

# **ZZ EXPLORATION** Pty Ltd

## **EXPLORATION LICENCE 18/2003 ANNUAL REPORT**

# **2007**

Prepared by

Paul Heath  
Mineral Resources Manager

and

Darren McNeill  
Exploration Field Assistant





*Oaths Act 2001*

**Statutory Declaration**

I, MICHAEL MURPHY, CFO  
1189 MACQUARIE ST, HOBART TAS. 7000

*(name, address and occupation)*

do solemnly and sincerely declare that the 2007 Annual Report  
for Exploration licence 18/2003 for Z2 Exploration Pty Ltd  
is true and correct to the best of my knowledge

.....  
.....  
.....  
.....  
.....

*(facts)*

I make this solemn declaration under the Oaths Act 2001.

Declared at level 1, 199 Macquarie street, Hobart, TASMANIA

*(place)*

on 08 Feb. 2008.

*(date)*

signed :

Murphy

Witness T. Rowell - CPA - 9172661.

T Rowell 8/2/08

# Mineral Resources Tasmania

ABN 36 388 980 563

http://www.mrt.tas.gov.au

Form No. E7

Mineral Resources Development Act 1995 (Section 28)

## EXPLORATION LICENCE ANNUAL REVIEW

(Note: This form and the annual report is due 30 days before the annual anniversary of the licence)

<b>DETAILS OF LICENCE AS AT ANNIVERSARY DATE</b>	Exploration Licence No.: <u>18/2003</u> Area: <u>14</u> km <sup>2</sup> Location: <u>Zeehan</u> Anniversary Date: <u>10 Feb 08</u> Licensee: <u>ZZ Exploration Pty Ltd</u>
<b>ARE YOU REDUCING THE LICENCE AREA?</b>	Yes# <input type="checkbox"/> No <input checked="" type="checkbox"/> # If yes please attach a plan clearly showing area(s) held and area(s) to be relinquished along with an Application for Surrender form (MRDA_C3) and the prescribed fee.
<b>SUMMARY OF EXPLORATION COMPLETED</b>	
Brief outline of work undertaken and major results during the current year:	<i>Office Use</i>
<u>SEE ATTACHED ANNUAL REPORT</u>	
<b>PROPOSED EXPLORATION</b>	
Summary of proposed exploration for next year (including expenditure details where appropriate):	
<u>SEE ATTACHED ANNUAL REPORT</u>	
<b><u>If space insufficient please attach separate sheet.</u></b>	

<b><u>Office Use Only</u></b>	
<b>Satisfactory Performance:</b>	
— Assessing Geologist:	Yes <input type="checkbox"/> No <input type="checkbox"/>
Signature:	Date:
— Senior Geologist:	Yes <input type="checkbox"/> No <input type="checkbox"/>
Signature:	Date:
— Managing Geologist:	Yes <input type="checkbox"/> No <input type="checkbox"/>
Signature:	Date:

ENVIRONMENTAL IMPACT ACTIVITIES	Office Use Only
Describe activities which caused disturbance detailing type and location:	
SEE ANNUAL REPORT N/A	
REHABILITATION	
Describe environmental rehabilitation during current year:	
N/A	
<b><i>If space insufficient please attach separate sheet.</i></b>	
<b>Satisfactory Environmental Performance:</b>	
— Environmental Field Officer:	Yes <input type="checkbox"/> No <input type="checkbox"/>
Signature:	Date:

<b>Proposed expenditure for next year:</b>	\$ 231,250
<b>Signed:</b>	<i>[Signature]</i>
<b>Position:</b>	CFO.
<b>Date:</b>	08/21/08.

Office Use Only	
<b>EXPENDITURE COMMITMENTS</b>	<b>Comments</b>
Actual Expend. Yr.....	\$ .....
(-) Yr..... Comm.	\$ .....
(=) Surplus / Shortfall**	\$ .....
Yr..... Comm.	\$ .....
(+) **Shortfall	\$ .....
(=) Total Comm. Yr.....	\$ .....
<b>REPORTING</b>	
<b>Annual</b>	
— Received	/ /
— TCR No.:	.....
<b>Relinquishment</b>	
— Received	/ /
— TCR No.:	.....

## **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 18/2003 (EL 18/2003) during January 2007 - December 2007.

### **Role in the Regulation Process**

This document fulfils the role of an Annual Report for EL 18/2003 during January 2007 - 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 18/2003 (EL 18/2003), 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 2007 – December 2007.

Regional Exploration undertaken during the reporting period included:

- Seismic survey conducted by Terrex Seismic, traversing Trial Harbour Road;
- 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 north western area of EL 18/2003;
- Soil survey completed in the north western area of EL 18/2003;
- Approval of EL 18-1, EL 18-2 and EL 18-3 grids for geochemical and geophysical surveys;
- Old workings survey commenced including sample collection of waste rock and outcrop;
- Old workings sample collection assay results received.

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## **ABBREVIATIONS**

Ag	silver
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
GPS	Global Positioning System
ha	hectares
JORC	Joint Ore Resource Committee
MRT	Mineral Resources Tasmania
Ni	nickel
NPV	Net Present Value
Pb	lead
SEMF	SEMF Pty Ltd
SMG Consultants	SMG Consultants Pty 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 18/2003 (EL 18/2003), which is located west of the Zeehan township.

This document fulfils the role of an Annual Report for EL 18/2003 during January 2007 – December 2007, as required under Section 28 of the *Mineral Resources Development Act 1995*, and as requested of ZZE by Mineral Resources Tasmania (MRT).

### **1.2 THE PROPONENT**

ZZE is a wholly owned subsidiary of Zeehan Zinc Ltd (Zeehan Zinc). ZZE currently holds Exploration Licence 18/2003. ZZE's long term objective is to be one of the leading mineral exploration companies for mineral deposits within the Zeehan area.

### **1.3 EXPLORATION LICENCE SCHEDULE**

Details of EL 18/2003 including grid coordinates are provided in Appendix A. The locations of known mineral deposits within EL 18/2003 are provided in Appendix B.

### **1.4 EXPLORATION LICENCE LOCATION AND OPERATIONS**

#### **1.4.1 Site Location and Mineral Exploration Area**

Exploration Licence 18/2003 (EL 18/2003) covers 12 square kilometres located four kilometres southwest from Zeehan, and an additional two square kilometres located eight kilometres west from Zeehan, in western Tasmania (Fig. 1).

The main access to EL 18/2003 is via Trial Harbour Road and a 4WD is required to negotiate the numerous overgrown tracks that cross the area.

EL 18/2003 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.

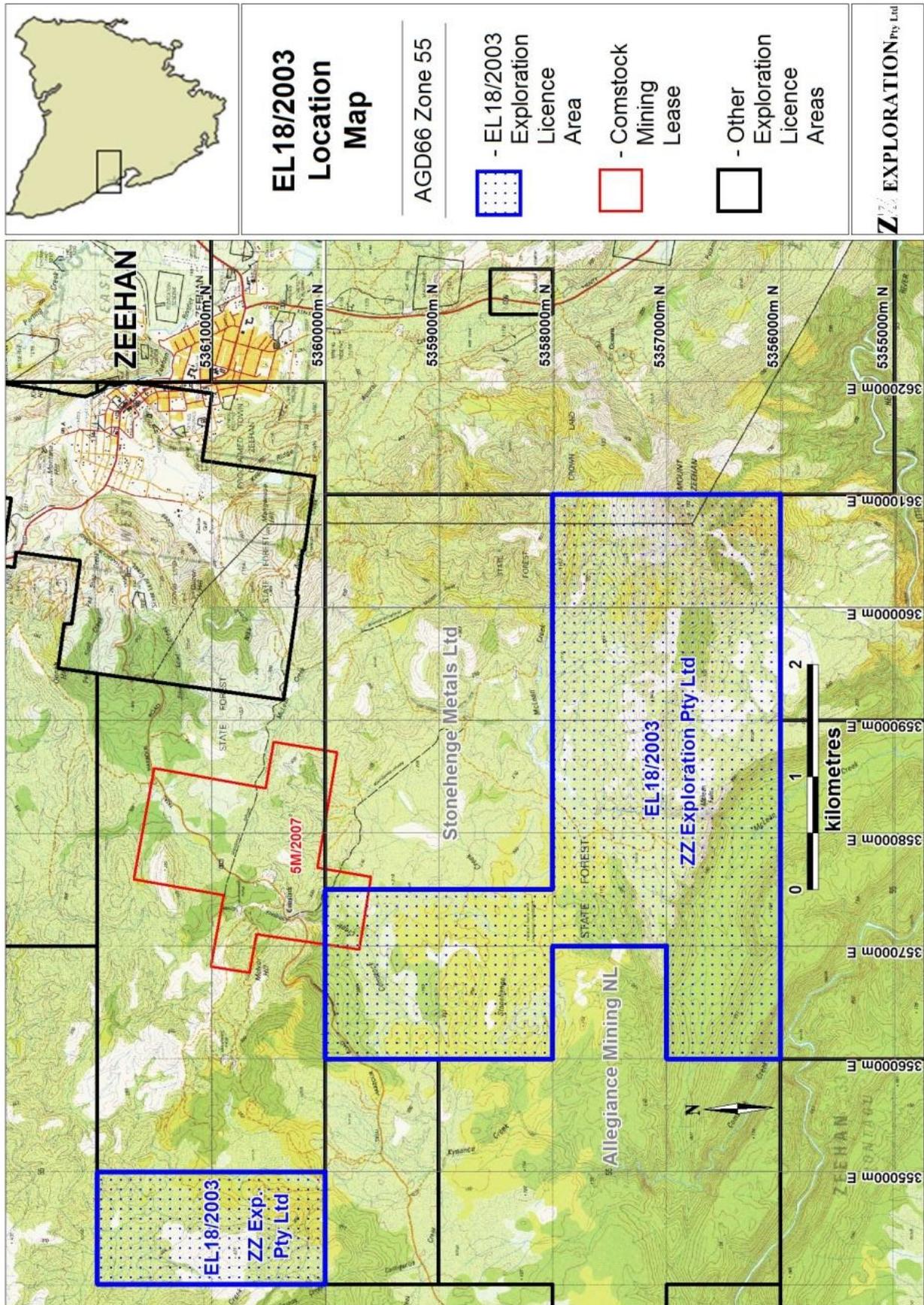


Figure 1: Location of EL 18/2003 relative to Zeehan.

### **1.4.2 Exploration Lease Tenure**

EL 18/2003 was granted to ZZE on 3 February 2005 for a period of five years and applies to all Category 1, 3, 4 and 5(a) minerals. The licence covers 14 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 18/2003 is provided in Figure 2.

### **1.5 STRUCTURE OF THIS DOCUMENT**

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

**Table 1:** Report structure

<b>Section Heading</b>	<b>Brief Description of the Information Provided</b>
Executive Summary	A summary of the exploration activities undertaken within Exploration Licence 18/2003.
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 18/2003.
3.0 Regional Exploration Undertaken During 2006-2007	Description of exploration activities by ZZ Exploration on a regional scale within EL 18/2003 during the reporting period.
4.0 Prospect Based Exploration	Exploration at the Tenth Legion.
5.0 Exploration Expenditure	Summary of exploration expenditure by ZZ Exploration over EL 18/2003 during the reporting period.
6.0 Proposed Work Program	Description of the proposed exploration program within EL 18/2003 during 2008.
7.0 Appendices	List of appendices attached to this report.

## **2: SUMMARY OF PREVIOUS WORK**

### **2.1 PREVIOUS MINING AND EXPLORATION WITHIN EL 18/2003**

The known mineral deposits within EL 18/2003 have been subjected to various phases of mineral exploration which date back to the 19th century (Appendix B).

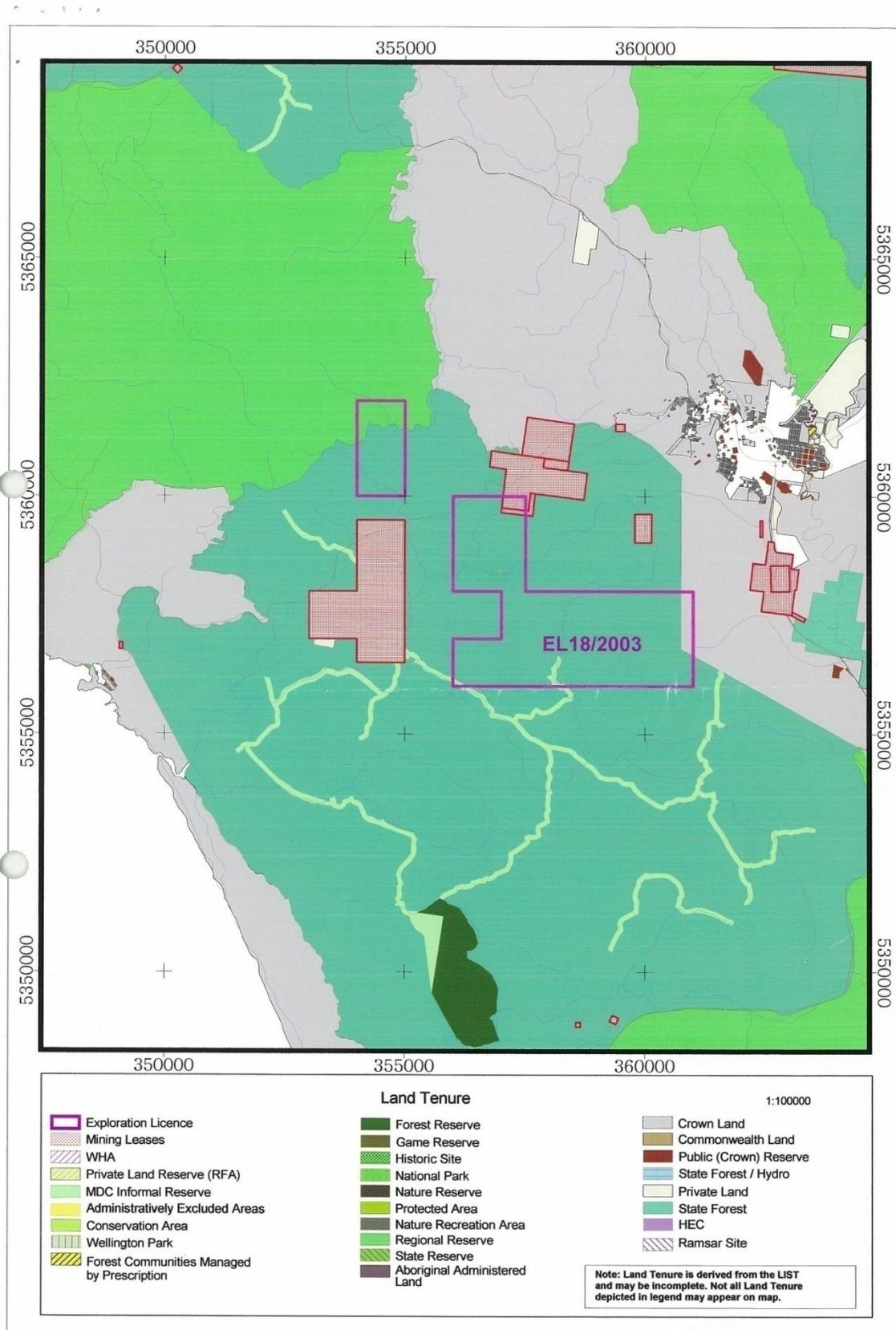
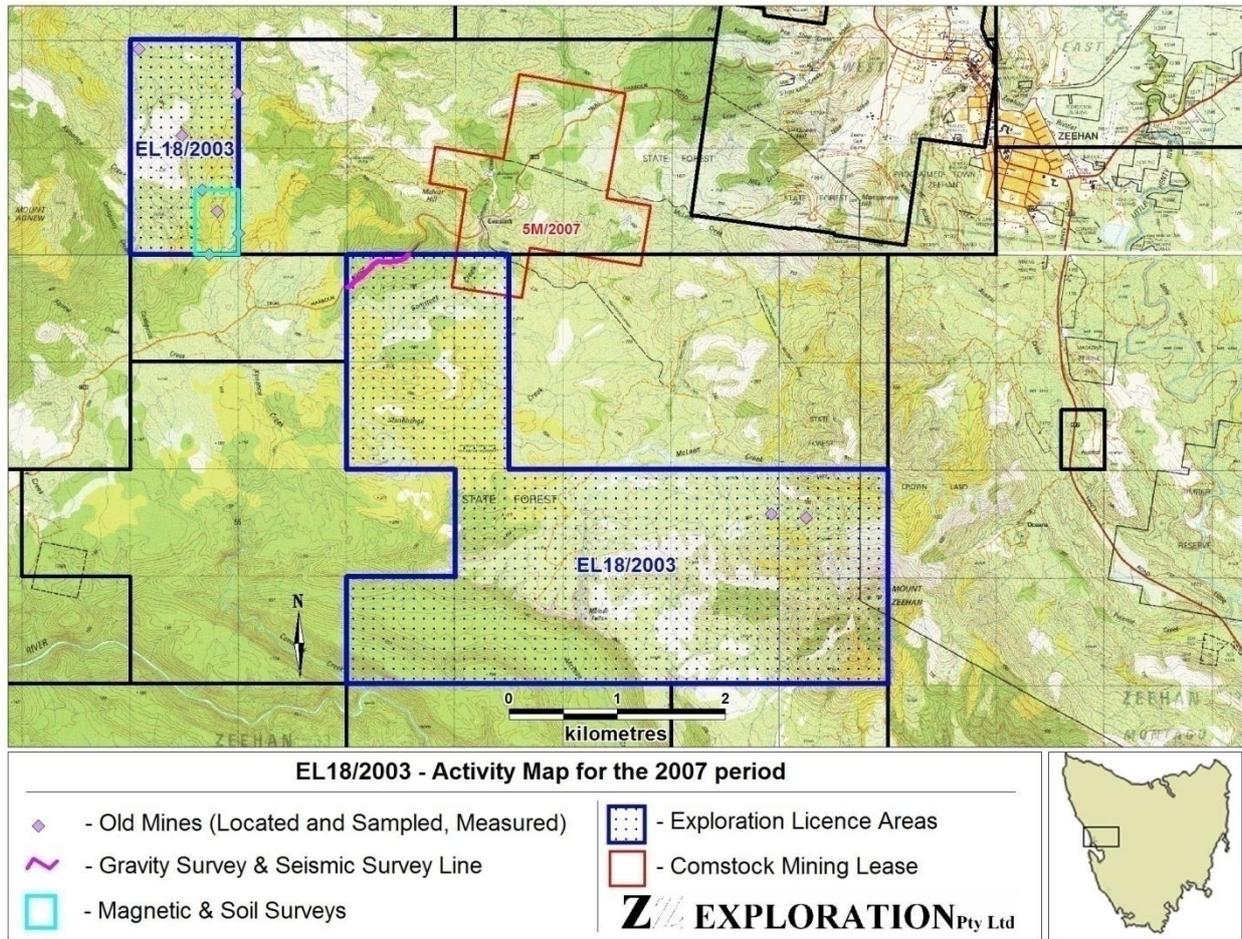


Figure 2: Land tenure for EL 18/2003.

### 3: REGIONAL EXPLORATION UNDERTAKEN DURING 2006-2007

ZZE has undertaken regional and prospect based exploration activities within EL 18/2003, during January 2007 – 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 EL 18/2003 for the 2007 period.

### **3.1 GEOPHYSICS**

#### **3.1.1 Seismic Survey**

Terrex Seismic was contracted to conduct the Zeehan Zinc Ltd 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 (Fig. 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 being upgraded.

##### **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 on the 8th May, with the crew leaving on the 9th May 2007; this represented the completion of the 2007 Seismic Programme.

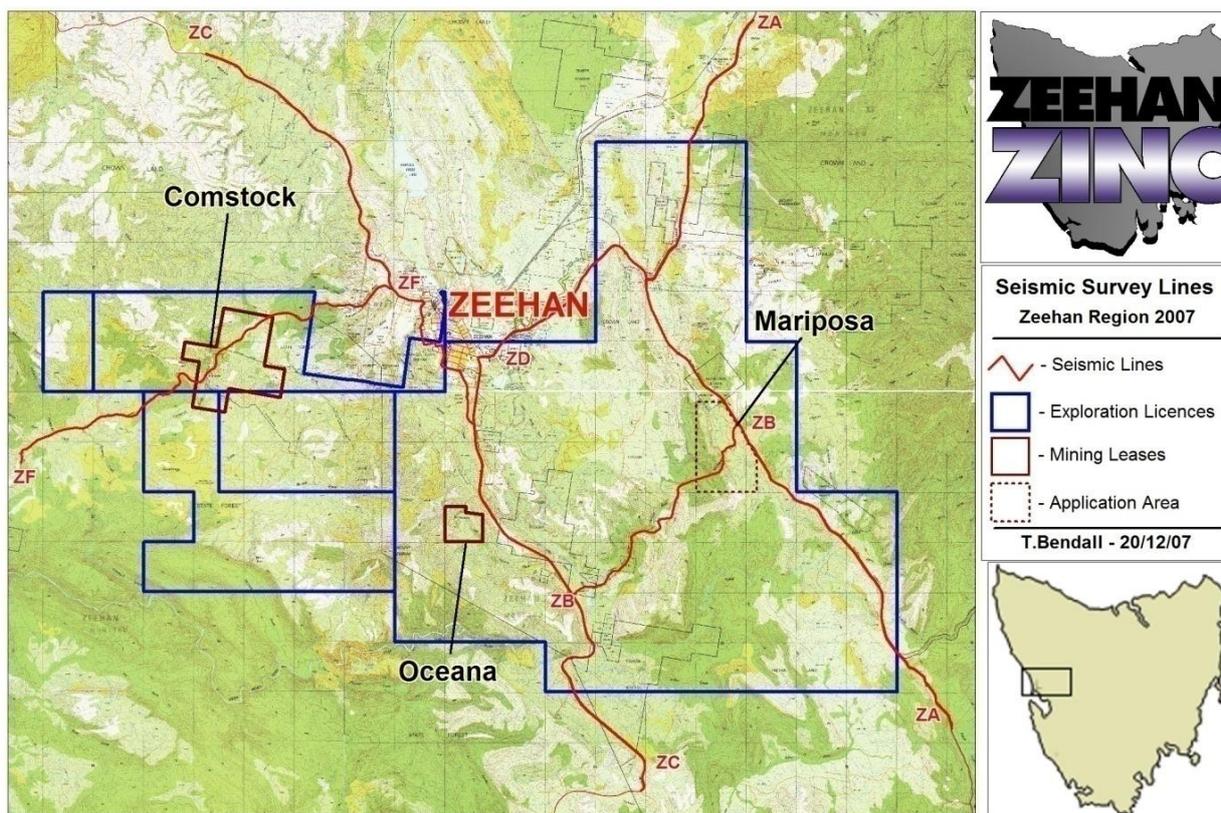


Figure 4: 2007 seismic survey lines.

### 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.

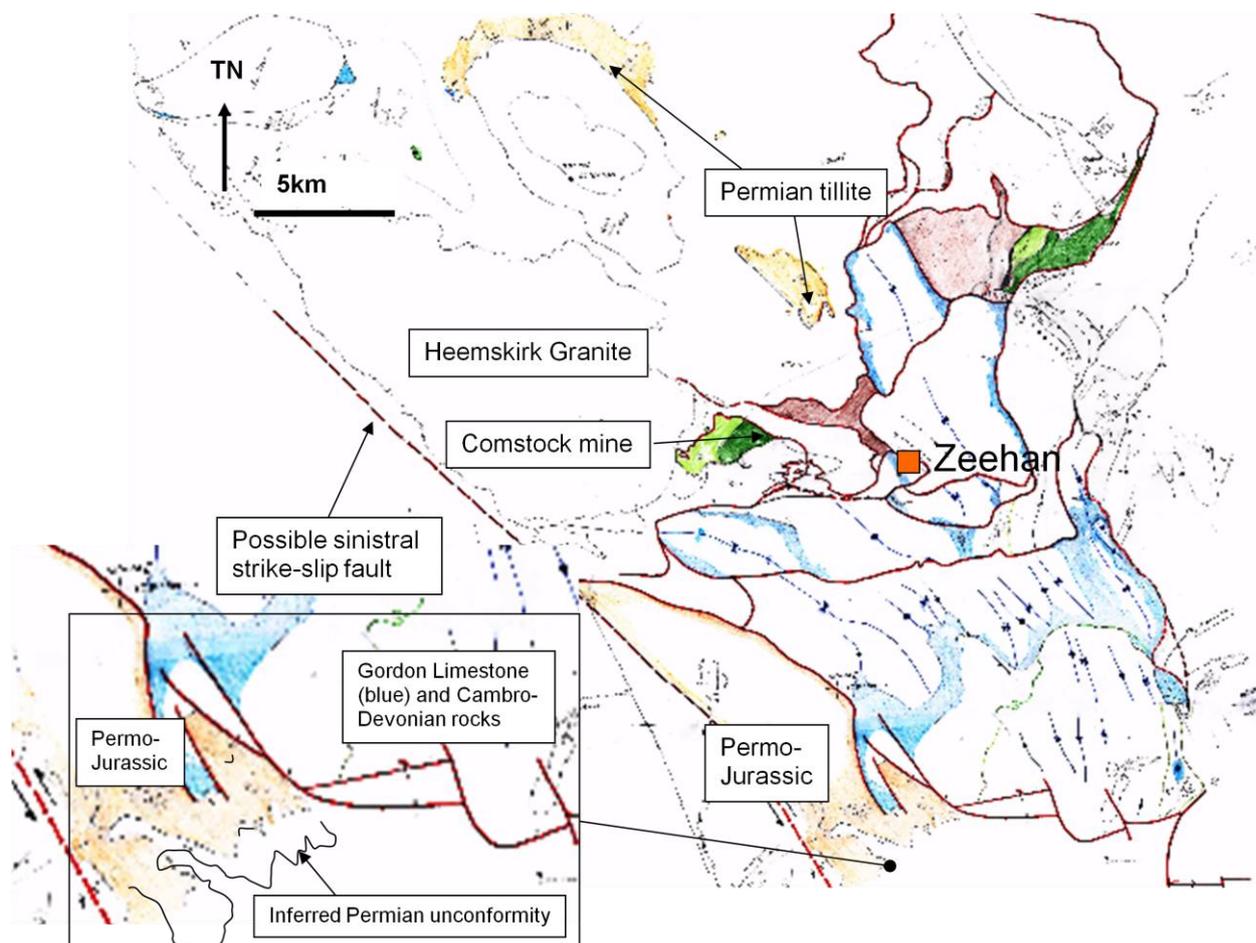
Preliminary conclusions are that the seismic programme has the potential for revealing the previously not well understood regional deformation style and critical rock relationships in that it appears to show important 3-dimensional information concerning the shallow (200-300m deep) to deep (5-6km deep)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

The work can be interpreted to confirm thin-skinned thrust tectonics across the area to depths of about 3,000m, 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 ZZE's exploration licence.

The seismic data also indicate the probable subterranean extent of the Heemskirk Granite, which accords reasonably with geophysical information. It 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. For full results of the gravity survey see Appendix F.

The data links and infills blocks of more detailed coverage in the area (Fig. 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.

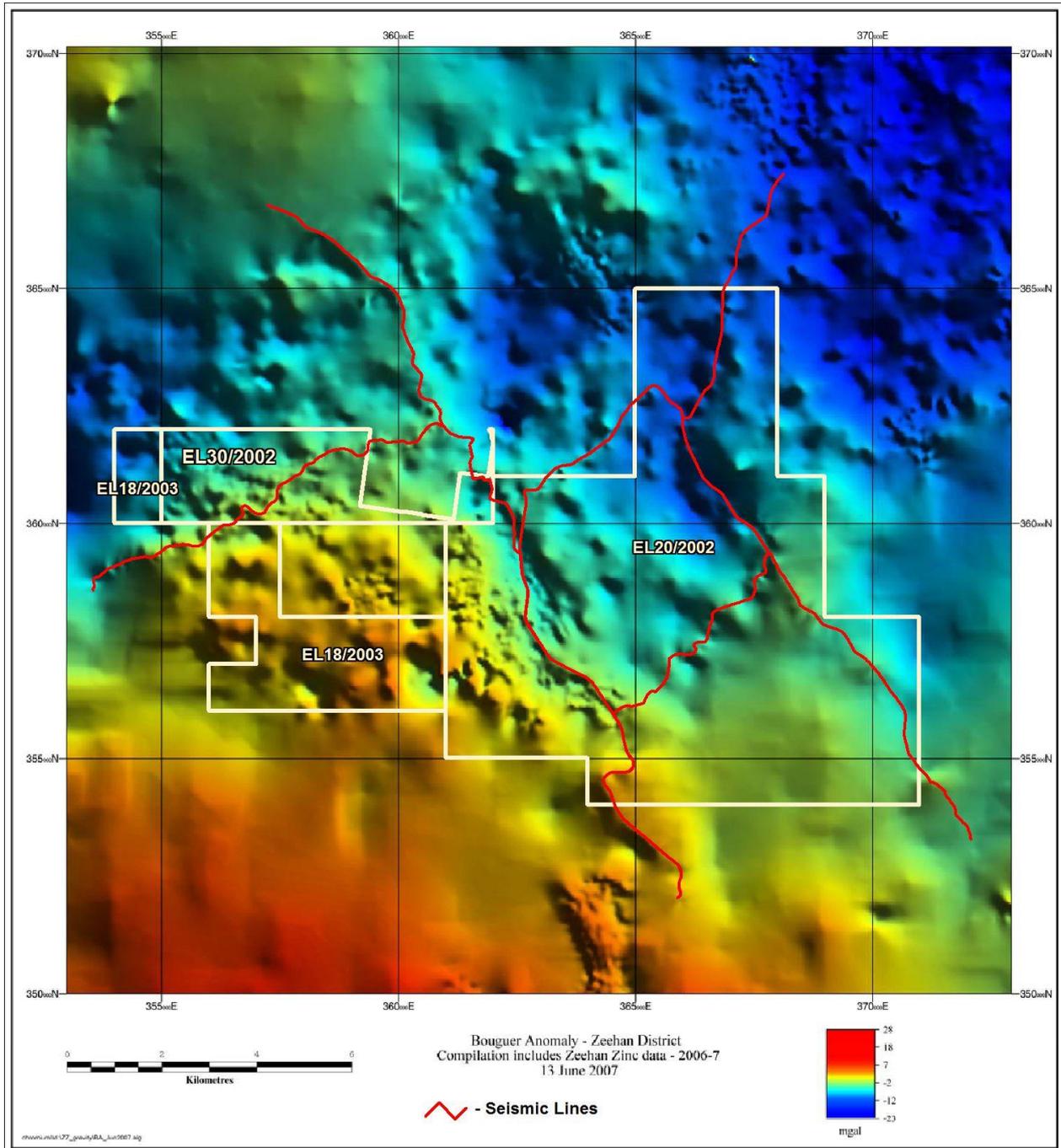


Figure 6: Bouguer Anomaly Zeehan District.

**3.2 SURFACE EXPLORATION**

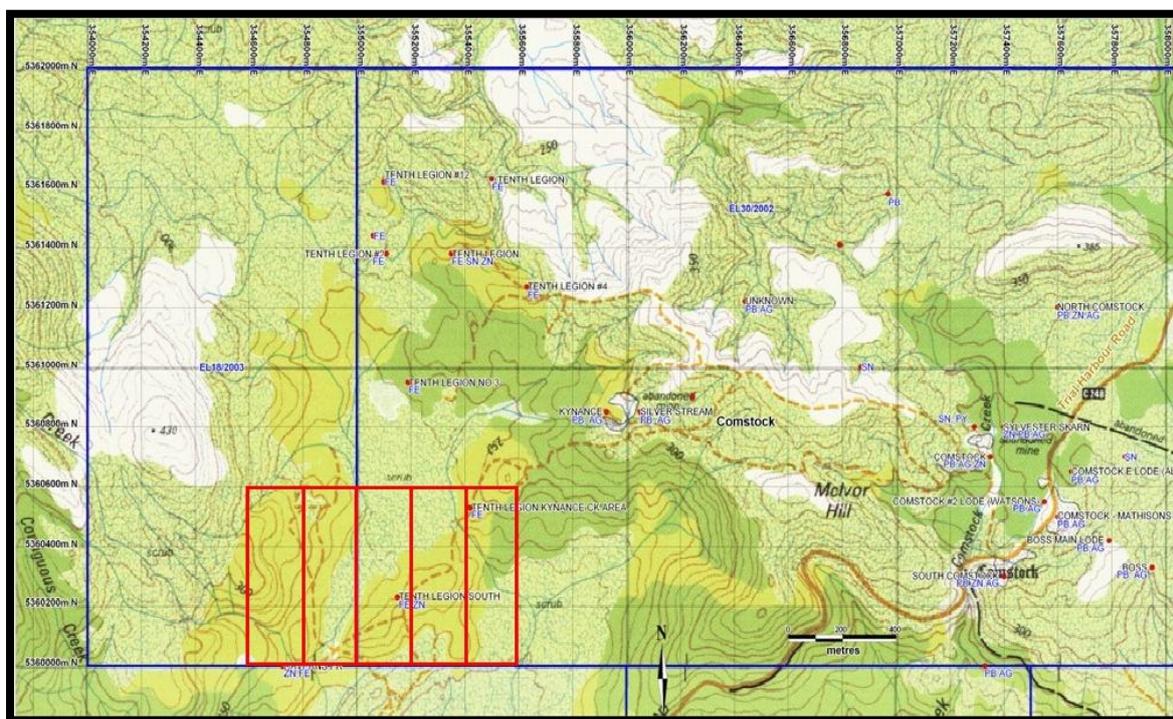
**3.2.1 Ground Magnetics Survey and Geochemical Sampling**

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 (Fig. 7). The dense vegetation in this area required grid cutters to assist in cutting the six line grid as the terrain was inaccessible by ground crew.

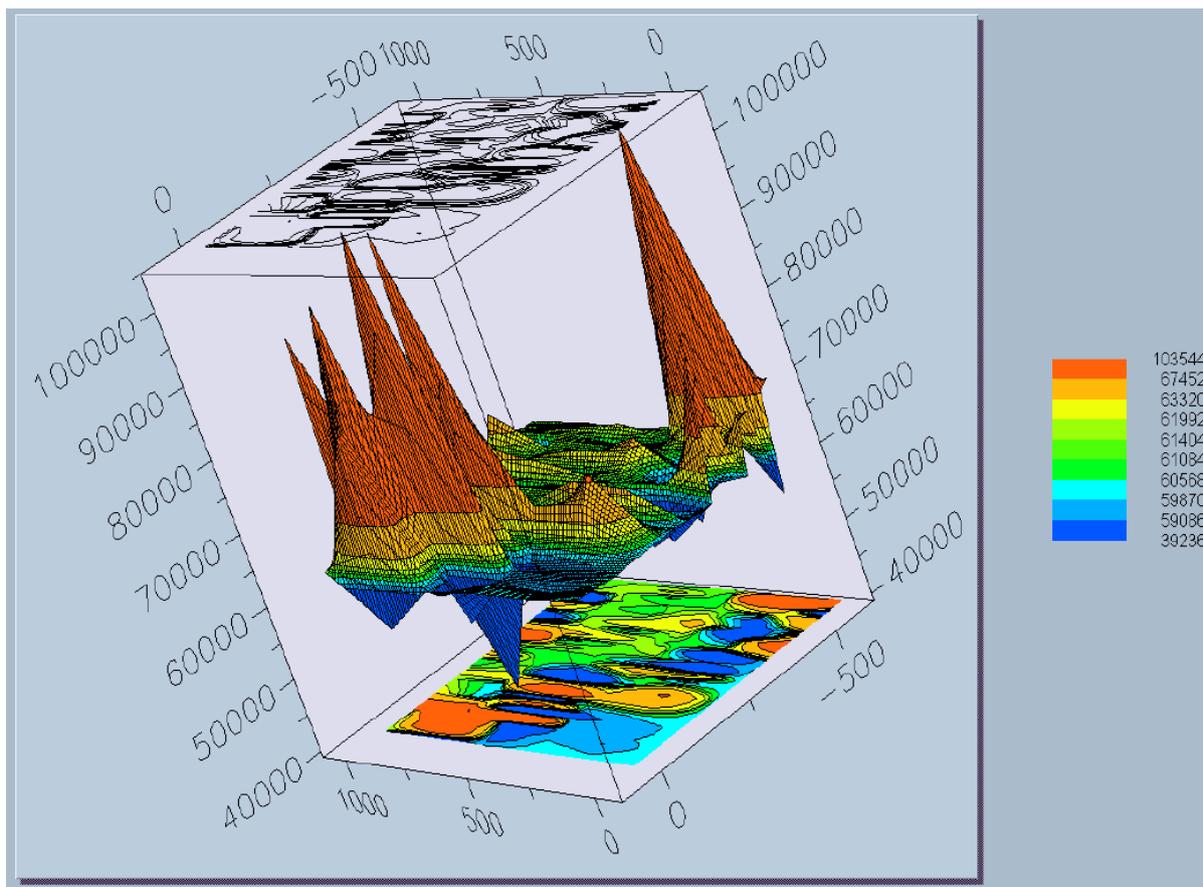
A Geometrics G856 magnetometer was used for the base station and was set up in the far North/East corner of the grid and the grid lines run North/South for 600 meters each with line spacing of 200 meters. Magnetometer readings and soil samples were then taken every 25 meters. A Geometrics G858 magnetometer 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. Initial magnetic intensity results from the survey are shown in Figure 8.

A marker was placed 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. A total of 75 samples were collected from EL 18/2003 during the survey.

The samples have been sent to SGS Welshpool Laboratories in Western Australia for geochemical analysis. 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.



**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 during 2007.



**Figure 8:** Magnetic intensity results for the EL 18/2003 survey area.

### 3.2.2 Additional Surveys Approved

ZZE submitted an application to MRT in September 2007 to continue geophysical and geochemical surveys within the EL 18/2003 exploration area. The proposed surveys have been labelled EL 18-1, EL 18-2 and EL 18-3 (Appendix I). All three grids cover a number of identified prospects existing in the exploration area.

EL 18-1 (Fig. 9) is scheduled to be within coordinates (A) 5362000mN and 354000mE, (B) 5362000mN and 355000mE, (C) 5361000mN and 355000mE and (D) 5361000mN and 354000mE.

EL 18-2 (Fig. 10) is scheduled to be within coordinates (A) 5358000mN and 357000mE, (B) 5358000mN and 359000mE, (E) 5357000mN and 359000mE and (F) 5357000mN and 357000mE.

EL 18-3 (Fig. 10) is scheduled to be within coordinates (B) 5358000mN and 359000mE, (C) 5358000mN and 361000mE, (D) 5357000mN and 361000mE and (E) 5357000mN and 359000mE.

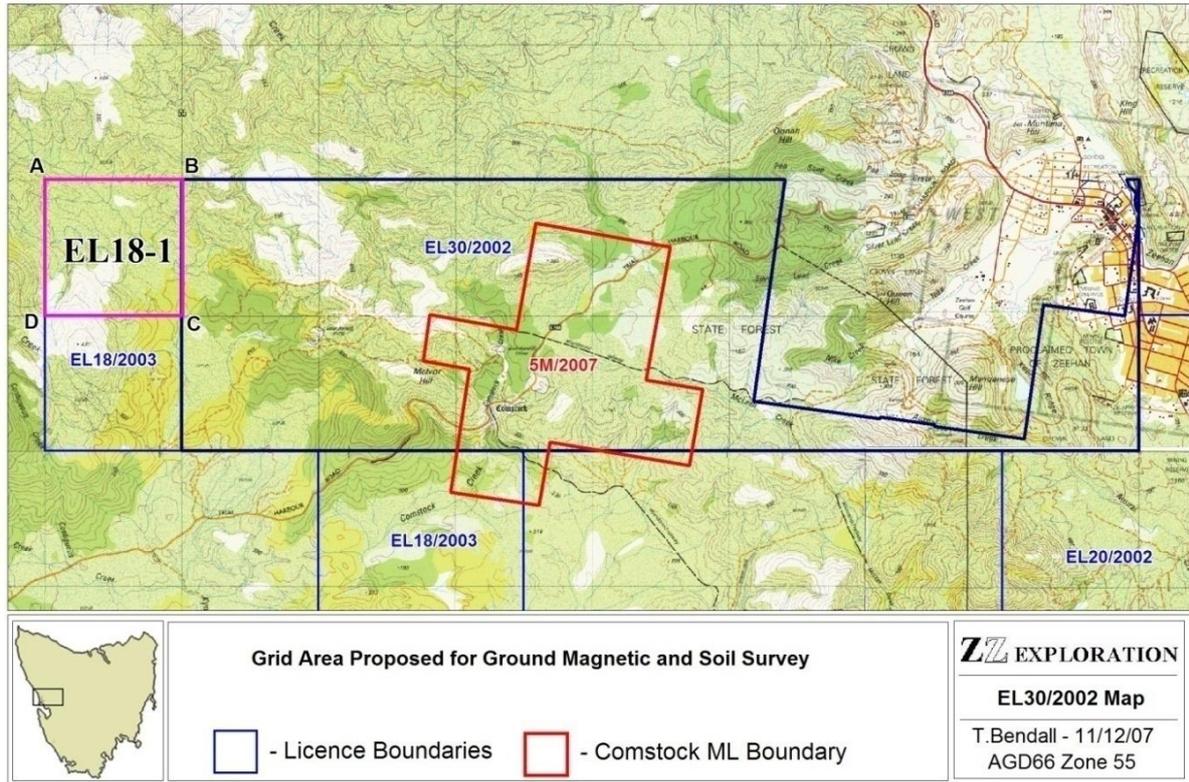


Figure 9: EL 18/2003 grid area proposed for ground magnetic and soil survey.

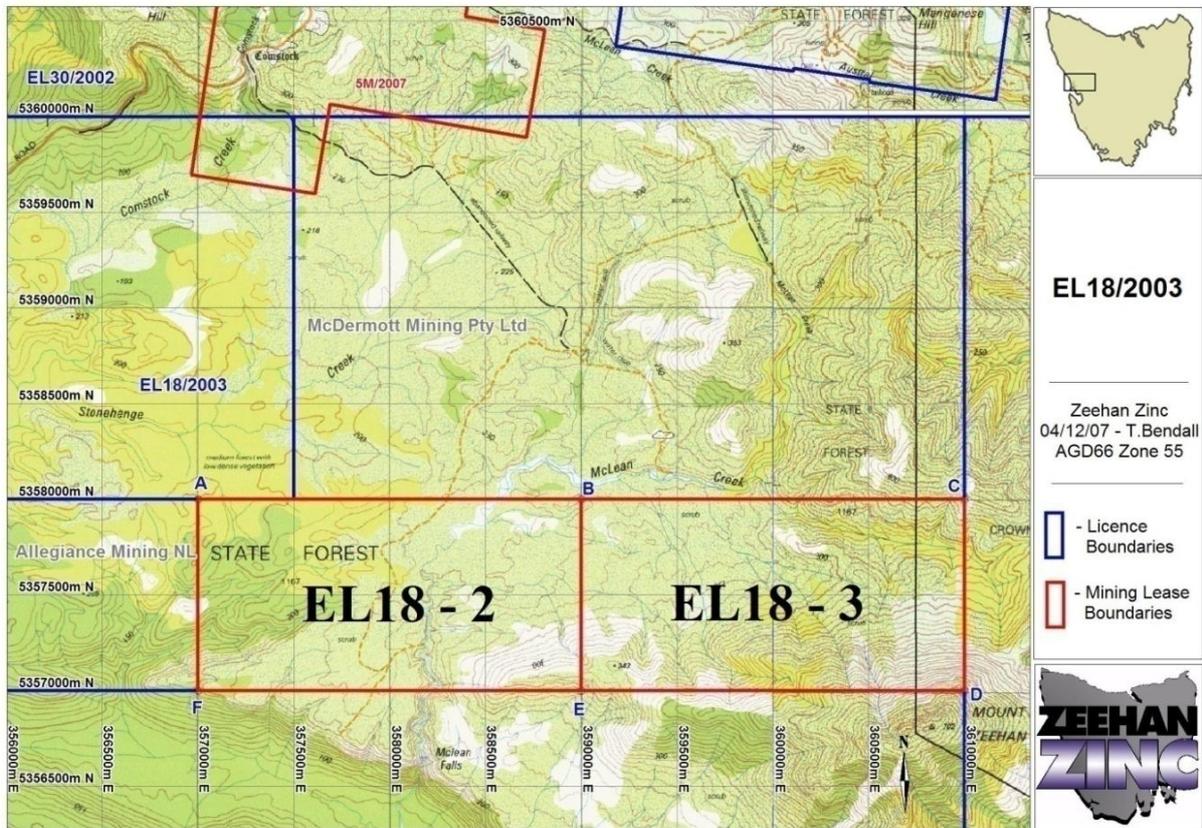


Figure 10: EL 18/2003 grid areas proposed for ground magnetic and soil survey.

### 3.2.3 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. Once these old workings were located and mapped, small representative samples were taken from the waste rock piles (Fig. 11).

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.

The Old Workings Survey has enabled ZZE to ascertain possible economic targets from old workings within the company’s tenements and these targets will be further evaluated during 2008. These works will 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 including assay results, see Appendix J.

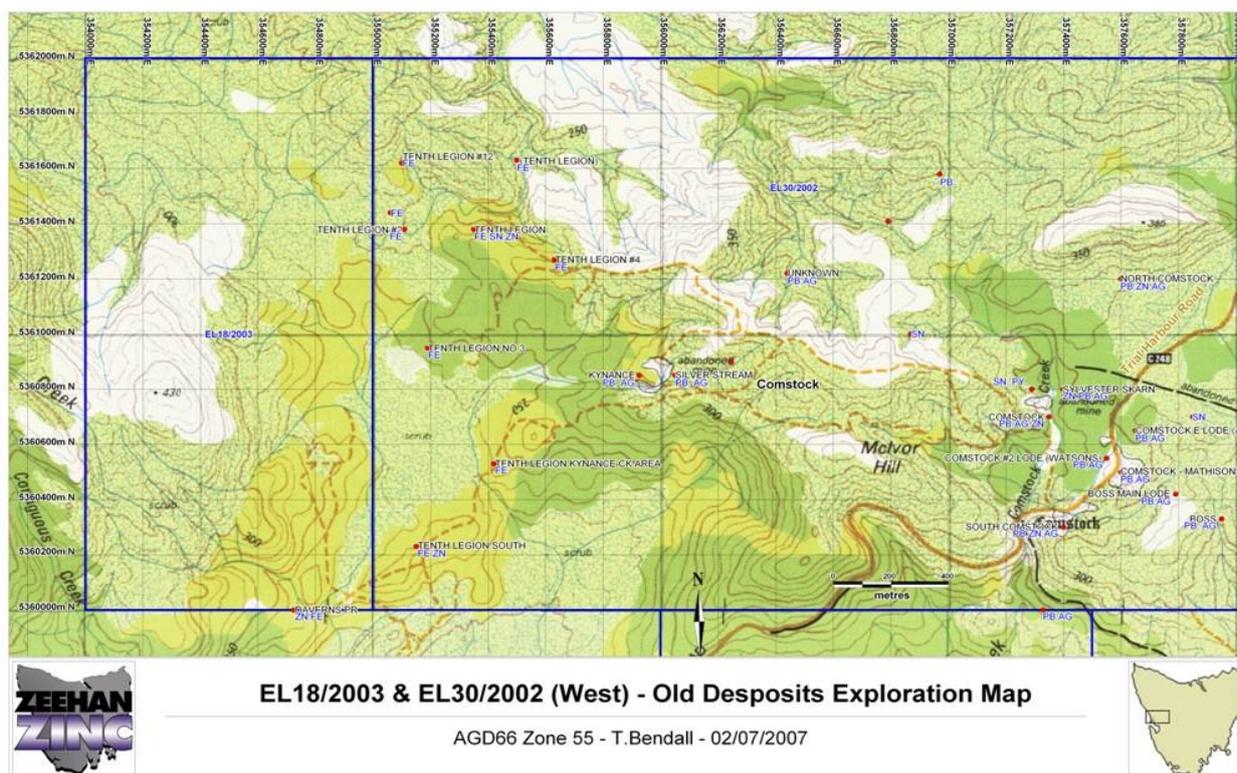


Figure 11: EL 18/2003 - Old workings survey map.

## **4: PROSPECT BASED EXPLORATION**

### **4.1 TENTH LEGION AREA**

#### **4.1.1 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.

#### **4.1.2 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 metre long auger with a 75mm head piece. A total of 25 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.

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.

#### **4.1.3 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.

#### **4.1.4 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.

#### **4.1.5 Proposed Drilling of the Tenth Legion Area**

In May 2007 ZZE was approved 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 2 summarises the expenditure by ZZ Exploration over EL 18/2003 during the January 2007 to December 2007 reporting period.

**Table 2:** Summary of expenditure over EL 18/2003 during January 2007 to December 2007

Expenditure Statement	2007				Dec 2006-Dec 2007
	March Quarter	June Quarter	September Quarter	December Quarter	Category Total
Geology	\$5,400.00	\$36,600.03	\$5,700.00		<b>\$47,700.03</b>
Geochemistry					<b>\$0.00</b>
Geophysics - Air					<b>\$0.00</b>
Geophysics - Ground		\$67,264.85	-\$1,511.98	\$555.84	<b>\$66,308.71</b>
Feasibility Studies					<b>\$0.00</b>
Rehabilitation					<b>\$0.00</b>
Drilling (m)	\$180.91		\$2,847.23		<b>\$3,028.14</b>
Gridding line (km)					<b>\$0.00</b>
Administration	\$999.18	\$4,449.00	\$34,764.63	\$23,420.69	<b>\$63,633.50</b>
Other	\$1,821.68				<b>\$1,821.68</b>
<b>Grand Total</b>	<b>\$8,401.77</b>	<b>\$108,313.88</b>	<b>\$41,799.88</b>	<b>\$23,976.53</b>	<b>\$182,492.06</b>

### 5.2 EXPENDITURE COMMITMENTS

EL 18/2003 was granted on 3 February 2005 with an attaching expenditure commitment of \$10,500 for the first two years. Subsequent expenditure commitments are based on 14km2 area of EL 18/2003.

Minimum expenditure commitments are provided in Table 3 with a total expenditure to date outlined in Table 4.

**Table 3:** Minimum required expenditure commitments by ZZ Exploration over EL 18/2003

Expenditure required (minimum)	EL18/2003 (14km2)	Total
Years 1 & 2	\$10,500	\$10,500
Year 3	\$1000 per km2 per annum	\$14,000
Year 4	\$2000 per km2 per annum	\$28,000
Year 5	\$5000 per km2 per annum	\$70,000
<b>Total minimum expenditure up to March quarter 2010</b>		<b>\$122,500</b>

**Table 4:** Expenditure over EL 18/2003 by ZZ Exploration during 2005 - 2007.

<b>Expenditure Statement</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2005 - 2007</b>
<b>Category</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
Geology	\$10,200.00	\$27,261.14	\$47,700.03	<b>\$85,161.17</b>
Geochemistry				\$ -
Geophysics-Air				\$ -
Geophysics - Ground		\$816.66	\$66,308.71	<b>\$67,125.37</b>
Feasibility Studies	\$2,272.72			<b>\$2,272.72</b>
Rehabilitation				\$ -
Drilling (m)			\$3,028.14	<b>\$3,028.14</b>
Gridding line (km)				\$ -
Administration			\$63,633.50	<b>\$63,633.50</b>
Other		\$8,262.43	\$1,821.68	<b>\$10,084.11</b>
GST Error				\$ -
<b>Grand Total</b>	<b>\$12,472.72</b>	<b>\$36,340.23</b>	<b>\$182,492.06</b>	<b>\$231,305.01</b>

## **6: PROPOSED WORK PROGRAM**

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

## **7: APPENDICES**

**Appendix A:** *Schedule of Exploration Licence EL 18/2003*

**Appendix B:** *Location of Mineral Deposits within EL 18/2003*  
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*. Fugro Seismic Imaging 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:** EL18-1, EL18-2 and EL18-3 Works Programs 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 Work Programmes for 2008*