Gujarat NRE Resources NL

EL 42/2004 Mt Bertha

Year 3 Annual Report

For the period 1 March 2007 to 1 March 2008

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14 February 2008

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Abstract

EL 42/2004 the Mt Bertha licence, is in the interior of the north- west quarter of the state. This is a large area and is prospective for iron ore repetitions of the Savage River mine, base metals (copper,lead zinc,silver) as well as gold.

The new government sponsored airborne magnetic surveys has revitalized the prospectivity of the area and the company intends to take maximum advantage of this new data.

The geology of the Mt. Bertha licence comprises a variable volcano-sedimentary package of Neoproterozoic-aged rocks including part of the Arthur Metamorphic Complex. The Arthur Metamorphic Complex occupies a tectonic feature also known as the Arthur Lineament and lies between the Rocky Cape and Dundas stratotectonic elements. The complex is a strongly deformed blueschist and greenschist grade metamorphic belt 11Okm long by 1Okm wide running northeast-southwest across North West Tasmania. The lateral boundaries of the complex are transitional into less deformed and less metamorphosed rocks. The lineament is thought to represent a major tectonic boundary between the Rocky Cape and the Sheffield Stratotectonic Elements. The rock sequences within the complex are rich in industrial mineral deposits such as magnetite iron ore at Savage River, sillca sand at Corinna, magnesite at Keith River etc.

The company's consulting geophysicist Nigel Hungerford was asked to do a Geophysical Interpretation Report of all the available (old and new) geophysical data available over the EL.

He considered the relevance of the known geology to the geophysics results, listed what types of surveys, by whom, when they were carried out. He included a table of rock signatures, a suite of geophysical maps and generated several targets to be followed up.

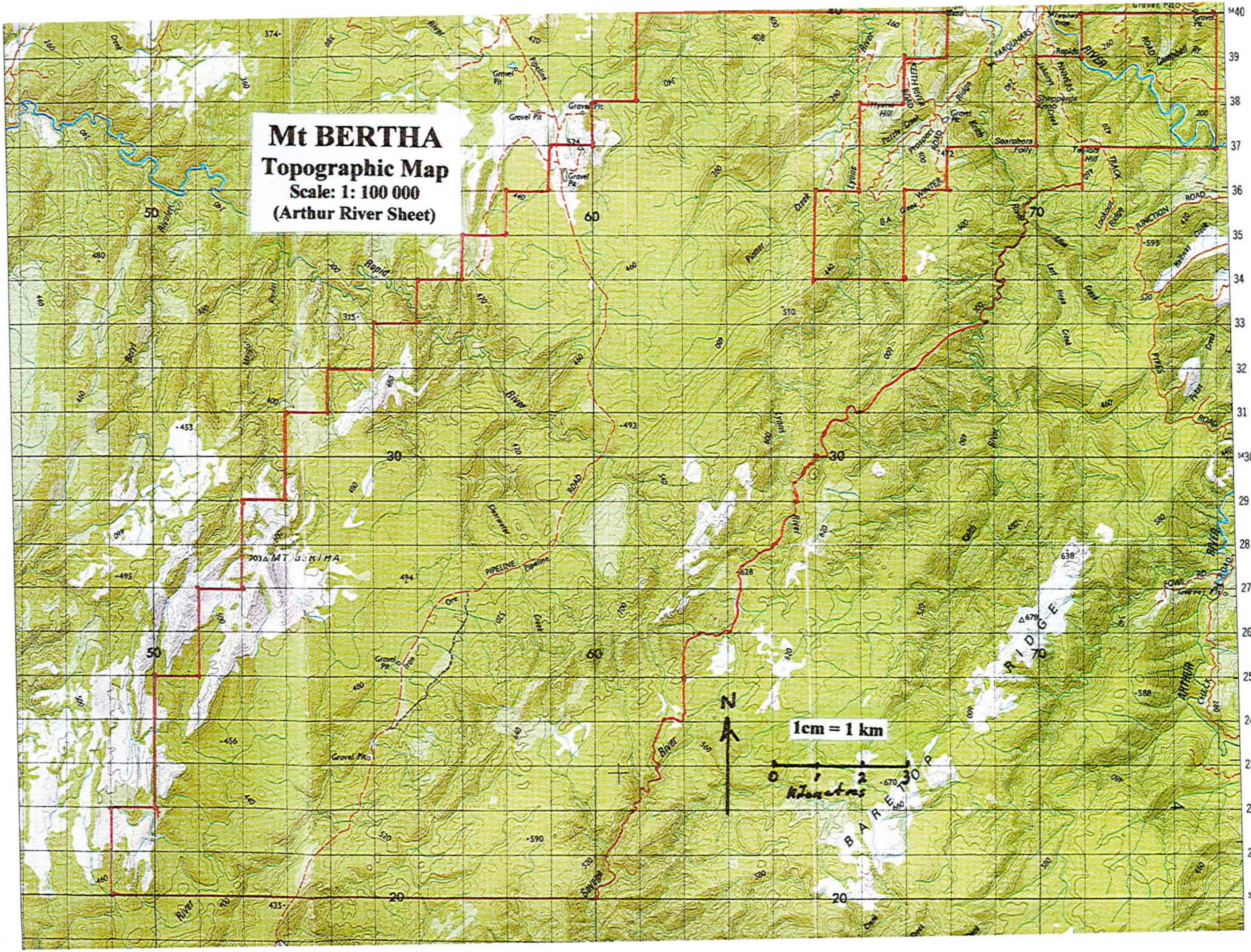
It was therefore concluded that "ground truthing and selection of sites" becomes the subject of further exploration activity with drilling being the result of this field investigation.

CONTENTS

Page Number

List of Maps

List of Photos


Mt BERTHA
Topographic Map
Scale: 1: 100 000
(Arthur River Sheet)
1cm = 1 km
N
0 1 2 3
Kilometres
MT BERTHA
PIPELINE
ROAD
BARE TOP
RIDGE
Gravel Pit
River
Creek
Savage
Rapid
ARTHUR
WINTER
JUNCTION
ROAD
Taylors Hill
TRACK
Scarabors Folly
FARQUHARS
Lookout Ridge
50
60
70
30
20

1 Introduction

1.1 Exploration Rational

EL 42/2004 the Mt Bertha licence, is in the interior of the north- west quarter of the state.

This is a large area and is prospective for iron ore repetitions of the Savage River mine, base metals (copper, lead, zinc, silver) as well as gold.

Because of its isolation, extremely wet and cold weather, dense vegetation and lack of infrastructure the surface geology of the region has undergone minimal and superficial exploration in the past.

The new government sponsored airborne magnetic surveys has revitalized the prospectivity of the area and the company intends to take maximum advantage of this new data.

From the limited data available from past exploration activity it is clear that the licence area does posses a variety of geological elements that potentially offer several different types of commodity targets. These include:-

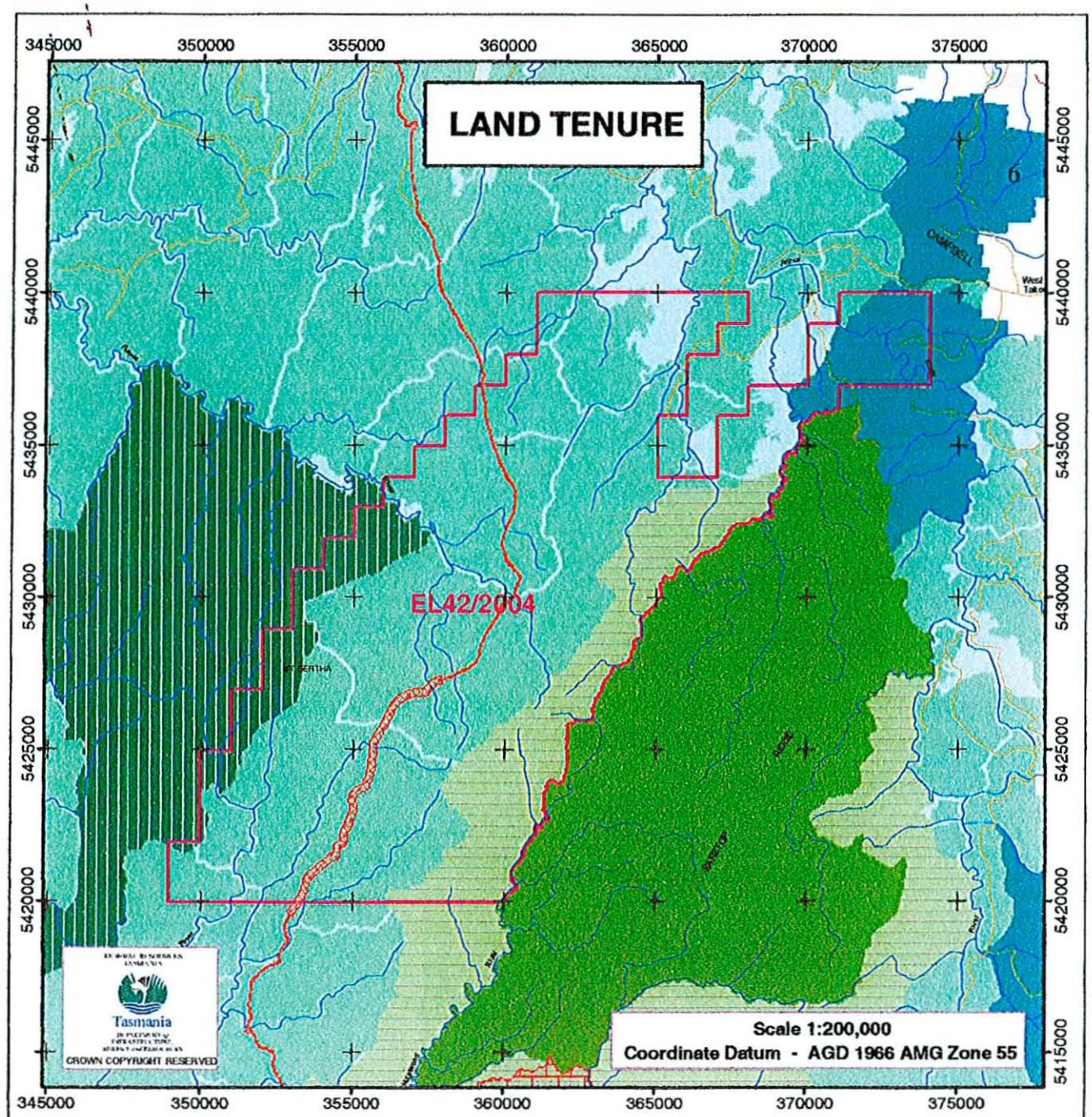
Iron ore, copper-gold orebodies associated with brecciation zones along a major fault.

Gold- magnetite lodes similar to those of the Tennant Creek (NT) area.

Iron ore deposits similar to Savage River

Besshi-style copper mineralization is a possible target with the geologic setting similar to the Japanese Sambagawa Metamorphic Belt which hosts the "Besshi-type" deposit.

High grade magnesite deposits similar to the deposits occurring beyond the north- east corner of the licence.



Land Tenure / Special Management Areas (Guide Only)

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

1.2 Tenement Information

EL 42/2004 Mt Bertha was granted on the 1st of March 2004 for a period of 5 years expiring on 1 March 2009.

The area is held 100%, and was granted to Zinico Resources NL which was listed on the Australian Stock Exchange on the 25th August 2005.

At the company's AGM on Tuesday 22nd November 2005 the name was changed to Zelos Resources NL and again at the AGM of the company on 23 November 2006 the name was changed to Gujarat NRE Resources NL to reflect the major shareholder.

The company's forst report covered the period when work commenced ie 1 July 2005 to 1 March 2006.

The Annual Report for Year 2 covers the period 1 March 2006 to 1 March 2007.

This Annual Report for Year 3 covers the period 1 March 2007 to 1 March 2008.

1.3 Location

The licence is in the centre of the north-west quarter of the State of Tasmania.

The centre of this large exploration area (224 square kilometres) is located 20km north east of the Savage River Iron Ore Mine and about 50km south-west of the port of Burnie.

Access to the licence is very restricted owing to the lack of road infrastructure. The only road within the licence is the road supporting the maintenance of the slurry pipe line which runs through about the middle of 2/3rds of the length of the licence.

Permission was sought and granted to use this road: on stipulated strict conditions. Forestry and other roads are available for use outside and to the north-east of the licence.

Helicopter support will be the only other viable access to many parts of the EL area.

2 Review of Previous Work

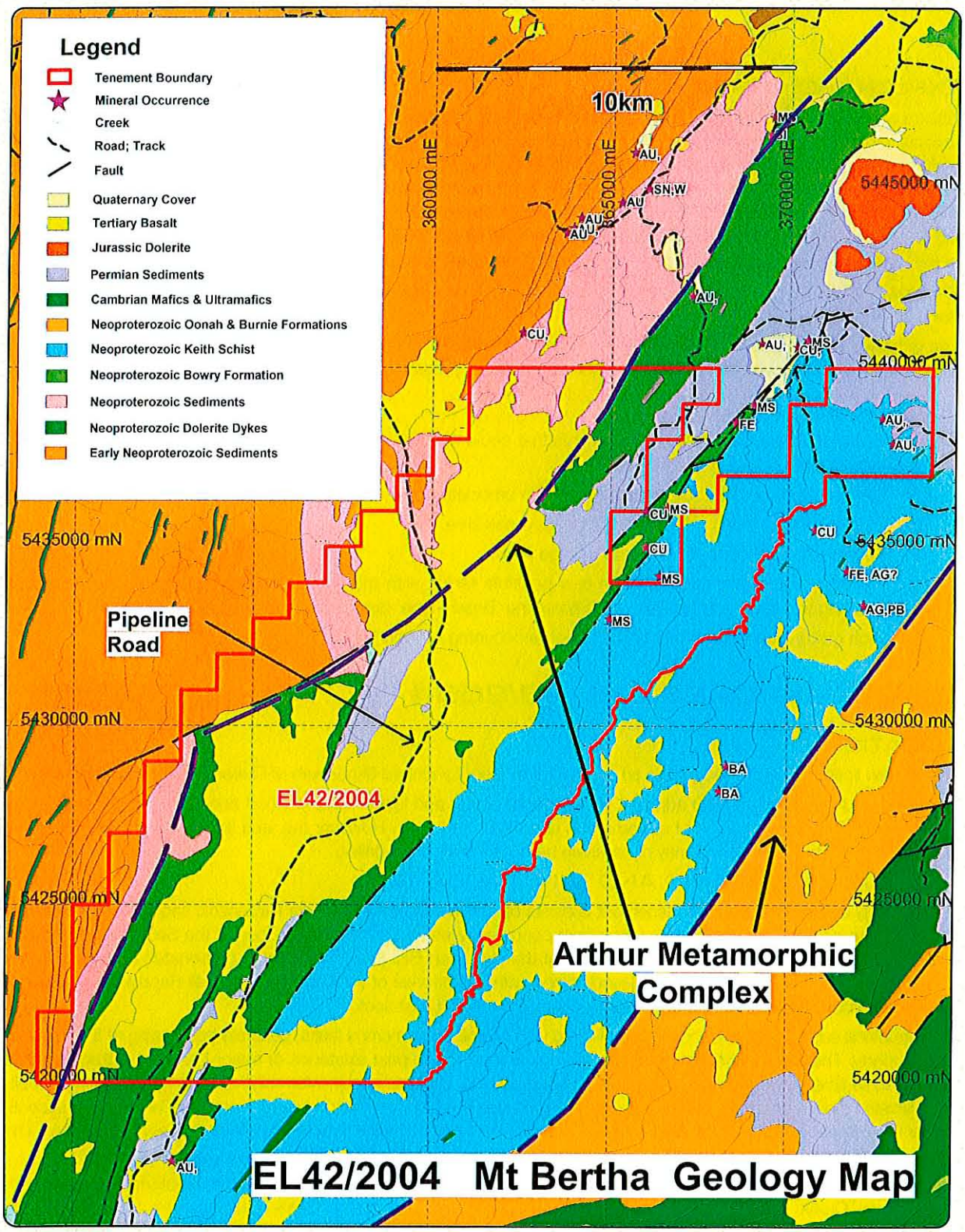
2.1 Regional Geology

The geology of the Mt.Bertha licence comprises a variable volcano-sedimentary package of Neoproterozoic-aged rocks including part of the Arthur Metamorphic Complex. The Arthur Metamorphic Complex occupies a tectonic feature also known as the Arthur Lineament and lies between the Rocky Cape and Dundas stratotectonic elements. The complex is a strongly deformed blueschist and greenschist grade metamorphic belt 11Okm long by 1Okm wide running northeast-southwest across North West Tasmania. The lateral boundaries of the complex are transitional into less deformed and less metamorphosed rocks. The lineament is thought to represent a major tectonic boundary between the Rocky Cape and the Sheffield Stratotectonic Elements. The rock sequences within the complex are rich in industrial mineral deposits eg iron ore at Savage River, sillca sand at Corinna, magnesite at Keith River etc.

In detail the Proterozoic group strikes generally northeast-southwest, is steeply dipping and young from west to east across the licence. The oldest units are siltstones and pyritic mudstones of the Early Neoproterozoic Cowrie Siltstone. These are overlain by a mixed siliciclastic package of siltstones, quartzites and sandstones with minor politic shales (Detention Quartzite, Jacobs Quartzite, Irby Siltstone etc). Subsequent units in the southern part of the property comprise carbonates, clastics, volcanic turbidites and tholeiitic basalts of the Neoproterozoic Forest Conglomerate, Togari and Ahrberg Groups. These in turn are overlain by chert, shale, conglomerate and dolomite of the Black River Dolomite and associates. To the north of the property Neoproterozoic phyllites occupy the Togari, Ahrberg and Black River Dolomite positions. The remaining Neoproterozoic sequence consists of a chloritic schist unit, the Bowry Formation, with dolomites and magnesite deposits, The youngest unit in the complex is the Keith Schist which comprises quartz mica schists, quartzite and phyllite and is thought to be a more deformed version of the east bounding Burnie and Oonah turbiditic siltstone packages (both Late Neoproterozoic in age).

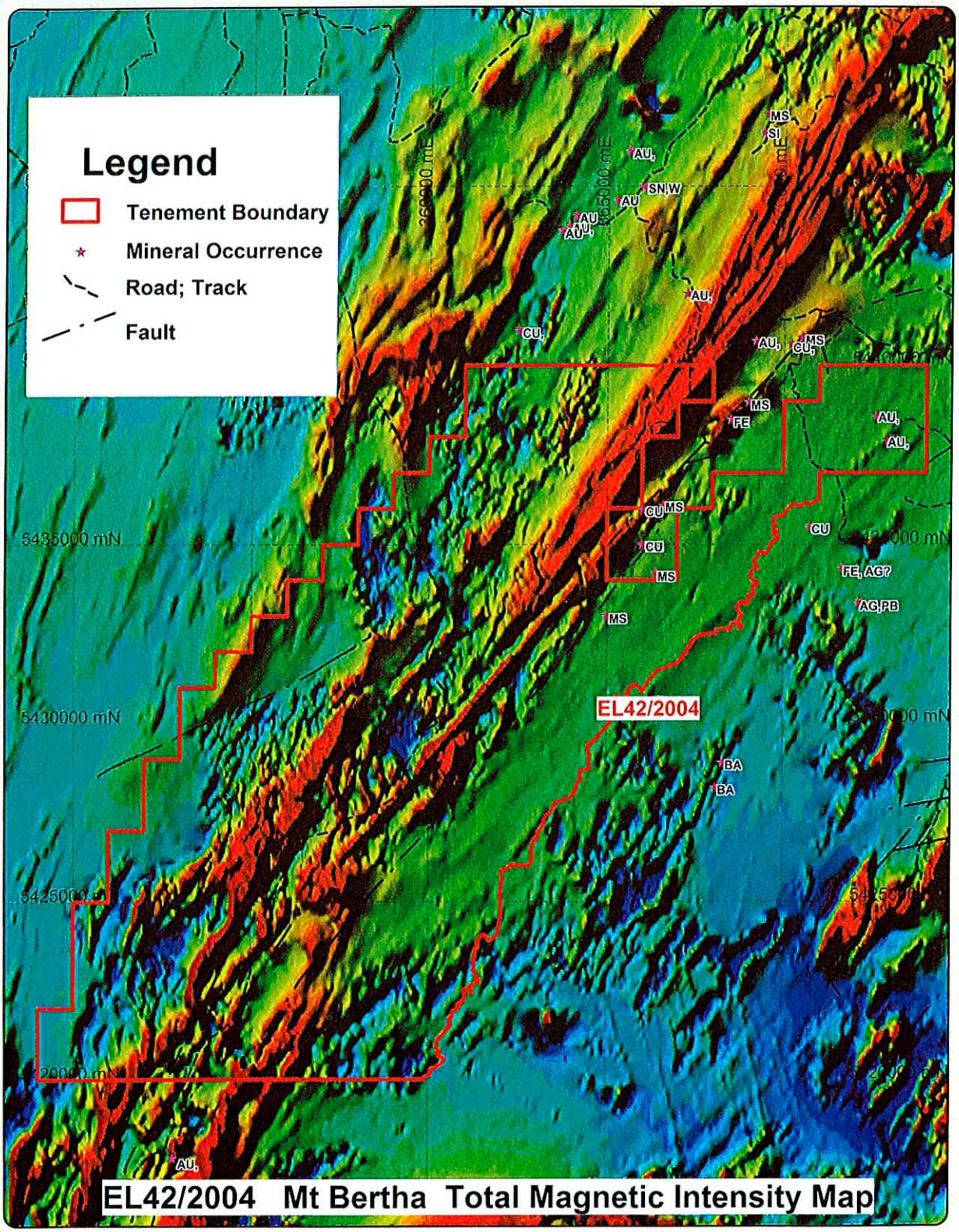
There are Permian sequences that run with the structural grain along the centre of the lease and appear to be fault bounded in a graben-like structure against the various Neoproterozoic sequences. They comprise a lower glaciomarine clastic sequence with limestones and the Tasminite Oil Shale. Overlying these rocks are coal measures followed by an upper glaciomarine sequence. At the northeast corner of the tenement it appears that the Permian is unconformable onto the underlying Neoproterozoic schists.

A subsequent Tertiary basalt eruptive phase resulted in extensive coverage of the tenement (about 50%) masking the underlying Proterozoic units. A review of recently flown airborne magnetic data indicates that the basalt cover may be quite thin in several instances as demonstrated by the continuity of the Neoproterozoic-related magnetic signatures underneath the basalt cover.


Legend
Tenement Boundary
Mineral Occurrence
Creek
Road; Track
Fault
Quaternary Cover
Tertiary Basalt
Jurassic Dolerite
Permian Sediments
Cambrian Mafics & Ultramafics
Neoproterozoic Oonah & Burnie Formations
Neoproterozoic Keith Schist
Neoproterozoic Bowry Formation
Neoproterozoic Sediments
Neoproterozoic Dolerite Dykes
Early Neoproterozoic Sediments
10km
360000 mE
365000 mE
370000 mE
5445000 mN
5440000 mN
5435000 mN
5430000 mN
5425000 mN
5420000 mN
Pipeline Road
EL42/2004
Arthur Metamorphic Complex
EL42/2004 Mt Bertha Geology Map

The air magnetic data also indicates a substantial structural complexity with several major structures transecting the licence. There are likely to be some differences between new geologic deductions from this air magnetic data and the published geology which may create exploration opportunities.

Reported mineral occurrences on the property are restricted to magnesite on the periphery to the main magnesite leases that occur just beyond the northeast corner of the tenement and to two small gold occurrences at the extreme north-east end of the licence. There are minor copper occurrences outside the tenement in that northeast area. The nearby Savage River lron Ore Mine (15km south west of the southern boundary) consists of concordant massive pyrite-magnetite hosted by greenschist grade tholeiitic metabasalts of the Bowry Formation. In the general area gold occurs as numerous small scale hard rock and alluvial deposits which were mainly worked in the 19th Century. A few small base metal deposits, mostly for copper, are also known around the general area (MRT data source). With a strong structural overprint, fundamental geological faults and favourable mineral hosting units there is strong potential for a variety of styles of economic gold and/or copper mineralisation within the licence.



EL42/2004 Mt Bertha Total Magnetic Intensity Map

2.2 Previous Exploration and Mining

The North-Western quarter of Tasmania is subject to severe weather, lack of infrastructure and dense vegetation. Exploration has been inhibited by these factors and also the terrain, extensive Tertiary basalt cover and a lack of geological information.

Airborne surveys have led the way in the past with a series of anomalies being identified, some of which have been followed up. No drilling has been undertaken on the licence area but in the past, pre 1985 , only one or two holes were sunk peripheral to the licence area eg Comstaff in the 1980's.

To date no one has used the recent WTMRP airborne geophysical data to assist with geological interpretation and target selection.

Below is a very brief out line of previous explorer activity.

Pickhands-Mather carried out sizable work in the area with stream sediment surveys on a regional scale. In 1966 they developed and commenced mining at the Savage River Iron Ore (magnetite) deposit.

In 1974 Esso Minerals conducted an airborne magnetic and EM INPUT survey.

In 1978 Mineral Holdings Australia carried out exploration to the north east of the EL and outlined the magnesite deposits in the Lyons and Arthur Rivers areas.

In 1981 Comstaff Pty Ltd partially covered the licence with DIGMHEM and completed some drilling south of the current licence. The search included tin, platinum group and chromite as well as base metals.

BHP Minerals in 1982 carried out photogeology, re evaluated past surveys, stream sediments, and heavy minerals search.

CRAE followed in 1983 with airborne magnetic and radiometric survey, tested local anomalies and did some assessment of magnesite potential.

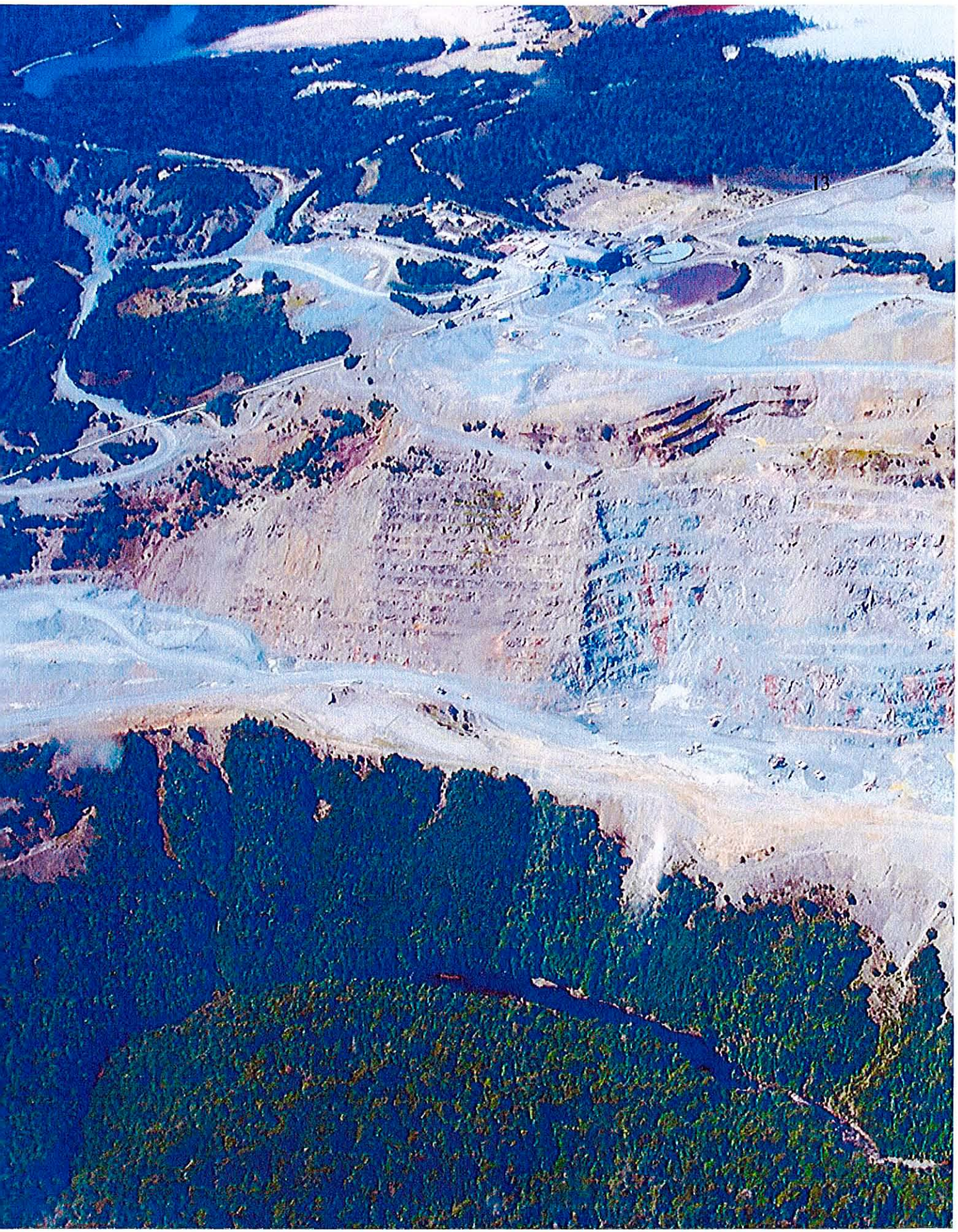
Petrecon Australia completed a new geology map in 1988.

In 1992 Geopecko carried out water and stream sediment sampling.

Allstate Exploration came in 1996 and did a geophysical report on anomaly assessment.

Titan Goldstream in 1998 carried out minor stream sediment sampling

Pacific Nevada in 1999 carried out geophysical reprocessing and minor stream sedimentary sampling. This work is the last field work carried in the licence area.



SAVAGE RIVER MINE:
Mill Site at Top centre, Open Cut Mine mid right, River at bottom

3 Current Exploration

3.1 Literature Review

Maps and written reports have been reviewed. They mostly only partly cover the current EL 42/2004 area.

The company commissioned two reports one geological and one geophysical of all existing data. They have been instrumental in analysis and planning of intended field work. This is a large area and is prospective for iron ore repetitions of Savage River, and also for base metals such as copper lead and zinc as well as silver and gold. Because of its isolation, weather, vegetation and surface geology the region has undergone minimal and superficial exploration in the past. The new government sponsored air magnetic surveys have revitalized the prospectivity of the area. The company has made use of this data in the studies referred to above.

A great deal of the reports collected on the EL in the past have been noted and at the time of the renewal of the licence on 1 March 2006 the geophysical report was completed and it was incorporated in the geological compilation report which was not available until mid March 2006.

This SMG Consultants Literature Study and Geological Interpretation Report was used as a basis for further work. This report is attached as Appendix 2 to the Year 2 Annual Report March 2007.

3.2 Regional Exploration Activities

Gujarat NRE Resources NL made early contact with Australian Bulk Minerals Ltd (the mining / milling operation at the Savage River Mine) to seek permission for access to the slurry pipeline maintenance support road. This was granted providing that strict compliance is met with the conditions set.

Several field visits were made to the area which were of a reconnaissance nature and included a site visit to the Office of ABM at Burnie, the mine site and milling site at Savage River, to the clinker palletizing plant at Port Latta and along the northern portion of the slurry pipeline road.

A flight in an Aircomander light aircraft was made as part of an airborne survey of the company's EL areas.

3.3 Prospect-based Exploration Activities.

There has been no field work of any type been carried out within the EL area other than the reconnaissance visits mentioned in the notes above.

Extensive planning was done during February 2006 after the company "tech fest" meeting where the results of various studies were shared between the company and its various consultants.

The geological compilation report was not completed at this stage but the geophysical report commissioned was presented by its author.

The company's consulting geophysicist Nigel Hungerford was asked to do a Geophysical Interpretation Report of all the available (old and new) geophysical data available over the EL. His report was appended to the Year 1 Annual Report for 2006.

He considered the relevance of the known geology to the geophysics results, listed what types of surveys, by whom, when they were carried out. He included a table of rock signatures, a suite of geophysical maps and generated targets to be followed up.

The geological consultants report was finished and received and preparations were made in March 2006 for a field visit to the EL for sampling and ground truthing the geophysical anomalies. This visit was postponed to March 2007.

The Consultant geologist who was commissioned to do this work subsequently became unavailable and field work was again postponed. It is again set for March 2008.

Slurry Pipeline and Support Road

Slurry Pipeline crossing the Arthur River

4 Discussion of Results

In summary the geophysical report says that much of the EL is covered by Tertiary basalt which may be in excess of 100m thick. Nonetheless it is possible to discern a number of trends and faults in the underlying NeoProterozoic rocks.

There were no very strong isolated magnetic anomalies within the EL that might indicate magnetite-rich ore bodies but there are at least three anomalies worthy of further investigation which would involve drilling through the overlying basalt. He also recommends that possible EM soundings could determine basalt thickness at drill targets.

There are no ground geophysical surveys anywhere within the exploration licence area. The airborne magnetics appear to confirm that about 50% of the EL is covered by Tertiary basalt of various thicknesses.

Various filtration and other techniques were used in the reprocessing and the full report can be studied in the appendix to the Annual Report 2006.

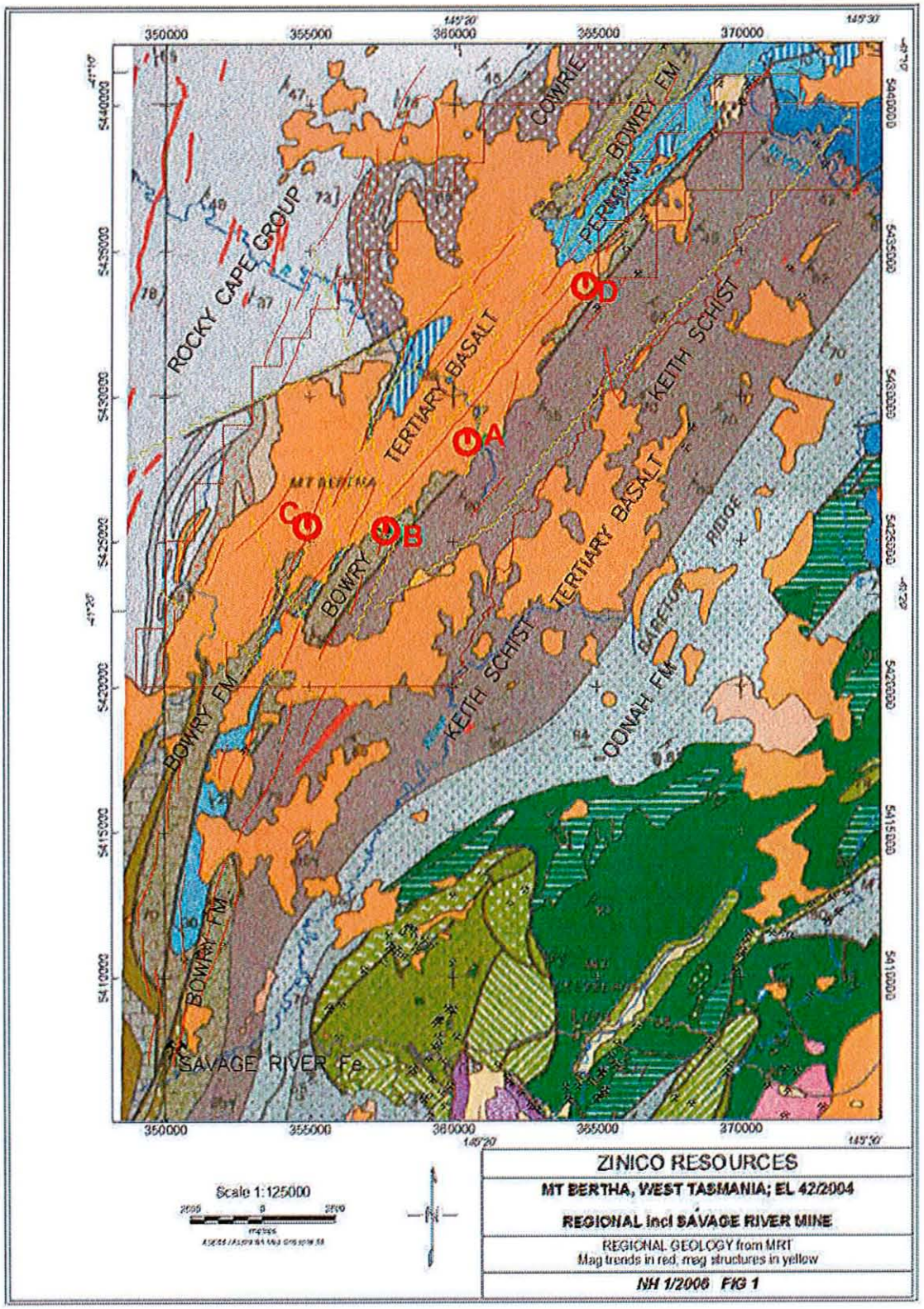
Basement magnetic trends (red) and structures /faults (yellow) have been delineated and are shown on images as coloured lines. Strike slip faults includes the very obvious one NE-SW running most of the length of the EL. This magnetic feature is expressed as a linear magnetic anomaly which could be caused by a volcanic flow (sill or dyke) and it coincides with an obvious drop in topography (edge of an escarpement) which maybe along a fault.

Radiometric data was also interpreted. Basalts have low radiation and no anomalies of interest were found within the EL.

There are only two MRT gravity stations within the EL therefore no gravity data was processed.

Targets generated are discussed in the report at length and are noted below.

The report in full has all the detailed maps and figures that led to the recommended targets and is appended in the Annual report Year 2 2006.


350000
355000
360000
365000
370000
145°30'
ROCKY CAPE GROUP
COWRIE
BOWRY FM
PERMIAN
TERTIARY BASALT
KEITH SCHIST
MT BERTHA
BOWRY FM
KEITH SCHIST
TERTIARY BASALT
BARRETT RIDGE
DONAH FM
BOWRY FM
BOWRY FM
SAVAGE RIVER Fe
A
B
C
D
Scale 1:125000
ZINICO RESOURCES
MT BERTHA, WEST TASMANIA; EL 42/2004
REGIONAL incl SAVAGE RIVER MINE
REGIONAL GEOLOGY from MRT
Mag trends in red, mag structures in yellow
NH 1/2006 FIG 1

TARGETS

Target types envisaged on the Mt Bertha EL include ironstone hosted copper-gold deposits such as those found in Proterozoic terrains elsewhere (such as Starra, Osborne, Tennant Creek). These deposits are characterised geophysically as strong magnetic responses either as an increased response along a magnetic horizon or as an isolated magnetic high in a magnetically flat background of sediments or schists.

There are 3 aeromagnetic features that fit these criteria. These are shown as targets A, B and C on Figs 1 (geology), 2 (tmi/rtp) and 3 (tmi/lowpass filter).

(For details see report Appendix 1 in the Year 2 Annual report 2007).

Target A) is located at the junction of 2 interpreted shear zones/faults. As this image shows there are in fact two magnetic anomalies about 600m apart. The north-western one is on the long continuous magnetic trend associated with a topographic scarp as mentioned above. It may therefore be caused by a thicker or more magnetic section of a post Proterozoic intrusive dyke.

The anomaly of interest is immediately to the southeast and has a strike length of about 800m and an amplitude of about 400nT (360470mE; 5428500mN. AMG66 (zone 55). The modeled profile across this anomaly is a rather diagrammatic model which shows that target A, if depth limited, would have an apparent susceptibility of about 0.07 SI (if the source is narrower or has less depth extent, the susceptibility will be higher). Depth to top is about 100 metres below ground level under probable thick basalt cover.

This target A is adjacent to a rather curious low magnetic anomaly which is immediately to the north-west. Unless this target A has an extremely unusual remnance, this negative anomaly is likely to be caused by reversely polarised basalts which occur elsewhere on the EL, but generally not as markedly.

Target B) (357570mE; 5425400mN) occurs on a magnetic trend which terminates against a major NW-SE fault. This trend may be directly along strike from the Savage River magnetite deposit 19kms to the south-west. The anomaly appears to be under the edge of a Tertiary basalt flow (see geology map p18) so mapping and sampling around this location may indicate the presence of alteration or mineralisation. The top depth is modeled to be about 170m below ground level with a susceptibility of about 0.03 SI. This is surprisingly deep since the basalt cover is likely to be thin at this location. However the source cannot be shallower because of the gradient of the anomaly flanks which are not very steep (although interference from the overlying basalt responses does obscure the main anomaly).

Target C (354930mE; 5425430mN) is the highest intensity anomaly within the EL (about 850nT). It occurs on a very long magnetic trend obscured by Tertiary basalts but likely to be within the prospective Bowry formation.

As can be seen from the regional magnetic map that this trend is on a parallel limb to the Savage River trend separated by a mapped fault.

The modeled profile indicates that the magnetic source is about 70 metres below surface probably subcroping at the base of the overlying basalts. Bowry Formation rocks outcrop about 1.5kms to the south along strike so that mapping and geochem sampling here may indicate the presence of alteration or mineralisation.

Another exploration target type is shear-hosted gold. Although a number of major structures within the NeoProterozoic have been interpreted from the magnetic data, these structures are largely obscured by overlying basalts or Permian sediments. If future geochemical surveys over non-basalt areas indicate the presence of anomalous gold then these structures may provide a basis for localising further exploration.

Small magnesite deposits occur outside the north-eastern end of the EL associated with a continuous magnetic horizon at the eastern side (top?) of the Bowry Fm. Within the Mt Bertha EL, about 3kms of this horizon is not covered by basalt so it may be possible to geologically map and sample along it.

This area is indicated as ***Target D*** on the figures.

5 Conclusions

At the technical meeting held between company consultants and management it was decided that the best immediate features of the EL for exploration in the near future were the four target areas selected based on the geophysics report.

It was therefore concluded that "ground truthing and selection of sites" become the subject of further exploration activity with drilling being the result of this field investigation.

One of the company's consulting firms Coast and Mountain Exploration was asked to design and report on the feasibility of this initial field visit. This was completed after the reporting period to March 2006 and recommended using the slurry pipeline road as access and using a temporary camp site at the quarry where the pipeline crossed the Little Donaldson River.

It is recommended that this proposal be carried out at the earliest opportunity and was proposed for the summer of 2006/7.Initial plans were made to carry out this field trip in March 2007.

Slurry pipeline road access via the northern route (via Port Latta) has already been granted and arranged.

However owing to the consultants other work commitments the field programme was not carried out. It is hoped to complete this task in the remaining summer time of 2008.

6 Environment

There has been no field work of any destructive nature within the reporting period therefore there is no need for any environmental rehabilitation.

7 Expenditure

The expenditure on EL 42/2004 Mt Bertha for the period to March 06 was $ 12 330

The major items of this amount were	Geology	$	5 260
	Geophysics	$	3 140
	Other	$	3 930

The expenditure on EL 42/2004 Mt Bertha for the period to March 07 was $ 15 398

The major items of this amount were	Geology	$	10 925
	Other	$	4 473

Expenditure for 2007 to 31 December 2007	$	2 021
Rent Renewal due 1 March 2008 (paid 12th February 2008	$	9 240
Total spent on the EL to date	$	42 129

8 References

MRT Open File Reports

87_2723
FUNNELL FR — Rapid River EL 1/79 NW Tasmania
CRAE 14753 Final Report 1987

92_3329
MATHISON I — EL 41/89 Mt Bertha
Geopecko Annual Report 1991

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MATHISON I — EL 42/89 Rapid River
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RIDGE KJ — Savage River Mt Bertha NW Tasmania EL 35/36/94
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98_4218
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Gujarat NRE Resources: NL In House Commissioned Reports

TEAR S
Zinico Resources NL: Prospectus — August 2005

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Geophysical Interpretation Report — December 2005

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Literature Study and Geological Interpretation for EL 42/2004 Mt Bertha
Zelos Resources NL — March 2006