

Gujarat NRE Resources NL
(A wholly owned subsidiary of Gujarat NRE Minerals Limited)

EL 11 / 2006 ADAMSFIELD

Year 2 Annual Report

For the period 15 June 2007 to 15 June 2008

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8th May 2008

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ABSTRACT

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The Adamsfield Exploration Area remains attractive to Gujarat NRE Resources NL since the company was first incorporated because of the variety of mineral targets there. The area was an old Platinum Group Metals (PGM) mining area where Osmium and Iridium were mined from alluvial and hard rock sources in the 1920's and 1930,s. Literature was searched and revealed that the last time modern exploration techniques were applied to the area was in the 1980,s (by Metals Exploration Ltd). It was therefore thought that the area should be re looked using modern techniques.

The company holds a 100% interest in the Exploration Licence. This Second Year Annual Report covers the period from 15 June 2007 until 15 June 2008 which is the annual renewal date.

The geology of the Adamsfield area is made up of a thick sequence of Cambro-Ordovician siliciclastics sediments, facing east which are part of the Adamsfield-Jubilee Stratotectonic Element. Towards the top of this unit is the Adamsfield Ultramafic Complex (AUC).

The company commissioned a consultant firm Hellman and Schofield Pty Ltd to do a literature study of the area and prepare a geological synthesis of the area and to define possible drill targets and progress the exploration of the area further. The region has been visited in the field six times by various company and consulting parties.

Mineral Resources Tasmania was sent a work application to conduct a shallow drilling program using an excavator mounted drill to sample the track leading into the Halls Open Cut every 5 metres. The MRT gave nominal approval to this program subject to approvals from the various other agencies that are involved such as National Parks and Wildlife (NPW) on behalf of the World Heritage Area (WHA).

There has been delay in submission of this application to NPW for approval owing to the substantial detail required to be filled in, the volume of the documentation and that the company's consultant who was handling the paperwork was not able to carry it out owing to other work commitments.

The submission process was re kindled in July of 2007 and the contact was made with several members of MRT and NPW. The Reserve Activity Assessment (RAA) documentation was completed, submitted and approved in January 2008. Then the process was repeated with the Federal Department of the Environment and approved in mid April 2008.

The company intends to proceed with the drilling application to test the main PMG target zone and in parallel conduct field work on the other targets. The company plans to start on this in the coming spring/summer season.

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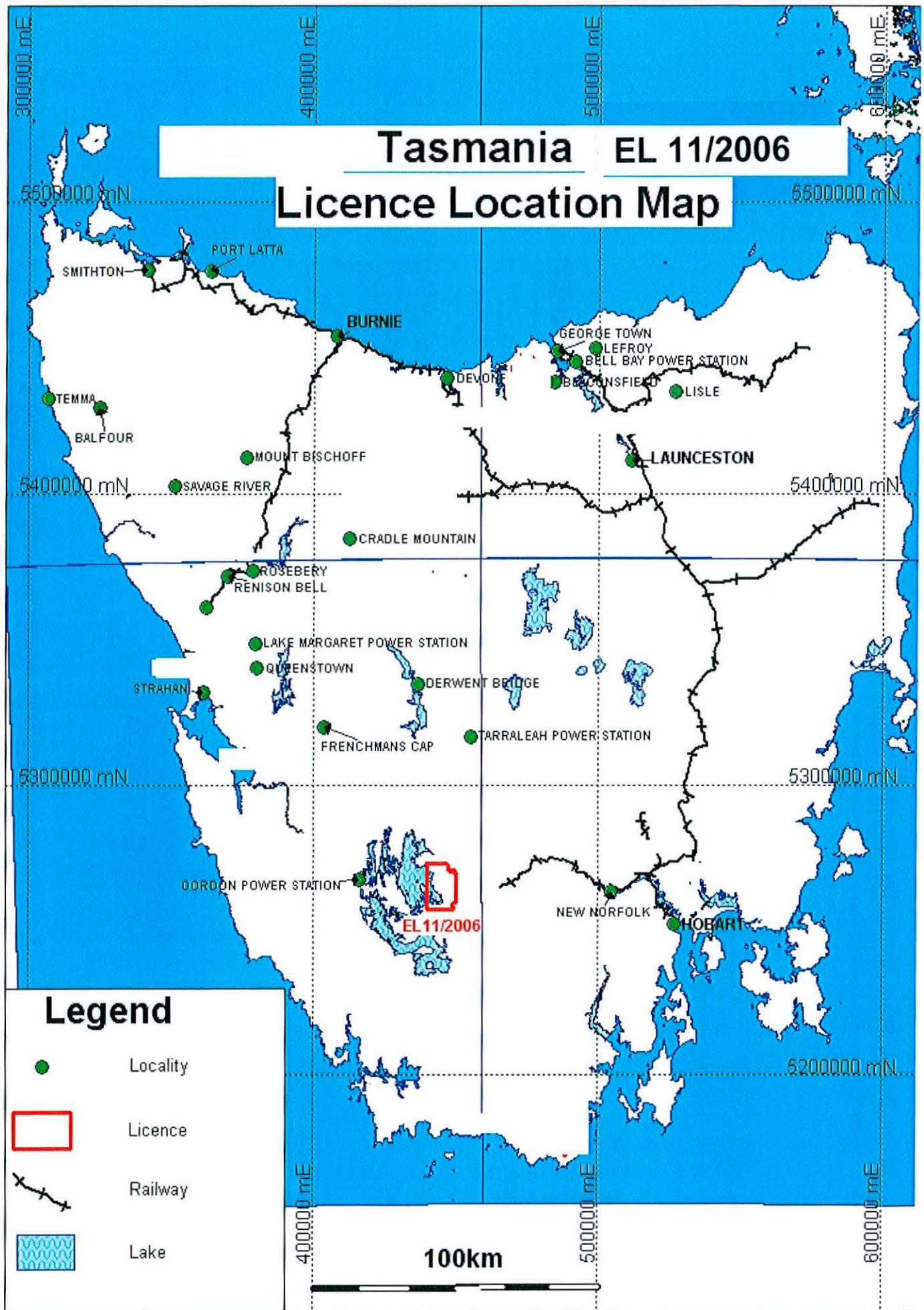
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Tasmania EL 11/2006 Licence Location Map



Introduction

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1.1 Exploration Rational

The Adamsfield Exploration Area was attractive to Gujarat NRE Resources NL when the company was first incorporated because of the variety of mineral targets there. The area was an old Platinum Group Metals (PGM) mining area where Osmium and Iridium were mined from alluvial and hard rock sources in the 1920's and 1930,s. Literature was searched and revealed that the last time modern exploration techniques were applied to the area was in the 1980,s (by Metals Exploration Ltd). It was therefore thought that the area should be re looked using modern techniques.

In the literature there was also mention of gold, nickel, chromite, and copper therefore the presence of these other metals added further interest to exploration of the area.

Gujarat NRE Resources NL was interested to investigate the mineral field further and it turned out that the company's consulting geologist, who wrote the technical and mineralogical potential of the company's tenements for the Zinico Resources NL prospectus in August 2005, had spent some time in PGM exploration in Scotland and Norway. It was considered fortuitous to have an expert write notes about the area and who would be willing to do consulting work on it in due course.

1.2 Tenement Information

The exploration licence EL 11/2006 was formerly ELA 40 / 2004. The application for the EL was submitted together with the other ones in the company's portfolio. The application was subjected to an objection from a resident of the nearest town of Maydena who holds a water licence within the EL. Mediation hearings were held and a negotiated settlement was reached in February 2006. However the original lease application had expired and was reapplied with the resulting change in number to EL 11/2006.

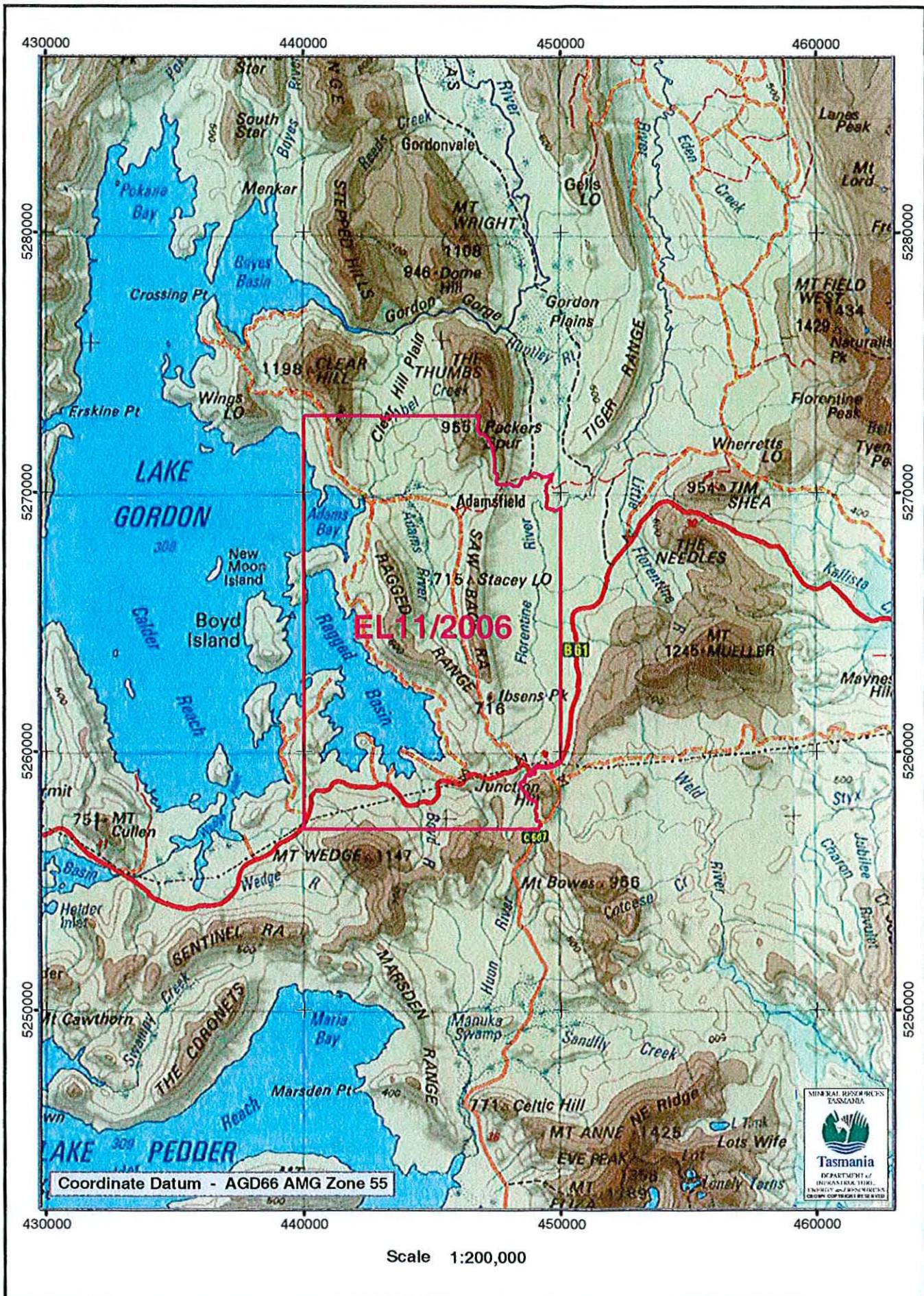
The licence was granted for 5 years from 15 June 2006 until 15 June 2011.

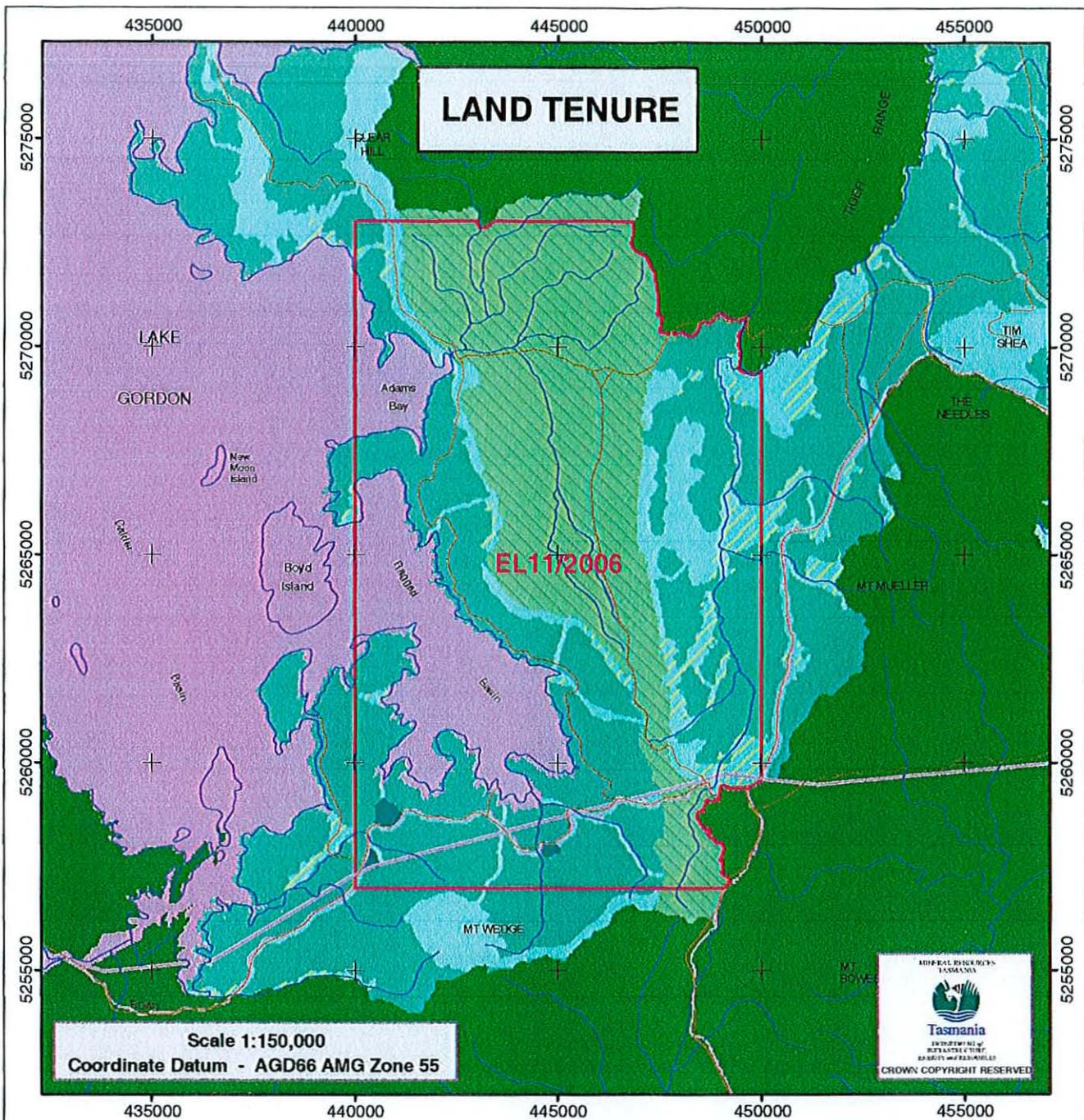
The EL measures 150 square kilometres and is located 80 km west-north-west of Hobart and is within the World Heritage Area. The EL contains lakes, state forest, conservation area, informal reserves and borders national parks, see land tenure map p 7.

The licence was granted to Zelos Resources NL which was listed on the Australian Stock Exchange on the 25th August 2005 as Zinico Resources NL. At the 1st AGM on 22nd November 2005 the company changed its name to Zelos Resources NL and at the 2nd AGM on the 23rd of November the company changed its name again to Gujarat NRE Resources NL to acknowledge the major shareholder. The company became a wholly owned subsidiary of Gujarat NRE Minerals Limited on 1st February 2008.

The company holds a 100% interest in the Exploration Licence.

This Second Year Annual Report covers the period from 15 June 2007 until 15 June 2008 which is the annual renewal date.





Land Tenure / Special Management Areas (Guide Only)					
	Exploration Licence		Nationally Significant Wetlands		Proposed Regional Reserve - RFA
	Mining Lease		RAMSAR Site		Nature Recreation Area
	Fossicking Area		Gas Pipeline Corridor		Proposed Nature Recreation Area - RFA
	Fossil Site		Administratively Excluded Areas		National Park
	Crown Land		Public Reserve		State Reserve
	Authority Land		Commonwealth Land		Proposed State Reserve - RFA
	Aurora / Hydro / Transend Lands		Aboriginal Administered Land		Game Reserve
	State Forest		PFRP Covenants etc		Historic Site
	Forest Reserve		PFRP Private Nature Reserve		Nature Reserve
	Proposed Forest Reserve - RFA		PFRP Private Sanctuary		Proposed Nature Reserve
	MDC Informal Reserve		Conservation Area		Wellington Park
	Proposed Informal Reserve - RFA		Protected Area		
	Forest Communities Managed by Prescription		Proposed Conservation Area - RFA		
			Regional Reserve		

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.

2 Review of Previous Work

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The Adamsfield area was prospected early in the 20th century and platinum group metals osmiridium (an amalgam of osmium and iridium) was discovered and mined by alluvial means on the plains just west of what became the Adamsfield township (now gone).

Hard rock mining of the ultramafic outcrops which were mineralized were also mined and a company called Osmiridium (Tasmania) NL was formed in 1937 to continue the hard rock mining at Halls Open Cut. Activity stopped at the out break of World War II.

The Mt Lyell-EZ Joint Venture looked at the area in the early 1960's searching for Nickel and used newly flown airborne magnetics and EM in conjunction with ground EM and IP. This work noted: banded ultrabasics containing visible chromite, the Picton Fault as a strike fault parallel with in the Adamsfield Ultramafic Complex., the Ragged Fault is a barren "gossan" at surface, and an anomaly labeled 5/1 which has a narrow bed of pyrite at the Ordovician/Cambrian contact.

BHP held the area in the late 1960's and early 1970's and concentrated on the ultramafic complex looking for massive sulphide nickel deposits. They carried out substantial ground work including geophysics, geochemistry and mapping.

In 1985 Metals Exploration Ltd aimed at a hard rock source of the PGM mineralization. They particularly focused on Halls Open Cut. Much interpretation of past surveys, their own Bushveld Complex look alike modeling and substantial sampling and drilling was carried out.

Three diamond holes were drilled, many percussion holes and three costean trenches of 1m depth for 208m were cut and sampled. Only Osmium and Iridium were assayed the other PMG metals were ignored and the company noted the then existing problems with the reliability of the assays.

A lode was intersected with weak Os-Ir mineralisation, nickel sulphides were encountered in serpentinised dunite in Halls Open Cut, weak gold mineralisation was recorded. The company then looked at the placer potential of the Adams River for gold and PGMs and the Lanham Creek plains for Chromite and Os-Ir. Other work included ten pits, excavator and sluicing prospecting, pan concentrates of stream sediment samples and rock chips.

In the early 1990's Jervois Mining held the licence for a short period. Initial work was held up by discussions regarding the World Heritage Area and potential conflict with mining in such an area. Jervois targeted the alluvial chromite with hand held auger sampling. This resulted in some low level of anomalism recorded.

2.1 Regional Geology

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The geology of the Adamsfield area is made up of a thick sequence of Cambro-Ordovician siliciclastics sediments, facing east which are a part of the Adamsfield-Jubilee Stratotectonic Element.

Towards the top of this unit is the Adamsfield Ultramafic Complex (AUC).

The AUC is composed of the three major 'stratigraphic' rock types:

Massive pyroxenites

Interlayered serpentinite (and variably serpentinised dunite) and pyroxenite

Serpentinite (and serpentinised dunite)

These lithologies appear to represent the basal layered part of an ultramafic magma chamber. The AUC is overlain by a series of Cambro-Ordovician siliciclastics including conglomerates. The Gordon Limestone of the Florentine Valley conformably overlies the Cambro-Ordovician siliciclastics.

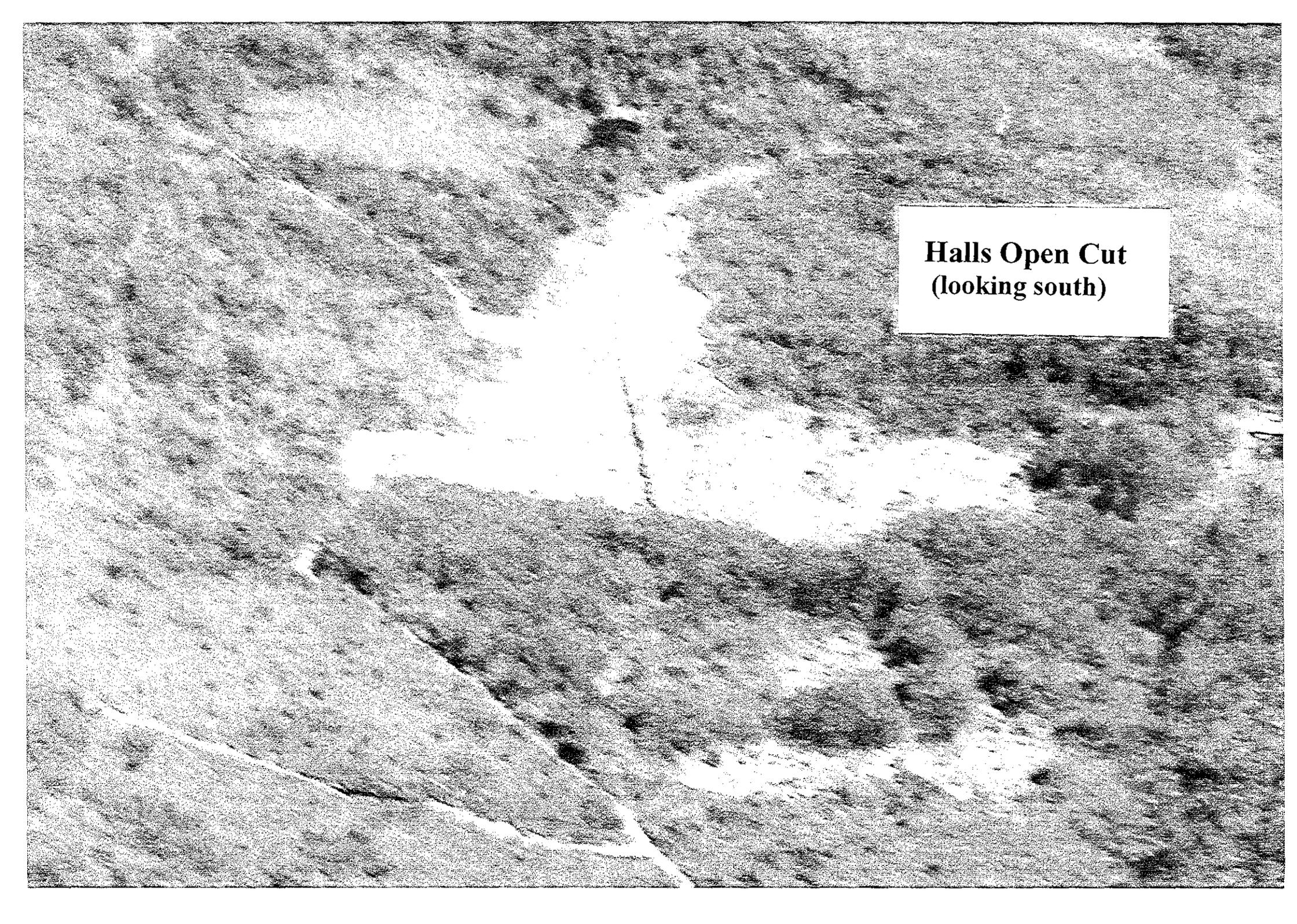
It appears in part that the ultramafic unit is a fault bounded thrust slice within the siliciclastics units with a possible fault thrust, dipping east, marking the western boundary whilst the a normal fault represents the eastern margin. The Ordovician sediments in the east of the licence occur within a north-northeast striking syncline, cored by the Gordon Limestone and subsequent Silurian-Devonian sediments.

An additional outcrop of ultramafics is mapped in the extreme south east of the tenement hosted with Cambrian units. Copper and nickel mineralisation is recorded in this area. There are numerous mineral occurrences of osmiridium (an amalgam of osmium and iridium both PGMs) and a lot of these are hosted by Quarternary cover and the underlying Cambro-Ordovician conglomerate. It is uncertain if these occurrences are placer or palaeo-placer deposits. Gold has been recorded at the Adams River Falls.

At the north end of the AUC the Halls Open Cut occurs and has been subject in the past to hard rock mining and exploration, detailed below.



**The Saw Back Range
Looking north west and
composed of Cambro-
Ordovician siliciclastic
sediments, just east of
The Adamsfield Ultra
Complex**

An aerial photograph showing a large, roughly rectangular open cut in a field. The cut is filled with a lighter-colored material, possibly sand or gravel, and is surrounded by a dark, textured ground surface. The cut is oriented vertically, with its longer sides running north-south. The surrounding terrain appears to be a mix of soil and vegetation, with some faint lines suggesting a road or path. The overall image has a grainy, high-contrast appearance.

**Halls Open Cut
(looking south)**

2.2 Previous Exploration and Mining

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Previous Exploration has been noted above in the Review of Previous Work section.

Small scale mining occurred over 70 years ago at a location known as Halls Open Cut (not a real open pit) at the north end of the Adamsfield Ultramafic Complex.

The mining was for osmiridium. Grades reported were up to 42g/t (Os-Ir) within a narrow (1-2m wide), sheared, serpentinised ultramafic unit. This work also included the identification of “visible non-payable gold”.

Exploration by Metals Exploration Ltd in the mid 1980's, around the Halls Open cut, consisted of geochemical sampling, percussion and diamond drilling (3 holes for 190.7m). This work highlighted the problems with PGE assaying techniques to the extent that “all geochemical samples are suspect”. Diamond drilling down dip of the excavated lode showed low grade visible gold, base metal sulphides and weakly anomalous PGE values. The last item appeared to confirm some continuity at depth to the lode /horizon. Subsequent percussion drilling at the same locality (12 holes for 461m), with better assay techniques, reported significant narrow intercepts of osmium and iridium.

Other previous drilling appears to be confined to auger sampling of alluvial material to a maximum depth of 3m, west of the main hard rock PGE occurrences.

Halls Open Cut (looking north)



3 Current Exploration

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3.1 Literature Review

The literature of the area is very extensive covering the history of the area, past mining and exploration in the distant and recent past.

Gujarat has accessed the more recent documents such as Metals Exploration Ltd. work of the 1980's.

The company also commissioned a consultant firm Hellman and Schofield Pty Ltd to do a literature study of the area and prepare a geological synthesis of the area and to define possible drill targets and progress the exploration of the area further.

This study has been carried out in the previous reporting year and is appended to the Y1 Annual Report 2007.

A full list of references is quoted below.

3.2 Regional Exploration Activities

The region has been visited in the field about half a dozen times.

The first trip was an overall orientation of the region to ascertain the access and infrastructure of the region and where local contractors could be commissioned to do and support work in the region.

In particular the nearest town of Maydena was closely scrutinized for accommodation and living supplies etc.

In conjunction with this, and before the site visits, MRT reports and maps were purchased in Hobart as were topographic maps of the region.

3.3 Prospect-based Exploration Activities.

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A second field visit to the EL was with the company's consulting geologists for a detailed look at the water resources (there is a natural water well/spring near Morley's Shack that was the reason for an objection to and caused a two year delay to the granting of the Exploration Licence).

In addition to this the Halls Open Cut was examined in detail.

The third visit was in company of a drilling contractor, for the purpose of field checking the feasibility, method and cost estimation of a drilling programme suggested by the company's consulting geologist.

Mineral Resources Tasmania was sent a work application to conduct a drilling programme. This application/report is appended to the Y1 Annual Report 2007. This application was to conduct a shallow drilling programme using an auger to sample the track leading into the Halls Open Cut every 5 metres. It is aimed to drill only to bedrock; being at surface to an estimated 2 metres below surface along this approximately 2km long track.

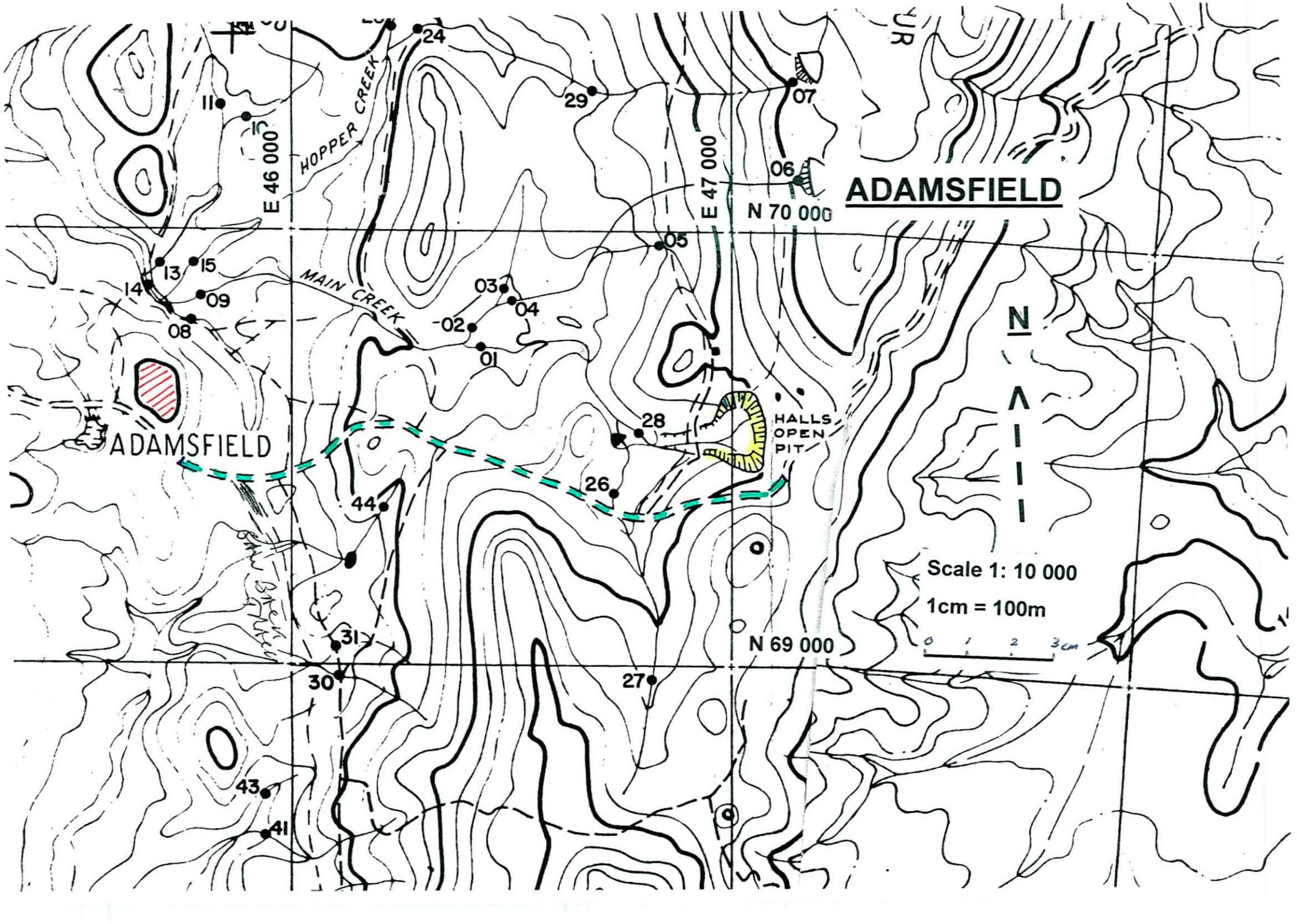
The MRT gave nominal approval to this programme subject to approvals from the various other agencies that are involved such as National Parks and Wildlife on behalf of the World Heritage Area.

The Contract Geologist who was to carry out the submission and liaise with the relevant people and government agencies became unavailable to continue with this application after the first initial inquiries. Hence the initial application was delayed for some time.

In the meantime the NPW revised their application documentation and when approval for the proposed work program was sought the new Reserve Activity Assessment form of 31 pages (RAA) together with its accompanying manual of 96 pages was sent to the company for completion. The NPW Liaison Officer to the WHA was very helpful as this was the first time the new format was in use.

The document took approximately four months for completion as there were many parts to the process, many detailed appended submissions and many revisions to detail. When completed in late October 2007, the company was requested to do a personal presentation to the World Heritage Committee of 45 minutes (with a Power Point Presentation of visual assistance) at a meeting in Strahan on the 9th November 2007. Written approval with further attached conditions was given on the 26th February 2008. The process had then to be repeated for the Federal Department of the Environment. This was commenced immediately and written approval given on 15th April 2008, subject to further conditions.

A total delay of over three years owing to a court case to overcome the initial objection to exploration and then a further period to gain a work program approval.



ADAMSFIELD

ADAMSFIELD

HALLS
OPEN
PIT

N

Scale 1: 10 000

1cm = 100m



E 46 000

E 47 000

N 70 000

N 69 000

MAIN CREEK

HOPPER CREEK

JUR

11

29

06

07

05

13

15

MAIN CREEK

03

04

14

09

08

02

01

28

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4 Discussion of Results

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The main exploration target of the Adamsfield area continues to be a PGM horizon in the Adamsfield Ultramafic Complex.

The delay in submission of approvals has been owing to the substantial detail required to be filled in, the volume of the documentation and that the company's consultant who was handling the paperwork was not able to carry it out owing to other work commitments.

The application documentation was sought by and sent to the company's Wollongong Office from which the application process (including further site visits) was carried out.

The company's consulting PGM expert in his report recommended a systematic approach to the sampling process of the region based on the Merensky Reef in the Bushveld Complex in South Africa. Here the mineralised horizon is less than 1 metre thick but runs for 10's of kilometres. A similar situation occurs in Norway at the Leka Ophiolite Os-Ir area. Hence the suggestion of a 5m interval sampling of the outcrop across strike of the Adamsfield Ultramafic Complex (see map of the track proposed for drilling p 15), with the view to determine by geochemical assay results and detailed mapping for an anomalous target zone. It is hoped that this will 1) directly sample a prospective lode horizon or 2) be close enough (ie within 5m) to pick up a mineralized dispersion trail. See the consultants report for detail which is appended to the Y1 Annual Report 2007.

Other exploration potential of the Adamsfield licence suggested is:

Stafiform PGE mineralization associated with chromite and disseminated sulphide layering

Paleo-placer PGE (and gold) mineralization associated with the Cambro-Ordovician siliciclastics and conglomerates

Massive sulphide nickel and PGE's in previously untested ultramafic outcrops.

Zinc mineralization in the Gordon Limestone of the Florentine Valley

Seven specific targets and suggested methods of exploration are presented in the consultants report and should be followed up when permission is granted for field work on them.

It is planned for the coming spring summer field season.

5 Conclusions

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The Adamsfield EL remains attractive as an exploration area because of the following targets that are noted below and therefore the EL should be renewed.

Statiform PGEs across the Adamsfield Ultramafic Complex

Pollards New Shaft anomalous PGEs

Alluvial gold anomaly at Adams Falls

Magnetic feature at Marriott Hill

Magnetic anomalies along Clear Hill Road

Positive magnetic feature associated with the Gordon Limestone in the Florentine Valley

An other pan concentrate anomaly which may have come from sediment shed from the AUC at its southern end.

Other positive magnetic features at the south end of the licence possibly from little known ultramafic outcrops in Cambrian sediments at Boyd River & Boyd Outlook.

Only some of these anomalous areas have had any detailed exploration work carried out on them. The company plans to start on this in the coming spring/summer season.

The company should proceed with the drilling application to test the main PMG target zone and in parallel conduct field work on the other targets.

6 Environment

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The EL 11/2006 known as Adamsfield is within the World Heritage Area, but has special status as being in an excised section that is designated for mineral exploration and exploitation. This was negotiated in 1992 at the time of the creation of the WHA.

In the past there has been mining and prospecting in the area and there was a town established at Adamsfield to support the mining activities of the 1920's and 1930's. Very little remains in evidence of the existence of the town, however there are still some shacks along the track that are sporadically occupied for a short time and are possibly available for occupation during a field work program. There is also the Halls Open Cut.

There are locked gates to the entrance of the area, however a key is easily obtained from the office of National Parks and Wildlife at the Mt Field National Park settlement. It is noted that weekend visitors with 4x4 vehicles visit the area from time to time and do not always leave it in a condition similar to that when they entered.

The company has completed minimal work to date and is highly aware of its responsibility in terms of the environment. A further site visit was made in April 2008 and this showed that the power of nature can have unforeseen consequences.

During the summer of 2008 (probably in February) a bushfire (started by human? or natural? causes) went through the area and burnt out a substantial portion of the bushland. It is ironic how much trouble has to be gone through to even cut overhanging tree branches when an event such as a bush fire can cause such a large regional disaster.

By the company, there has been NO spoilage or damage done to the environment anywhere within the EL and no rehabilitation by the company is necessary anywhere.

The company will comply with what ever environmental conditions are thrust upon it in addition to those outlined in the MRT conditions of exploration work.

7 Expenditure

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Within the three year period under discussion : total expenditure incurred is

\$ 44 772.00

This is made up of the following major items.

Geology – Consulting	\$ 24 000.00
Geophysics	\$ 1 309.00
Lease renewal rental fees	\$ 6 594.00
Various other (travel, accommodation etc)	\$ 8 391.80
Administration	\$ 4 477.20

8 References

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MRT Open File Reports

1986 Adamsfield EL 4/85 Annual Report No.941 for the period ended 25/7/1986 Metals Exploration Ltd

95_3736 Adamsfield Proposed Exploration 1988 to 1989. Metals Exploration Ltd

Gujarat Commissioned Reports

HUNGERFORD N A Geophysical Reinterpretation of Adamsfield July 2006
(Appended to Y1 Annual Report 2007)

TEAR S Report on Exploration Licence 11/2006 August 2006
Adamsfield Project South West Tasmania
Hellman & Schofield Pty Ltd
(Appended to Y1 Annual Report 2007)

VANZINO L Outline of Proposed Drilling Programme October 2006
Coast and Mountain Exploration
(Appended to Y1 Annual Report 2007)

Other

Tasmanian Wilderness WHA Management Plan 1999
Chapter 4 Mgt Strategies Figure 4 p 67

NPW Service Tasmania. Reserve Activity Assessment Manual 2007