

Southvest Proprietary Limited
is a wholly owned subsidiary of

Gujarat NRE Resources NL

EL 32/2005 Catamaran

Year 2 Annual Report

For the period 15 February 2007 to 15 February 2008

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18 January 2008

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ABSTRACT

Gujarat when first listed as Zinico Resources NL had a number of prospective ELs in Tasmania, all for metal commodities. It seemed prudent therefore to look at the possibility of coal resources in Tasmania. A preliminary investigation was done and noted that coal mining had been carried out in the southern part of Tasmania. The area was not subject to any permit coverage for coal exploration. The company decided to apply for an exploration licence for coal in the area and was successful with the granting of EL 32/2005 an 84sq km area to a wholly owned subsidiary named Southvest Pty Ltd.

Gujarat's aim was to investigate the known resources and to explore for the purpose of upgrading the coal resource(s) to a mineable status and add to the portfolio of coal producing mines of the parent company. It became apparent (with permitting and drilling problems and delays) an alternative approach to exploration should be considered and this alternative approach was followed.

The upper unit or Triassic Coal Measures lies conformably on top of the Triassic Basal Sandstone and is greater than 140m thick. The coal seams are banded, dull, generally bituminous and typically have a high inherent ash. Sandstones from the Triassic Coal Measures are generally light to dark grey; occasionally brown or greenish grey; very fine grained; occasionally medium grained; and generally quartz lithic and feldspar lithic varieties are common.

The general area of the EL from north of Ida Bay to south of Catamaran has undergone substantial drilling starting in about 1902 when coal was first found near Catamaran. In rapid succession coal was mined at various localities such as Coal Hill, Ida Bay, Lune River, Leprena, Moss Glen and Catamaran.

In 1981/3 the Marathon company under took a systematic search for coal. Marathon drilled 20 holes for 3 157m. A summary of their findings was:

At Catamaran potential for 11.5Mt of an underground resource

At Ida Bay Potential for 5.5Mt of an open cut resource

Gujarat commissioned a literature study of all previous work. This report recommended drilling an initial 5 holes. A revised drilling plan recommended the drilling of an additional 5 holes. Sites on the ground were selected and approved. Contractors and relevant permitting authorities were contacted. Difficulties with some aspects of this led to a suspension of activities.

In the second year of the licence the company proposed to investigate the geology and potential of the licence further with a view of a resource(s) suitable for the raw coal material to be converted insitu to an alternative energy source that is easier to transport such as gas, liquid or electricity. This investigation was carried out but the results were inconclusive and is ongoing. The proposed drilling (above) forms part of this programme.

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1. Introduction

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1.1 Exploration Rationale

Southvest Pty Ltd is a wholly owned subsidiary of Gujarat NRE Resources NL.

Gujarat listed on the Australian Stock Exchange as Zinico Resources NL on 25th August 2005. The name was changed to Zelos Resources NL at the first AGM on the 22nd November 2005 and again at the 2nd AGM on 23rd November 2006 to Gujarat NRE Resources NL reflecting the increase of ownership in the company by the cornerstone and major investor. In December 2007 a takeover by India NRE Minerals Limited was completed and Gujarat NRE Resources NL was removed from ASX quotation in January 2008. India NRE Minerals Limited is changing its name to Gujarat NRE Minerals Limited effective 1 February 2008.

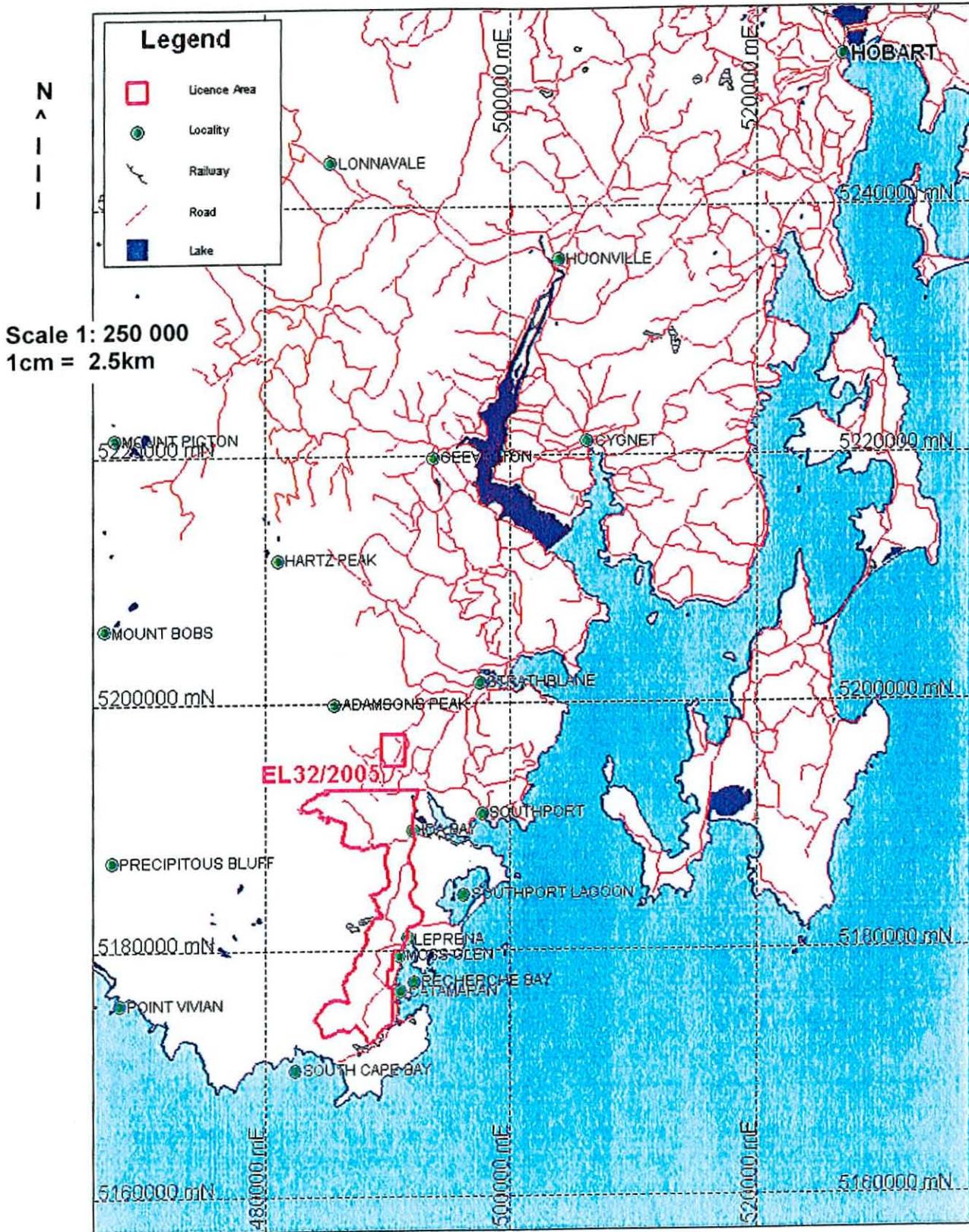
The cornerstone investor of Zinico Resources NL at the time of listing in 2005 was Gujarat NRE Coke Ltd (listed on the Indian National Stock Exchange): the major independent supplier of coke to the Indian steel making industry.

Zinico at the time of listing had a number of prospective Exploration Licence areas all in Tasmania, all for metal commodities none for energy minerals. It seemed prudent therefore to look at the possibility of coal resources in Tasmania. A preliminary investigation was done and noted that coal mining had been carried out in the southern part of Tasmania in the past in the Catamaran area. Further investigation was done and found that the area was not subject to any permit coverage for coal exploration. The company decided to apply for an exploration licence for coal in the area and was successful with the granting of EL 32/2005 an 84sq km area to a wholly owned subsidiary named Southvest Pty Ltd.

It was noted that mining in the past was on a small scale mainly for local markets (ie to Hobart for domestic purposes). It was also noted that previous exploration in the 1970's was aimed at a steaming coal energy supply and in the 1980's the Marathon Corporation exploration in the area had indicated resources totalling some 17 million tonnes of coal.

Zinico thought this to be a good start; to investigate the known resources and to explore further for the purpose of upgrading the coal resource(s) to a mineable status and add to the coal portfolio of coal producing mines of the cornerstone shareholder of Zinico.

Figure 1 - Catamaran: Licence Location Map



1.2 Tenement Information

6

EL 32/2005 Catamaran is in the very south of Tasmania (just over 100km south of Hobart see map: page 5)

It has irregular shaped borders following topographic features and exclusion zones such as the World Heritage Area and the historic Recherche Bay, the inhabited coastal strip is also excluded. (See figure 2: Land Tenure map p7)

The licence was granted on 15th February 2006 for a period of 5 years ending on 14 February 2011. The area covers some 84 sq km.

The climate is temperate with high annual rainfall of around 1400mm. The temperature ranges from zero in winter to a high of 30c in the summer.

The area is accessible all year round with a good sealed road to Ida Bay just within the northern boundary of the EL. Further south from there are good gravel public and private (Forestry) roads allowing vehicle access to most parts of the EL. (See Topographic maps p 8 /9)

Land usage is mainly timber logging of forest (eucalypt:blue gum) plantations which are extensive through out the area.

The area has variable topographic relief, from coastal plain to grassed swamps, bordered by hills and some steeper small mountain ranges. See topographic map: p 8 & 9.

This report covers the twelve month period to the renewal date 15 February 2008.

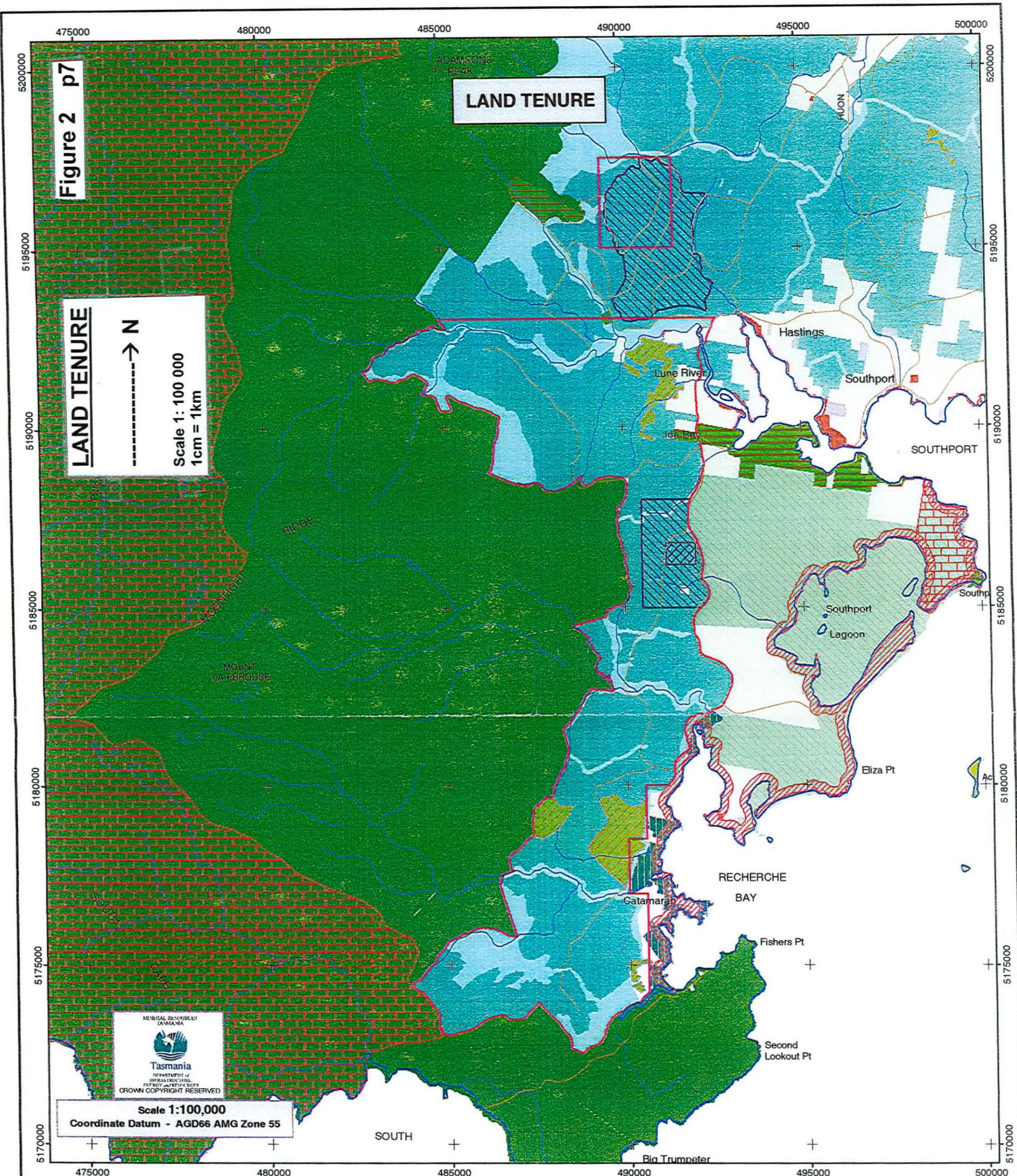


Figure 2 p7

LAND TENURE

Scale 1: 100 000
1cm = 1km

N



Scale 1:100,000
Coordinate Datum - AGD66 AMG Zone 55

Land Tenure / Special Management Areas (Guide Only)

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

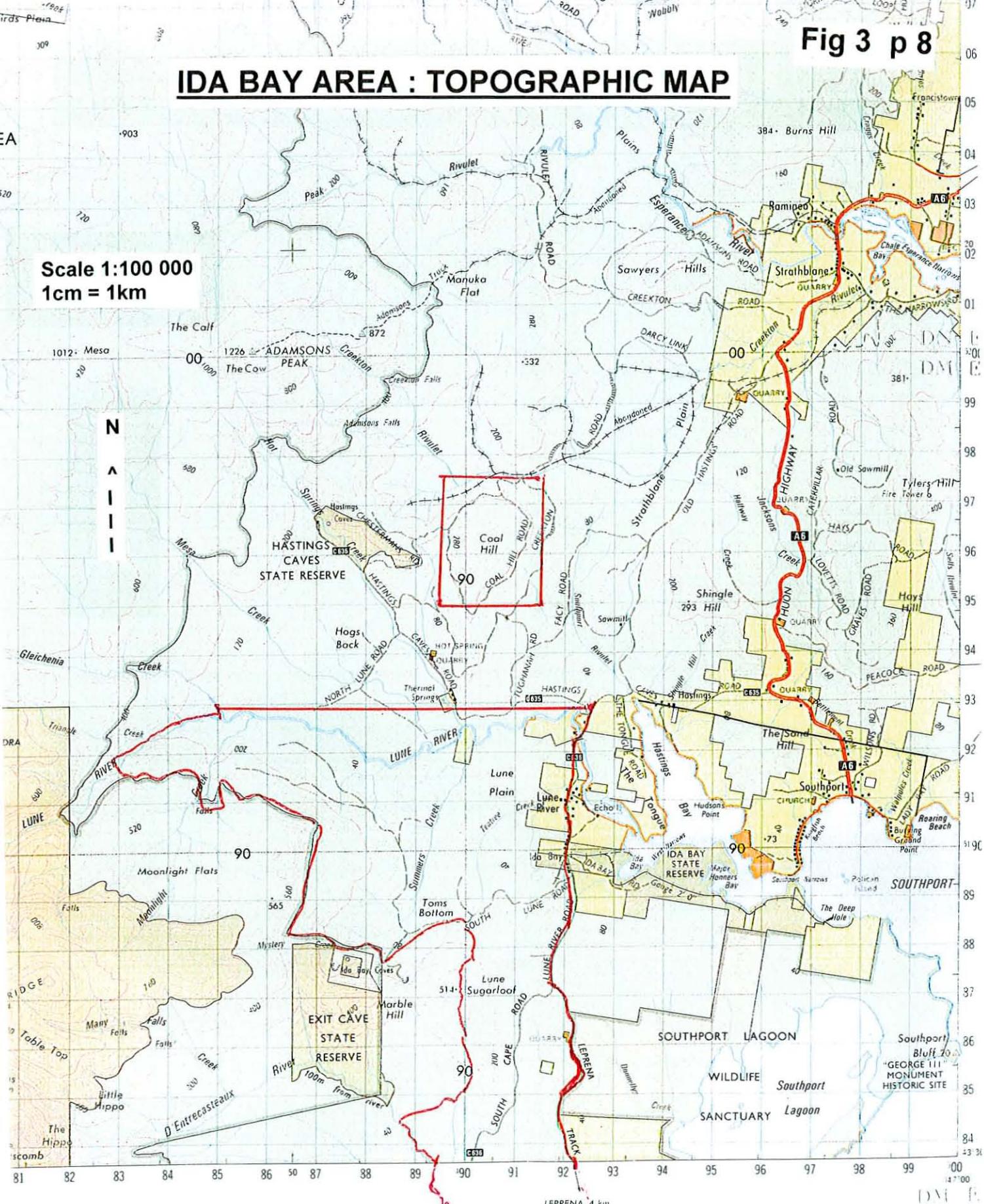
World Heritage Area

Relevant tenement land tenure / land management area indicated *

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

IDA BAY AREA : TOPOGRAPHIC MAP

Scale 1:100 000
1cm = 1km



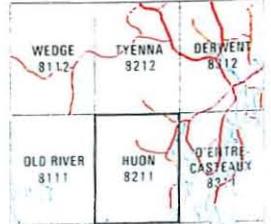
THE AUSTRALIAN MAP GRID, ZONE 55
WEST CORNER OF THE MAP
MEAN SEA LEVEL
IC DATUM 1966
PROJECTION
METERS

LAND TENURE INDEX INFORMATION has been compiled by the Lands Department with assistance from the Forestry Commission. Land tenure is current to March 83. Due to limitations of scale, some small areas of land tenure within built-up areas or of less than two hectares are not depicted. Colours are designed to indicate the prime managing authority. The indication of a particular land status does not imply right of entry or use. Boundaries of Crown land extend to low water mark. For full particulars, users are requested to consult the Registrar General's Division or the Lands Department.

Private Freehold Land



INDEX TO ADJOINING MAPS



TN GN MN

CATAMARAN AREA: TOPOGRAPHIC MAP

REFER TO THIS MAP AS: SHEET 8210 EDITION 1 1994

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2.1 Regional Geology

The EL covering the Catamaran area is part of and located within the southern part of the Tasmanian Basin of Permian-Triassic sediments. These are locally intruded by Jurassic dolerite sills and dykes and some extruded basaltic flows. (See Figure 5 p11)

The basement of Tasmanian Basin is Ordovician aged Gordon Group; mainly limestones with some sandstones and conglomerates. Folding and deformation occurred during the Devonian aged Taberabberan Orogeny. The Gordon Group is unconformably overlain by the Parmeneer Supergroup.

The Lower Parmeneer Supergroup is of Permo-Carboniferous age and comprises a series of undifferentiated glacial, glaciomarine and non marine sedimentary rocks, with an estimated average thickness of 500m. Overlying this sequence is a 30m thick, freshwater Permian sandstone unit with coal measures. This is followed by more glaciomarine sequences with pebbly mudstone, pebbly sandstone and limestone (200-300m thick). An undifferentiated Parmeneer Supergroup set of sedimentary sequences can locally exist at the Permian-Triassic boundary including the Cygnet Coal Measures. Where it exists this unit is overlain by non-marine Triassic lithic sandstone, siltstone, mudstone with coal bands (the Upper Parmeneer Supergroup). At the base of the unit is a distinct basal quartz sandstone estimated to be 200-300m thick. The coal measures above the basal sandstone are the main target sequence of coal within the Exploration Licence. These fine grained clastics are conformably followed by undifferentiated fluvio-lacustrine sequence of sandstone, siltstone and mudstone.

In the Jurassic period, large bodies of tholeiitic dolerite were intruded into the Permian-Triassic sediments. These intrusives take the form of large transgressive sheets with minor dykes. Locally there are co-magmatic tholeiitic basalt extrusives with the dolerites generally restricted to the Catamaran area.

Subsequent Cainozoic rocks for south-eastern Tasmania comprise relict Tertiary basalt flows and associated scree deposits. Quaternary sediments consist of a variety of sand, gravel and mud of alluvial, lacustrine and littoral origin. In addition there are also remnants of Pleistocene glacial deposits. Scree development has often occurred proximal to the Jurassic dolerites which generally occur as topographic highs.

Geology for EL32/2005 Catamaran Area

Figure 5 p11

Scale 1: 50 000
1cm = 500m

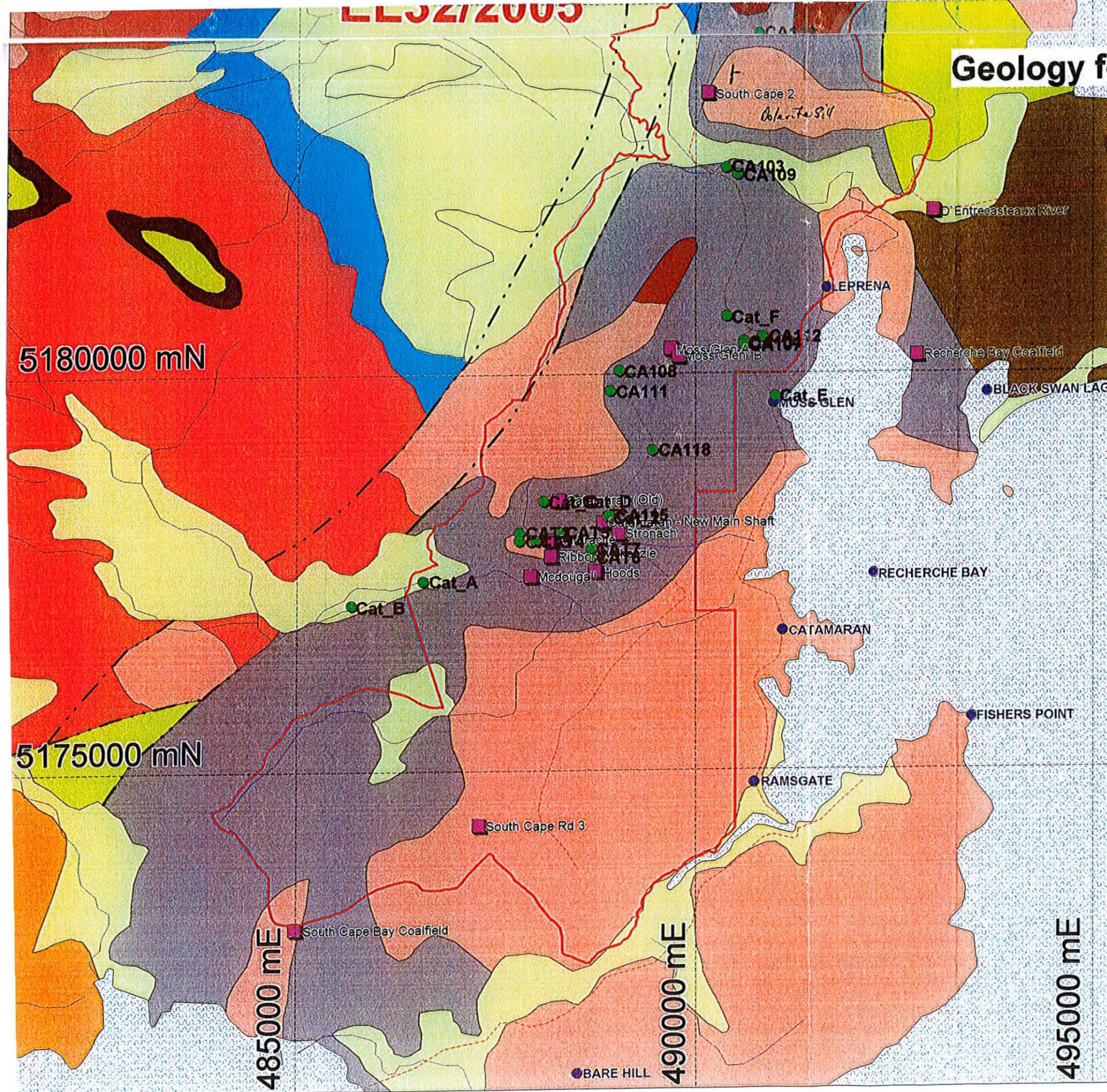


Legend

- Locality
- Mineral Occurrence
- Drillhole
- Railway
- Stream
- Road
- Fault

Lithostratigraphy

- water
- Q Undifferentiated Quaternary sediments.
- Qh Sand gravel and mud of alluvial, lacustrine and littoral origin.
- Qpg Pleistocene glacial and glaciogene deposits.
- Jb Basalt (tholeiitic), comagmatic with Jurassic dolerite (Lune River area).
- Jd Dolerite (tholeiitic) with locally developed granophyre.
- R Undifferentiated Triassic fluvio-lacustrine sequences of sandstone, siltstone and mudstone.
- Rvc Lithic sandstone, siltstone and mudstone with some coal and basal quartz sandstone.
- Rq Dominantly quartz sandstone.
- PR Undifferentiated Permian Supergroup rocks.
- Pu Upper glaciomarine sequences of pebbly mudstone, pebbly sandstone and limestone.
- Pc Freshwater sandstone with coal measures.
- P Undifferentiated Late Carboniferous-Permian glacial, glaciomarine and non-marine sedimentary rocks.
- SD Undifferentiated shallow marine quartz sandstone, siltstone and shale (Eldon and Tiger Range Groups and correlatives).
- OI Shallow marine limestone sequence with minor siltstone and sandstone (Gordon Group).
- CO Undifferentiated or poorly constrained conglomerate-sandstone sequences of Late Cambrian to Ordovician age.
- Lw Undifferentiated Weld River Group rocks and correlatives.



5180000 mN

5175000 mN

485000 mE

490000 mE

495000 mE

EL32/2005

The geology of the licence is dominated and transacted by a major north-south fault system with a centrally located graben, the Lune River Graben.

The western boundary of the graben comprises two parallel faults, the Lune River Fault System, which approximately coincides with the western boundary of the licence. West of these faults lies basement limestones of the Gordon Group overlain by Permian-Carboniferous glacial sediments and Permian coal measures. The graben is over 20km long north-south and some 4km wide, and consists of fault-bounded Triassic sediments that host the target coal measures. The eastern side of the graben consists, in the north of the licence, of Triassic sediments intermixed with Jurassic dolerites, whilst in the south the graben splays outwards and passes into the sea.

Within the EL, Triassic rocks can be broadly subdivided into two units based on lithological and chronological criteria: (after Perkins and Dunn 1984).

The lower unit or Triassic Basal Sandstone is predominantly arenitic (up to 90% quartz) and is greater than 238m thick within the EL. The sandstones are predominantly well sorted; fine to medium grained arenites and are typically bedded and massive fining upward sequences with some cross bedding. Composition is generally either quartz lithic or quartz feldspathic, although some beds are made up of volcanic lithic quartz fragments. Colour is light grey to grey, although some beds have either a greenish or reddish colouration owing to the presence of either epidote or hematite. Other lithotypes present are mudstone, siltstone and clay pellet conglomerate. Minor amounts of carbonaceous material and coal were also observed. The matrix in the sediment appears to be argillaceous with traces of calcite and zeolite cement.

The upper unit or Triassic Coal Measures lies conformably on top of the Triassic Basal Sandstone and is greater than 140m thick. The sequence comprises of sandstone, siltstone, mudstone, carbonaceous mudstone and coal seams. The coal seams are banded, dull and typically have a high inherent ash. Based on lithic description of chip and core samples and interpretation of geophysical logs, rocks of the Triassic Coal Measures can be divided up into a number of upward fining clastic sequences. They are similar to the Basal Triassic Sandstones but contain a higher proportion of fine grained sediments (up to 50%) and also a thicker development of coal seams. Sandstone from the Triassic Coal Measures found within the EL are generally light to dark grey; occasionally brown or greenish grey; occasionally brown or greenish grey; very fine grained; occasionally medium grained; and generally quartz lithic and feldspar lithic varieties are common.

The depositional environment of the sandstone and coal during the Triassic is believed to have been fluvial. Uplift to the west of the present day basin boundaries appears to have been providing the source. During the early Triassic (during deposition of the Basal Sandstones) streams of low sinuosity (possibly braided) flowed from this uplifted area towards the south-east.

Hale (1962) suggests the depositional area sank rapidly but the shores remained low allowing good sorting of the immature sediments resulting in the deposition of the Basal Sandstone. Later, in the Triassic, evidence suggests that the climate became more humid and the sinuosity of the streams increased resulting from a decrease in relief of the source area. This quieter sedimentary environment and climate led to the deposition of a greater proportion of finer grained sediments and formation of coal in back swamp areas.

Jurassic-aged dolerite intrudes the Triassic sediments within the EL. The dolerite belongs to the tholeiitic quartz dolerite association (McDougall, 1958). The dolerite appears to have been emplaced in the form of sills which is consistent with other observations around the basin and contact with a coal seam and analysis of that seam shows that no upgrading of the coal has occurred. This may not always be the case as the presence of anthracite coal has been reported from the Catamaran Coal field. The dolerite appears to have caused localised faulting and although it appears to be in the form of sills it cannot be used to aid the correlation of the coal seam.

Dolerite scree covers a large proportion of the Triassic sediments. The scree blocks range in size, up to several tens of metres, causing considerable problems with field mapping and drilling. Leaman (1982) suggests there that there are two generations of scree with older deposits usually reddish in colour whilst the more recent material has minor amounts of matrix.

Minor basalt occurs as minor flows generally less than a few kilometres long. The basalt in hand specimen is generally very difficult to distinguish from fine grained dolerite except if vesicles or amygdales are present. Basalt has only been recognised in the north of the area. MRT mapping indicates that these basalts are related to the Jurassic dolerites and are not Tertiary basalts.

Minor amounts of Quaternary clays and sands occur in the low swampy areas and along the major water courses. These deposits are relatively unconsolidated and difficult to recognise.

2.3 Previous Exploration and Mining

Coal was discovered at South Cape by the French Explorers in 1792, the first mineralisation of any kind noted in Australia. The French also found coal on the peninsula opposite Catamaran in Recherche Bay during the time of their stay there.

At Catamaran it self, coal production was reported in 1904 of some 119 000 tons. Mining continued intermittently until 1939 when all production ceased.

Exploration drilling for coal occurred at Catamaran in 1902 when 6 holes were drilled for 789m. In 1936; 2 holes were drilled for 155m.

In 1955 at Ida Bay 2 holes were drilled for 139m.

In more recent time (1975) Australian Paper Mills (APM) drilled 7 holes at Catamaran for 150m and at Ida Bay (1976) 15 holes for 378m. (See figure 6 p15)

This 1975/6 exploration drilling by APM was focused on locating a coal resource that would be a good substitute for fuel oil for their Port Huon Pulp Mill.

At Catamaran the drilling intersected significant coal seams at very shallow depths. The near surface coal was extensively weathered. Other drill holes encountered doleritic sills in contact with the coal and reported the coal being damaged.

APM's conclusion was that there was no economic coal deposit in the area.

At Ida Bay the APM drilling reported bedding dips at 15 degrees and stated that there was considerable folding and faulting of the coal measures...associated with dolerite intrusions...unlikely that there is sufficient seam continuity...for underground extraction of coal. APM concluded that there was no open cut resources available and withdrew.

In 1981/3 the Marathon company undertook a systematic search for coal. Marathon drilled 20 holes for 3 157m (see figure 6 p15)

Their targets were:

1 an underground mineable target of 112Mt in situ recovering 50% mining and 60% washed coal from a workable 2m seam in an area of 35 sq km.

2 an opencut mineable target of 64Mt in situ 50% mining recovery 60% washed assuming a single working seam of 2m and an area of 20sq km.

Their exploration programme involved:

- A detailed desktop study including air photo interpretation

- Geophysical surveys including airborne magnetics & ground based gravity

- A synthesis of an integrated geophysical model

- Stratigraphic drill testing within each of the major delineated fault blocks

- Drilling 20 holes for 3157m

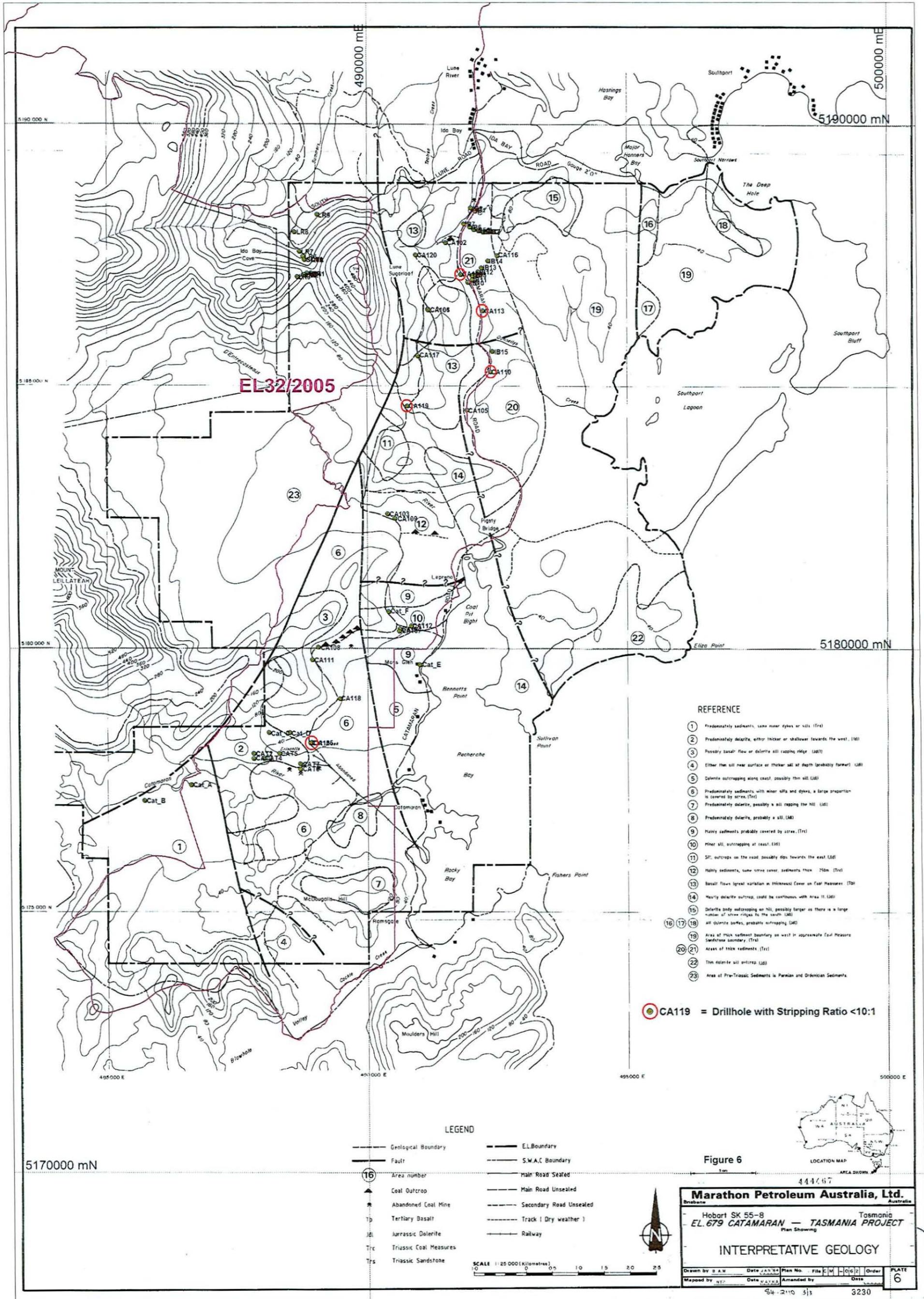
- Coal quality tests and other analytical work

A summary of their findings was:

- At Catamaran potential for 11.5Mt of an underground resource

- At Ida Bay Potential for 5.5Mt of an open cut resource

Further details of all this past exploration work and results is contained in the consultant's report commissioned by Zelos and attached to the Year 1 Annual Report (2007) as Appendix 1 and in the reports listed as references.



EL32/2005

REFERENCE

- ① Predominantly sediments, some minor dykes or sills (Tr)
- ② Predominantly dolerite, either thicker or shallower towards the west. (Jd)
- ③ Possibly basalt flow or dolerite sill capping ridge (Jd?)
- ④ Either thin sill near surface or thicker sill at depth (probably former) (Jd)
- ⑤ Dolerite outcropping along coast, possibly thin sill (Jd)
- ⑥ Predominantly sediments with minor sills and dykes, a large proportion is covered by scree. (Tr)
- ⑦ Predominantly dolerite, possibly a sill capping the hill (Jd)
- ⑧ Predominantly dolerite, probably a sill (Jd)
- ⑨ Mainly sediments, probably covered by scree. (Tr)
- ⑩ Minor sill, outcropping at coast (Jd)
- ⑪ Sill, outcrop on the road possibly dips towards the east (Jd)
- ⑫ Mainly sediments, some scree cover, sediments thick ~150m (Tr)
- ⑬ Basalt flows (great variation in thickness) Cover on Coal Measures (Tr)
- ⑭ Mostly dolerite outcrop, could be continuous with Area 11 (Jd)
- ⑮ Dolerite body outcropping on hill, possibly larger as there is a large number of scree ridges to the north (Jd)
- ⑯ all dolerite sills, probably outcropping (Jd)
- ⑰ Area of thin sediment boundary on west in approximate Coal Measure Sandstone boundary. (Tr)
- ⑱ Areas of thin sediments (Tr)
- ⑳ Thin dolerite sill entirely (Jd)
- ㉑ Area of Pre-Triassic Sediments in Permian and Devonian Sediments.

⊙ CA119 = Drillhole with Stripping Ratio <10:1

LEGEND

- Geological Boundary
- Fault
- ⑬ Area number
- ▲ Coal Outcrop
- ★ Abandoned Coal Mine
- Tp Tertiary Basalt
- Jd Jurassic Dolerite
- Trc Triassic Coal Measures
- Trs Triassic Sandstone
- E.L. Boundary
- S.W.A.C. Boundary
- Main Road Sealed
- Main Road Unsealed
- Secondary Road Unsealed
- Track (Dry weather)
- Railway

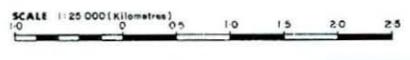


Figure 6

Marathon Petroleum Australia, Ltd.
 Hobart SK 55-8
 EL 679 CATAMARAN — TASMANIA PROJECT
 Plan Showing

INTERPRETATIVE GEOLOGY

Drawn by BAW Date JAN 94 Plan No. File C:\M\062 Order
 Mapped by HTJ Date MAY 94 Amended by Date
 84 210 313 3230

PLATE 6

2/15

Specific to the Marathon results the following comments by the Zelos Consultants were:

At Ida Bay: the potential for 5.5Mt by open pit mining. (see figure 6 p15)

An attempt at correlating the main seam of interest (interval A) showed there was no evidence of structural continuity between the 2 holes CA106 & CA110

Seam A thickness of the 2 holes was 1.04m (CA106) and 2.57m (CA110) thus the average thickness of 2.7m is overstated.

Relative density analysis averaged 1.53, the stated 1.6 is overstated

The cumulative strip ratio for the A interval in CA106 is 39:1 Any resource area to a 60m depth and a 10:1 cut off would have to be well up dip from the 135m deep A interval intersection in this borehole

CA117 which is 1450m to the west of CA110 (down dip?) has no coal to a depth of 195m thus this borehole cannot confirm seam continuity.

At IB15 a borehole 400m north of CA110 (along strike) there is no coal to a depth of 30m this borehole is possibly to the east of interval A outcrop and the intersected rocks were reported by APM as belonging to the basal Triassic sandstone.

Borehole CA105 has an intersection of the D seam at 61.19m. This hole is 850m south-west of CA 110. Seams higher in the stratigraphic sequence would be expected. The lack of these stratigraphic higher seams suggests faulting and discontinuity of seam A.

At Catamaran: the potential for 11.5Mt by underground mining. (see figure 6 p15)

The seam A interval has been identified in borehole CA111 from 65.19m to 80.62m. There are 5 coal bands within this interval having a cumulative thickness of 2.57m. The thickest band is 1.1m thick. There is a further 12.86m of parting within the intersection.

An underground mining operation working a 1.1m thick seam would be a low output mine with customised mining equipment.

The second coal intersection for the underground resource is from borehole CA115. The uncorrelated coal intersection is 4.03m thick at a depth of 70.77m. It is suggested that this is the A interval. There are 2 thinner beds below this interval.

Even though the coal intersections are at similar depths it is not possible to positively correlate these seams as both being the A interval. There is little evidence to support continuity.

Borehole CA118 lies 900m south-east of CA111. This would be expected to be up dip of the seams intersected in boreholes CA115 and CA111 however, the first intersection of coal is at 116m. This suggests there are major structural dislocations between the boreholes.

These comments by the Zelos consultants suggest that whilst there are sufficient indications of coal at both locations, it is likely that structural problems and insufficiently closely spaced data make any resource estimations difficult and are only of a general nature. For a clearer definition and more accurate estimation of available coal resource, much further detailed exploration work is required.

3 Current Exploration

3.1 Literature Review

The company has purchased a range of literature available on coal from MRT. These include The Coal Resources of Tasmania by Four Members of the Geological Survey:1922, The Coal Resources of Tasmania Bulletin 64 :1991, Some Tasmanian Coal Statistics: 1997, these last two By CA Bacon of MRT.

In addition to the above 3 hard copies purchased, Eight titles were downloaded from the MRT open file records and read.

The company's consultant's report was also read and it contains an exhaustive list of references on the occurrence of coal in Tasmania.

All these reports visited above are listed below in references.

3.2 Regional Exploration Activities

Regional Exploration activities conducted by the company in the years previous of this report were of a reconnaissance nature. The EL and surrounds were visited on several occasions for orientation of infrastructure and resources that are available such as the public roads and the private forestry roads and other facilities such as accommodation, fuel, supplies, the old (and gone) and still existing tramways and wharfs etc.

3.3 Prospect Based Exploration Activities

Several field trips were made within the EL boundaries for the purpose of flagging the locations of potential sites for drilling purposes and having these checked for environmental reasons in company with staff from MRT.

Visits were made to several localities of old mine sites and workings and where exposed, rock out crop types were observed, noted and sampled.

3.4 Desktop Studies

The maps, data, and feasibility study of insitu underground coal gasification and/or liquefaction has been discussed at length with several potential joint venture partners.

4.1 Previous Drilling

The general area of the EL from north of Ida Bay to south of Catamaran has undergone substantial drilling starting in about 1902 when coal was first found near Catamaran. In rapid succession coal was mined at various localities such as Coal Hill, Ida Bay, Lune River, Leprena, Moss Glen and Catamaran. In more recent time the 1975/6 drilling at Ida Bay and Catamaran sought coal suitable as fuel for the paper mill at Port Huon.

Swampy/boggy conditions made drilling difficult. The drilling and trenching found wet and weathered and “inferior” coals in quantities unsuitable for a mining operation. See notes above in previous exploration.

The drilling in 1982/3 targeted a much bigger resource and was more regional. Whilst many holes were deep and several seams were intersected up to 2.7m thick. Seam continuity was difficult to resolve as the holes drilled were over 1km apart and the correlation of the logs of the seams, their thickness and depth was not easy. Commentary on this is also discussed in notes above in previous exploration.

4.2 Proposed 2006 Work Programme

Despite these difficulties and that the area has significant influence of dolerite intrusions of dykes and sills as well as structural problems with faulting, the company’s consultants recommended an initial 5 drill holes in locations close to previously drilled holes. The locations are on figure 6 map p15. The aim is to establish continuity, and therefore enhance the resources, and/or delineate structural discontinuities. Core holes were recommended for coal quality analysis.

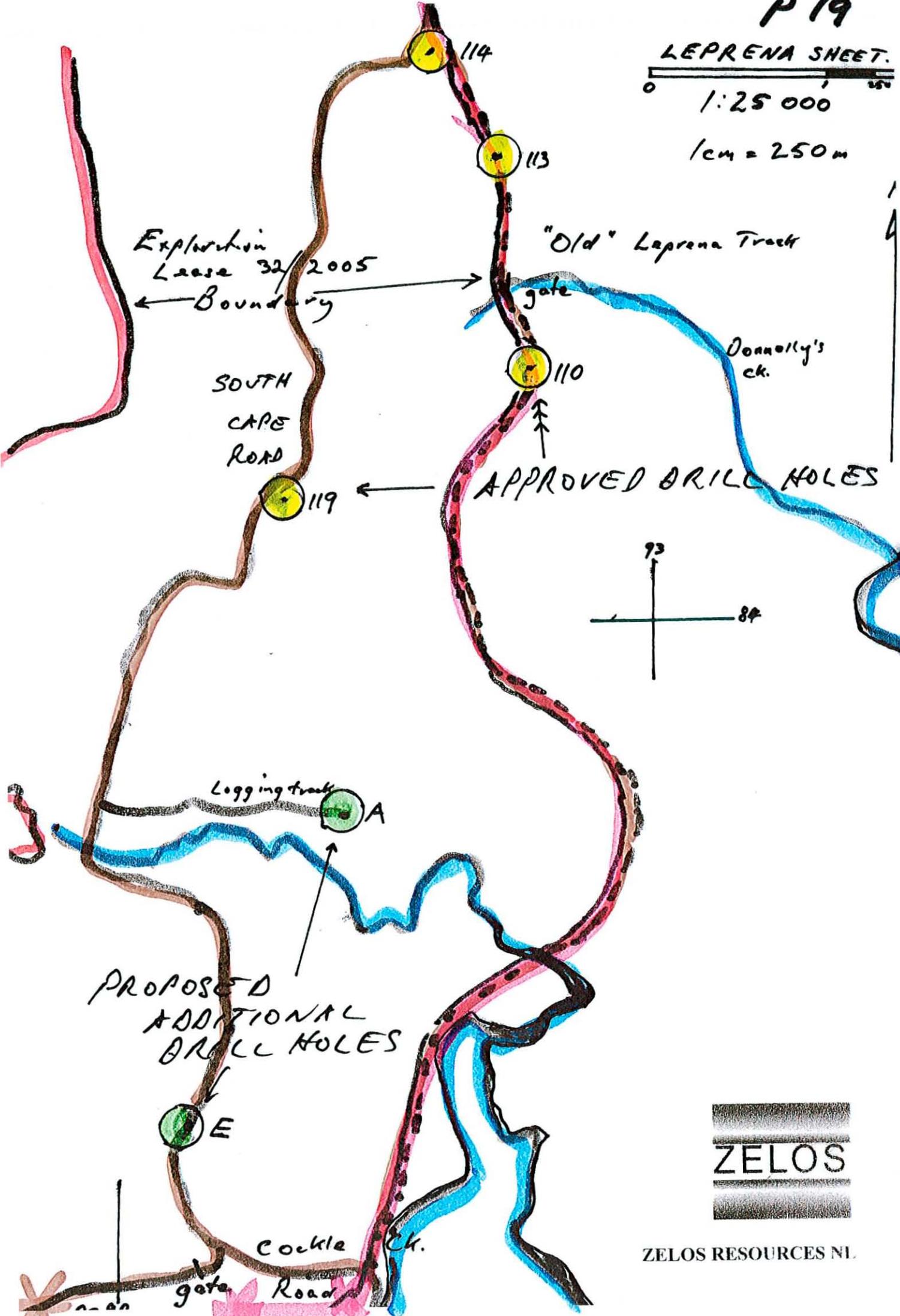
Gujarat therefore contacted suitable diamond drilling contractors for the required core. The first drilling contractor contacted turned out to have a rig available for the work that was suitable in all aspects except depth capacity which was limited to around 250m with NQ sized core from -100m.

Meanwhile, the initial five sites were inspected by the MRT Environmental Officer and the Chief Coal Geologist in company with Gujarat Geologists. After discussion, minor adjustments were made to the selected sites and approval was given to go ahead with the drilling. Further discussion was also held with the company’s consultants and a change of drilling technique from core to open hole with core recovery of the coal seams together with down hole geophysical logging, was recommended together with a further 5 target locations to substantially improve resource volumes and knowledge. (Figure7& 8 maps p19/20)



1:25 000

1cm = 250m



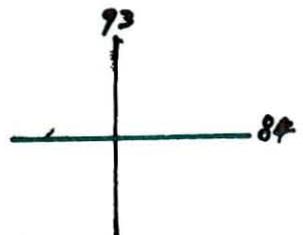
Exploration Lease 32/2005
Boundary

"Old" Leprena Track

Doonally's ck.

SOUTH CAPE ROAD

APPROVED DRILL HOLES



Logging track

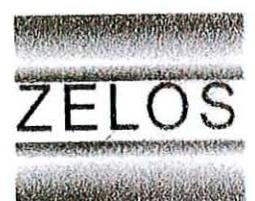
A

PROPOSED ADDITIONAL DRILL HOLES

E

Cockle ck.

gate Road

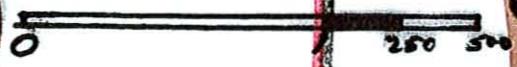


RECHERCHE

SHEET

1:25 000

1cm = 250m



P20

Approved Drill Hole

115

Proposed Drill Holes

B

D

C

Log Bridge
? suspect
quality

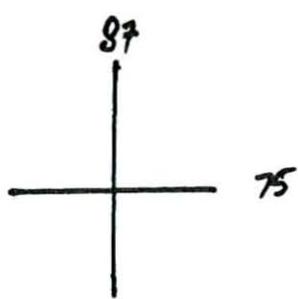
South
Cape
Road

Cochle
Creek
Road

Rachai
Bay

ZELOS

ZELOS RESOURCES NL



The company's consultant geophysicist was also asked to provide an interpretation of the available MRT airborne magnetic data. The reply was that this task is vast as the spacing is at 500m lines ie very broad which limits the usefulness of the magnetics. It would require a lot of detailed work in each locality and a re fly at 100m spacing, therefore this geophysical project was put on hold.

The next steps were to contact drilling contractors with bigger capacity rigs and 3 further contractors were asked to quote, each in turn had some problem ie inadequate capacity, not available for over six months, and finally a suitable contractor was found and pencilled in to start in June 2006. A quote was also obtained from a Brisbane based specialist down hole geophysical logging contractor, as well as a reply from the University of Tasmania Geology/Codes Geophysics Department that they could not do the work as they had no spare staff, time and their probe was being repaired.

A further field visit was made by the MRT Environmental Officer and the Senior Tasmanian Resident Geologist for Gujarat to the proposed 5 new sites. As with the initial 5, after discussion of the locations selected minor adjustments were made for environmental and practical reasons and approval for the additional drilling was granted.

It was recommended by MRT to contact and site visit and receive approvals for the proposed drilling of the local government council, the main roads department, the Forestry Department and the National Parks and Wildlife. Several attempts at coordination of a site visit and discussion with these separate bodies failed, time marched on and so the drilling programme was placed on hold whilst other company projects received priority.

4.3 Proposed 2007 Work Programme

With the drilling project on hold, the company decided to re look at the whole concept of the coal resource in the area. The past reports available were re looked and more attention was paid to the coal type, potential uses ie markets. Careful and detailed consideration was given to the infrastructure available, what is needed, potential costs of construction and the time frame of completion of same.

A new approach was needed and the potential for the use of the coal resource as a basis for an insitu resource for underground coal gasification or liquification was investigated.

Experts in this field were consulted, models investigated and joint venture partners sought. Several were enthusiastic but the restraining factors cited for not going ahead were the small resource size (a 20mt for a 20 year life was the model) and secondly the lack of exploration data confirming resource continuity coupled with geological problems such as dykes and faults.

No field work was carried out in 2007 and once again the project was put on hold.

4.4 Proposed 2008 Work Programme

During the current year it is proposed to again initiate J/V proposals with potential partners based on the concept of insitu resource use and again revisit the potential for conventional exploration and mining.

5 Conclusions

The Company remained interested in the licence area whilst the proposed drilling programme was being implemented. When the brakes were then applied owing to lack of interest, coordination, cooperation of various local semi/government bodies etc the drilling took a back seat and was put on hold.

Investigations were made regarding existing infrastructure, the potential of reusing the existing infrastructure, old, past, now gone infrastructure, the likelihood of approval for new major infrastructure if a major commercial deposit is discovered, the exploration and potential development of mining and also forestry in political sensitive areas in and near the Exploration Licence area.

Consideration was also given to historical and environmental sensitive issues.

In the second year of the licence the company investigated the geology and potential of the licence further with a view of a resource(s) suitable for the raw coal material to be converted insitu to an alternative energy source that is easier to transport such as gas, liquid or electricity.

This investigation involved further consultants who specialise in these fields. This meant desktop studies, and further exploration data but field assessment of the coal resources did not eventuate.

The drilling programme already designed and approved would be part of this project study if it were to be undertaken. Further joint venture partners are being sought.

It is recommended that Exploration Licence 32/2005 Catamaran be retained.

6 Environment

There has been minimal environmental disturbance with in the EL to date.
There is no rehabilitation work necessary.

7 Expenditure

Total Expenditure for the period is	\$ 7 878.00
Total Expenditure for past years to date is (pre GST) is	\$ 35 818.00

The major items making up this amount are:

Geology	\$ 30 042
Administration	\$ 5 776

8 References

Purchased or otherwise obtained by Gujarat:

Consultants Report:

TEAR S	Catamaran Licence EL 32/2005 Literature Study Report Prepared for Zelos Resources NL SMG Consultants Brisbane	February 2006
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The report above has an exhaustive listing of references and reports p21-26
The hard copies below were purchased and read.

BACON CA	Some Tasmanian Coal Statistics : Record 1997/10 Tasmanian Geological Survey	July 1997
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BACON CA	The Coal Resources of Tasmania : Bulletin 64 Division of Mines and Mineral Resources	1991
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LOFTUS-HILLS MBE etal	The Coal Resources of Tasmania Mineral Resources No.7 Dept of Mines :Geol Survey	1922
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The references below were downloaded from the MRT Website and read.

12_0013

NOETLING F Report on Local Proposition East of Recherche Bay Feb 1912

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NOETLING F Report on the Catamaran Coal Seams February 1912

15_0020

TWELVETREES WH The Catamaran and Strathblane Coal Fields and
Coal and Limestone at Ida Bay Geol Survey Bull 20 1915

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SAINT-SMITH EC Examination of Coal Areas at Leprena
Leprena Coal Mining Co.Ltd March 1923

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BUNNY MR Stage 1 Investigations : Coal in Southeastern Tasmania
Earth Resources Australia Pty Ltd November 1974

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RASMUS PL Stage II Investigations: Catamaran Coal In S-E Tasmania
Earth Resources Australia Pty Ltd May 1975

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PERKINS NT Annual Report EL 6/79 (Catamaran)
Marathon Petroleum October 1982

84_2109

O'NEIL D Annual Report EL 6/79 (Catamaran)
Marathon Petroleum May 1984