permian unconformity is cut by apparent lateral thrust ramps of these pre-Late Devonian thrusts.

3.1.3 Gravity Survey

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

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 for Zeehan Zinc Limited 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 5cm horizontally and 3cm 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.

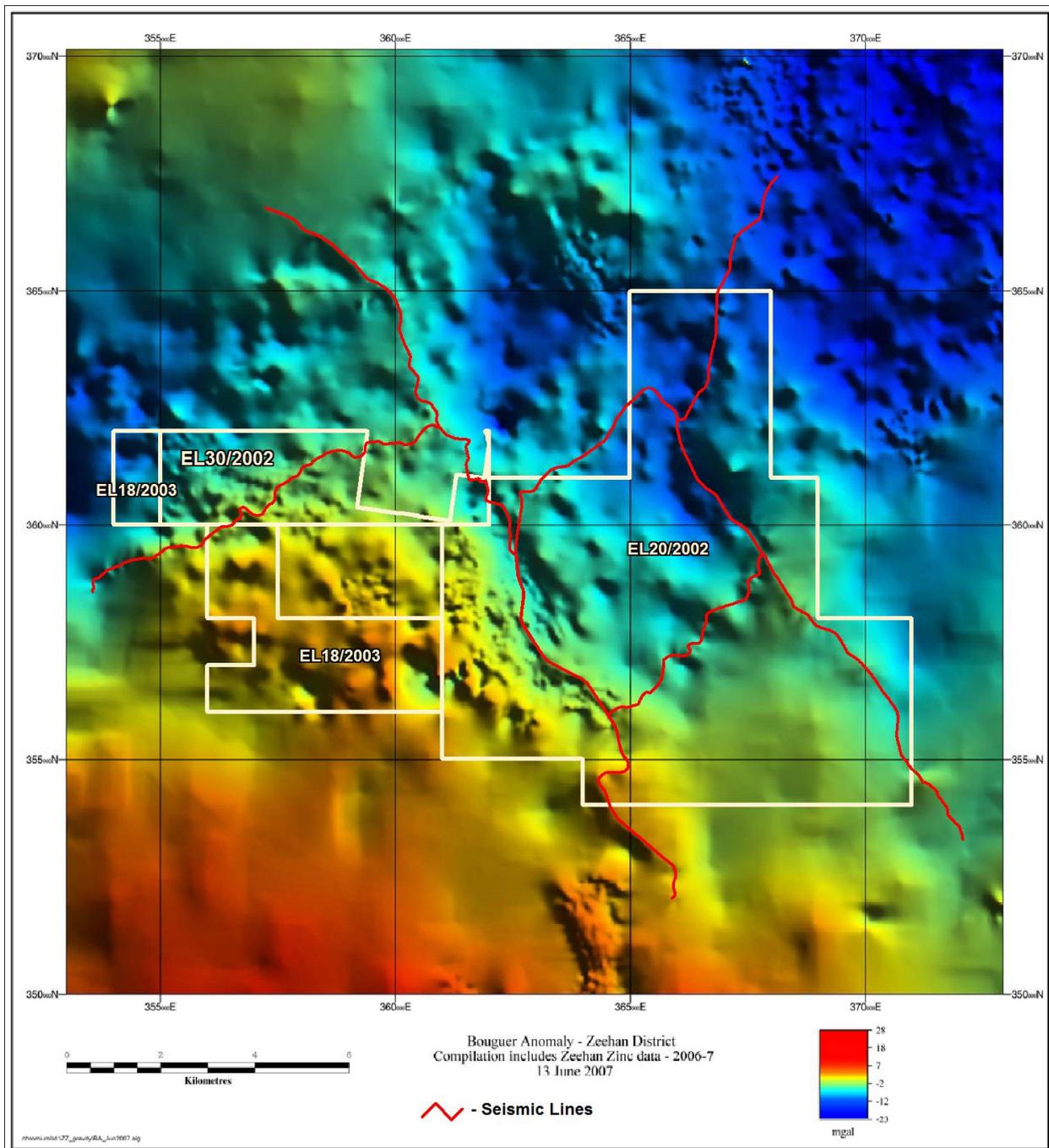


Figure 6: Bouguer Anomaly Zeehan District with seismic lines.

3.1.4 Ground Magnetics Survey and Geochemical Sampling

In August 2007, ZZE began work on a magnetic survey and soil sampling of the Tenth Legion South area on EL 18/2003 and EL 30/2002 exploration licences (figure 7). The dense vegetation in this area necessitated grid cutters being brought in to cut the six line grid as the terrain was inaccessible by a ground crew.

A Geometrics G856 magnetometer was used for the base station and was set up in the far North/East corner of the grid and the grid lines run North/South for 600 meters each with line spacing of 200 meters. Magnetometer readings and soil samples were then taken every 25 meters. A Geometrics G858 magnetometer was used for the actual survey and every reading

was stored in the magnetometer and written down until the end of survey and then both downloaded onto the computer for processing.

A marker was placed at every 25 meters with the corresponding GPS coordinate and a soil sampling number. A total of 25 soil samples and magnetometer readings were taken for each line. 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.

The samples have been sent to SGS Welshpool Laboratories in Western Australia for geochemical analysis however, the samples will not be tested until the renewal of exploration licences in January. 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.

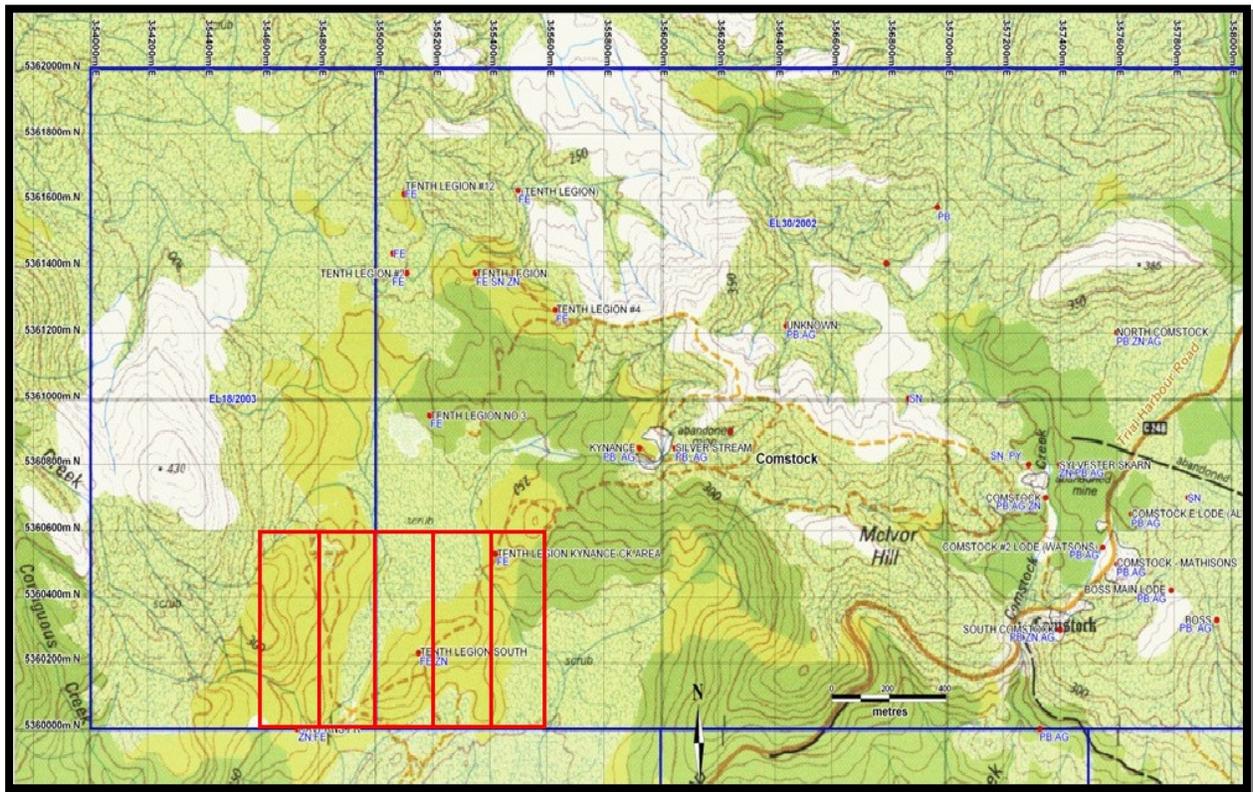


Figure 7: Map showing the EL 18/2003 and EL 30/2002 licences. Red shading shows the location for the magnetic survey and soil sampling this year.

3.1.5 Additional Surveys Approved

ZZE submitted an application to MRT in September 2007 to continue Geophysical and geochemical surveys within the EL 30/2002 exploration area. The proposed survey has been labelled EL 30-1 (Appendix I).

The area nominated is located in the north western section of EL 30/2002 and covers a number of identified prospects within that part of the exploration area. The grid is also positioned to define magnetic anomalies identified from previous geophysical surveys.

The grid area will be between the coordinates of (A) 5362000mN and 355000mE, (B) 5362000mN and 356000mE, (C) 5361000mN and 356000mE, and (D) 5361000mN and 355000mE. After assessment of the previous ground magnetics survey, it has been considered necessary to reduce the distance between lines. Sampling will continue at 25m intervals. The grid position and corresponding coordinates are featured in Figure 8.

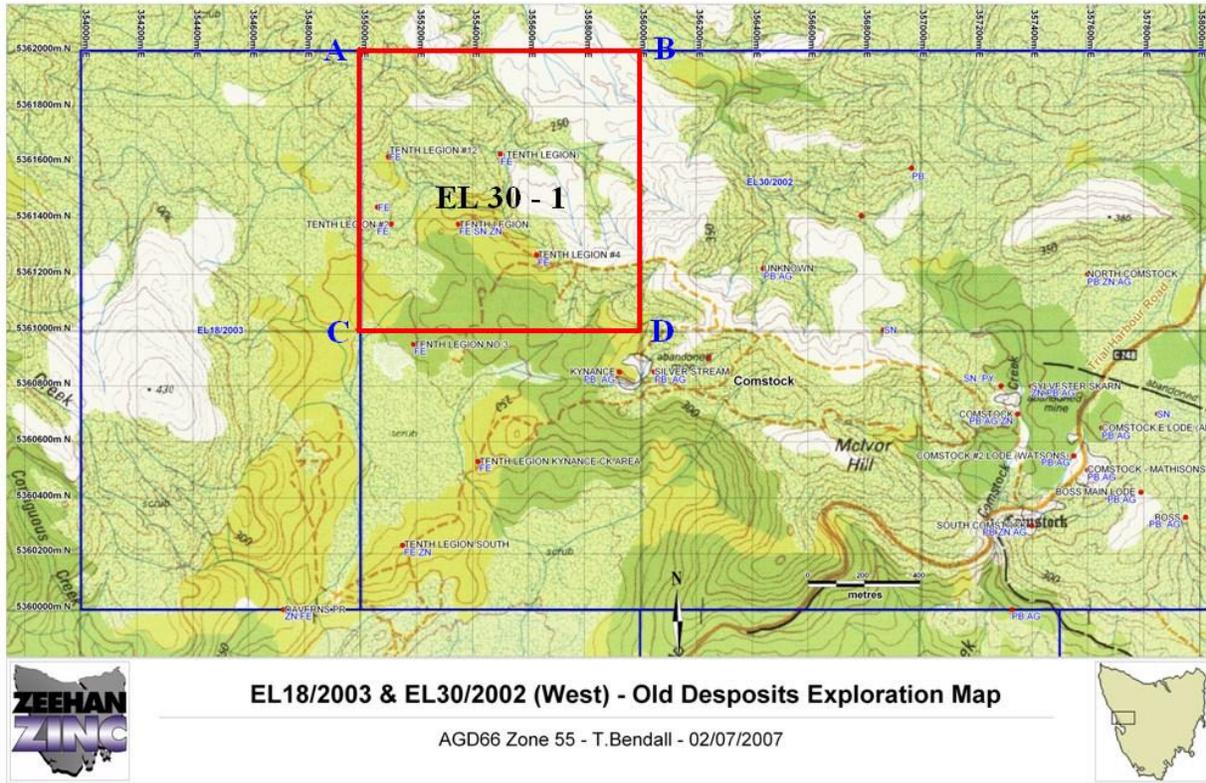


Figure 8: Grid area proposed for ground magnetic and soil survey.

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 activity on current licences EL 18/2003, EL 20/2002 and EL 30/2002. Small 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 in WA. Final assays have been completed and the results were received in September. Table 2 shows highlights of the assays from some of the areas. Full assay results are provided in Appendix I.

By the end of the project the field teams had located and sampled 58 sites. Figures 9 and 10 show the expected locations of the known old workings within EL 30/2002. A comprehensive methods report was written at the completion of 2007 survey (Appendix J).

The Old Workings Survey has enabled ZZ Exploration to ascertain possible economic targets from old workings within the company's tenements for additional Zeehan Zinc gravity plant feed. Pending extension of the exploration licence, the necessary works programs and subsequent approval, these targets will be further evaluated in 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.

Plates 1 and 2: Searching for old workings within EL 30/2002



Table 2: Assay results from selected Old Workings located within EL 30/2002.

Mine	Pb (%)	Zn (%)	Ag (g/t)
Alpha 2	20.6	1.19	-
Beta 1	13.2	8.97	270
Cappa 1	11.5	10.1	260
Spray E1	7.6	0.86	900
Zane	10.4	9.59	330

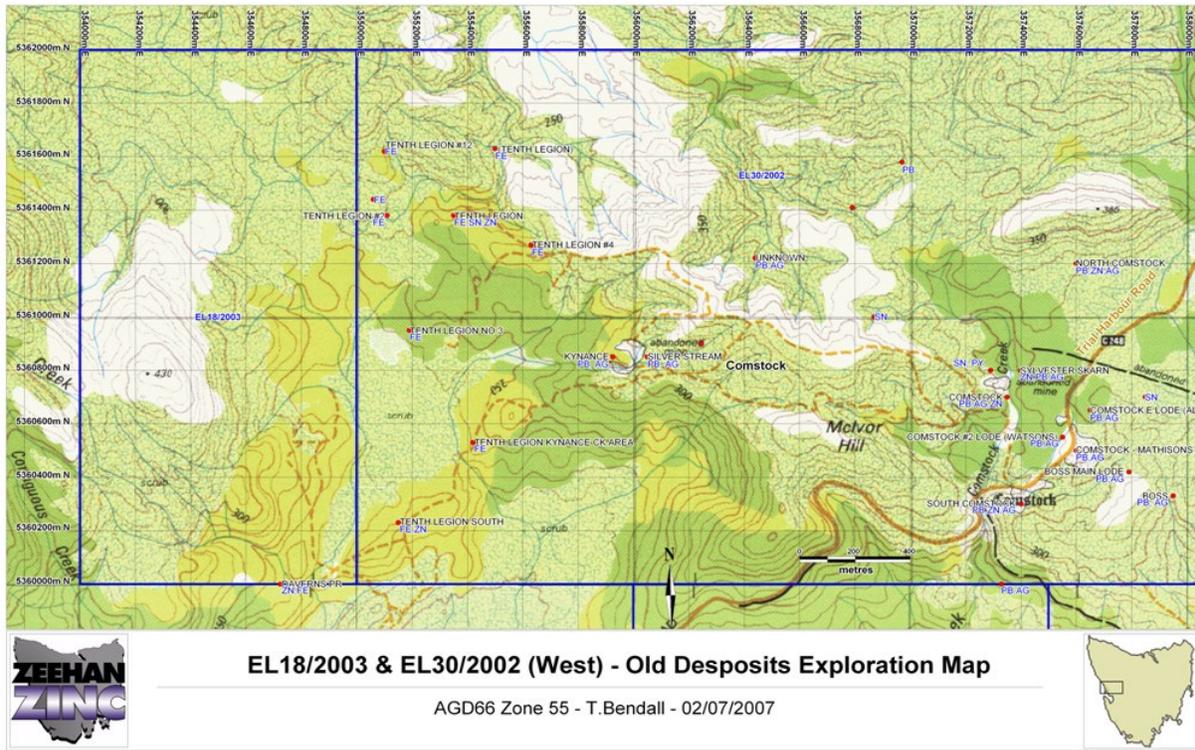


Figure 9: EL 30/2002 West - Old workings survey map.

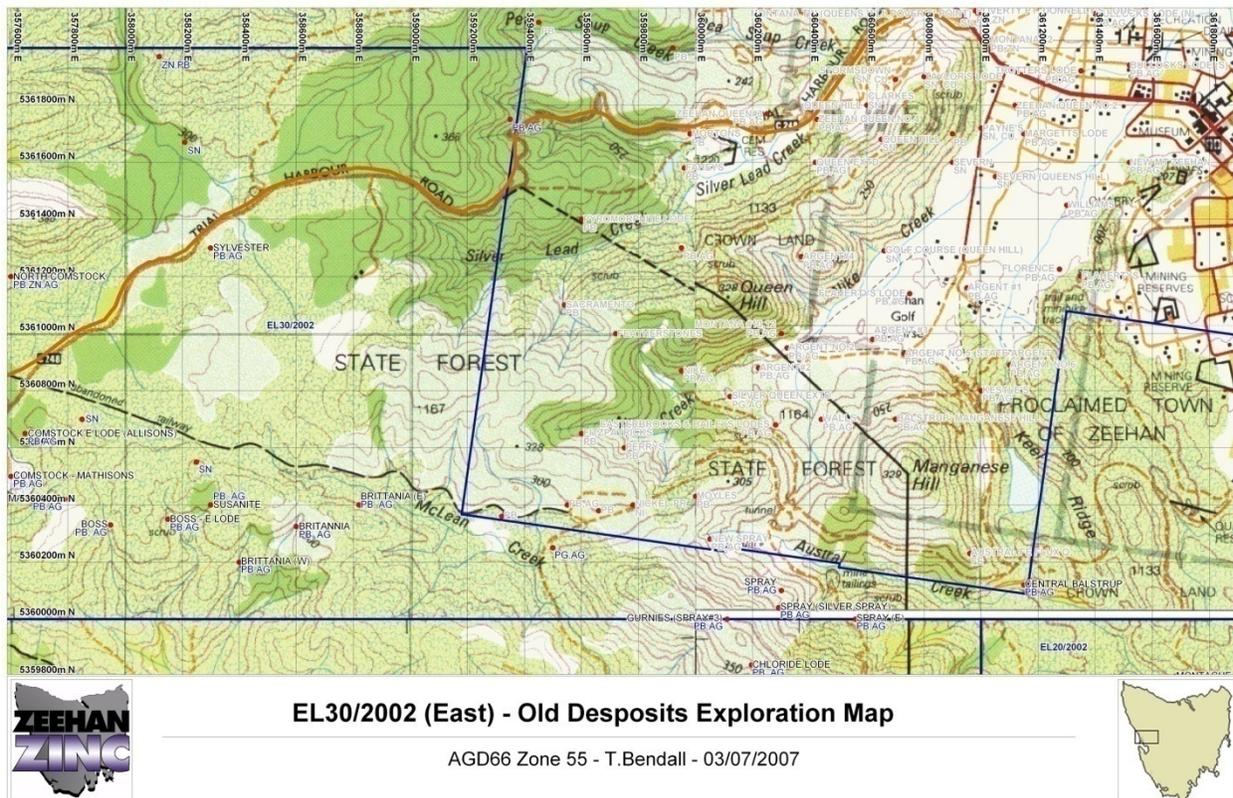


Figure 10: EL 30/2002 East – Old workings survey map.

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 L). 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

4: PROSPECT BASED EXPLORATION

4.1 BALTRUP FAULT

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 W/NW-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 Onah carbonates and siliciclastics), with the deposit restricted to the immediate footwall of the Balstrup Fault (Crossing 1993). The 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 Magnetism Survey over the Balstrup Fault Area.

During September 2007 a small scale ground magnetism survey was completed over the Balstrup Fault area. The grid extended between the coordinates of 5360600mN 357775mE, 5360750mN 357775mE, 5360750mN 357875mE, 5360600mN 357875mE. Grid lines were spaced at 25m and recordings taken at 5m intervals.

The ground magnetism is intended to support other recent geophysical data collected during 2007 as well as refine previous work completed by in the area by Western Metals completed between September to November 1999.

4.1.3 Preliminary Seismic Interpretation

As part of the Short Seismic Interpretation provided by Dr Robert Findlay during August 2007 (Appendix D) was a brief description of the proposed structure of the Balstrup Fault area of seismic line TB02b-ZF.

Dr Findlay suggested the Balstrup Fault may be a thrust sole of a fault-ramp anticline over-riding the 10th Legion Fault and up-arching the Cambrian sediments. It was also proposed that the Balstrup Fault is cut by the suggested east dipping 10th Legion thrust based on geological maps and the geometry of the seismic section.

Dr Findlay also gave interpretation on the possible positioning of the Cambrian volcanic and mafic intrusive rocks as well as potential targets for further exploration.

4.2 TENTH LEGION AREA

4.2.1 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.

4.2.2 Soil Survey

ZZE submitted an application to MRT to complete a soil testing survey in the Tenth Legion Area July and approval for the survey area was granted with acknowledgement that six lines of the grid would require track cutting.

Spacing for the grid lines was at 200m with each line traversing 600 meters from north to south. Samples were collected using a two meter long auger with a 75mm head piece. A total of twenty five soil samples were collected for each line. Auger penetration depth was variable due to the nature of the ground and outcropping ironstone. In the event of total rock outcrop, rock chip samples were collected.

Samples were transported to SGS Welshpool laboratories in Western Australia but have not been tested due to the pending renewal application on EL 30/2002

A 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.

4.2.3 Ground Magnetism Survey

ZZE submitted an application to MRT to conduct a ground magnetic survey to be completed on the same grid as the soil survey with readings every 25 metres in the Tenth Legion South Area. Approval for the survey area was granted with acknowledgement that six lines of the grid would require track cutting.

A preliminary methods report was prepared on completion of the magnetic survey (Appendix H) with a full interpretation report expected in 2008.

4.2.4 Ground Magnetism Survey Preliminary Interpretation

A preliminary investigation and interpretation on the ground magnetism survey completed in the Tenth Legion south area was performed by David Leaman Geophysics (Appendix K) during October 2007. Leaman concluded that the grid would have obtained better results if the line spacing had been smaller. The shallow and outcropping ironstone in the area also interfered with readings providing inconsistent spikes in the data.

4.2.5 Proposed Drilling of the Tenth Legion Area

In May 2007 ZZE was approved a submission to upgrade the Tenth Legion Access road. Upgrade to the access road was considered necessary to allow ease of vehicle access to the Tenth Legion South grid prepared for geophysical and geochemical surveys and also allow drill rig access to the Tenth Legion mid region.

As part of the application for geophysical and geochemical surveys submitted for the Tenth Legion North Grid, a submission was made to drill a fence of three holes to a total down-hole depth of 120 metres. An Edson 3000 truck mounted RC rig would be used for these holes. Coordinates for these holes were not submitted due to target and positioning to be determined on completion of the geophysical and geochemical survey interpretation.

5: EXPLORATION EXPENDITURE

5.1 EXPENDITURE DURING THIS REPORTING PERIOD

Table 4 summarises the expenditure by ZZ Exploration over EL 30/2002 during the December 2006 to December 2007 reporting period. Quarter four is an estimate and only includes expenditure for the months of October and November. This was due to the report submission required prior to the end of the December quarter.

Table 4: Summary of expenditure over EL 30/2002 during December 2006 – December 2007.

Expenditure Statement	2007				Dec 2006-Dec 2007
	March Quarter	June Quarter	September Quarter	December Quarter	Category Total
Geology	\$7,000.00	\$50,052.65	\$21,572.49	\$644.49	\$79,269.63
Geochemistry					\$0.00
Geophysics - Air					\$0.00
Geophysics - Ground		\$113,139.75	-\$4,543.23	\$952.87	\$109,549.39
Feasibility Studies	\$181.91	\$225.00			\$406.91
Rehabilitation					\$0.00
Drilling (m)	\$291.44		\$321.81	\$295.00	\$908.25
Gridding line (km)			\$13,110.00		\$13,110.00
Administration	\$999.16	\$61.00			\$1,060.16
Other	\$3,019.82	\$10,509.09	\$42,824.68	\$26,836.00	\$83,189.59
Grand Total	\$11,492.33	\$173,987.49	\$73,285.75	\$28,728.00	\$287,493.57

5.2 EXPENDITURE COMMITMENTS

EL 30/2002 was granted on 7 February 2003 with an attaching expenditure commitment of \$505,000 for the first two years. Subsequent expenditure commitments are based on 8km² area of EL 30/2002.

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 30/2002

Expenditure required (minimum)	EL30/2002 (8 km ²)	Total
Years 1 & 2	\$505,000	\$505,000
Year 3	\$1,000 per km ² per annum	\$8,000
Year 4	\$2,000 per km ² per annum	\$16,000
Year 5	\$5,000 per km ² per annum	\$40,000
Total minimum expenditure up to December quarter 2007		\$569,000

Table 6: Expenditure over EL 30/2002 by ZZ Exploration during 2003 - 2007.

Expenditure Statement	2003	2004	2005	2006	2007	2003-2007
Category	Total					Total
Geology	\$42,466.43	\$51,406.96	\$52,166.54	\$117,106.05	\$79,269.63	\$342,415.61
Geochemistry				\$420.00	\$0.00	\$420.00
Geophysics-Air	\$2,200.00				\$0.00	\$2,200.00
Geophysics - Ground				\$43,298.24	\$109,549.39	\$152,847.63
Feasibility Studies	\$1,551.00	\$3,549.05	\$4,545.45	\$19,154.94	\$406.91	\$29,207.35
Rehabilitation					\$0.00	\$ -
Drilling (m)				\$5,194.53	\$908.25	\$6,102.78
Gridding line (km)					\$13,110.00	\$13,110.00
Administration	\$5,398.01	\$3,695.68	\$28,424.79	\$7,888.96	\$1,060.16	\$46,467.60
Other	\$7,762.65	\$48,002.00	\$105,561.03	\$199,537.11	\$83,189.59	\$444,052.38
GST Error		-\$589.44				
Grand Total	\$59,378.09	\$106,064.25	\$190,697.81	\$392,599.83	\$287,493.93	\$1,036,233.91

6: PROSPOSED WORK PROGRAMME

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

7: REFERENCES

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8: 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: *Great South Land Minerals 2007 Zeehan zinc 2D Operations Report* by Terrex Seismic
- Appendix D: *Preliminary 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 for the 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: EL30-1 Works Program for magnetic survey and soil sampling
- Appendix J: *Old Workings Survey Report*, ZZ Exploration Pty Ltd
- Appendix K: *Magnetic and Seismic Data Zeehan Region* by Leaman Geophysics
- Appendix L: *Proposed Seismic Survey Zeehan Vicinity, Tasmania. Cultural Heritage Survey* Arc Tas Pty Ltd.
- Appendix M: *Work Programmes Budget for Exploration 2008*