SHREE MINERALS LIMITED

EL 43/2004 Sulphide Creek

Year 5 Annual Report

1 March 2009 – 1 March 2010

W M Harder

28th January 2009

Appended with
Progress Update on Drilling
at the Davie Prospect January 2010
by Rob Reid 28/01/2010

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PERTH WA 6000

SUMMARY 2

Shree Minerals Limited in June 2008, took over the 43/2004 Sulphide Creek Exploration Licence formally held by Gujarat NRE Resources NL. The holding is a 100% interest in the licence, located 5km south west of Queenstown in the west coast of Tasmania. The lease area contains three anomalous areas: Coupon, 24-28 and the Davie prospects.

The Davie project area is located in a four kilometre north south lineation on Sulphide Creek. Past explorers have made a grid, taken soil and rock chip samples, geologically mapped the area and come up with gold/arsenic anomalous soil zones in the area. A ferruginous silicified cliff of breccia mapped in this area was identified as a drilling target. This is thought to be a fault breccia hosting sulphide mineralization.

Track cutters were engaged to cut an access track to the prospect target zone and prepare drill pads. A diamond drilling company was contracted to drill three angled holes to intersect at depth the co incident gold and arsenic soil geochemical anomalies.

A helicopter was chartered to fly the dissembled drilling rig in, move it and then out on completion. The core was transported to Hobart, logged, split, and assayed by Amdel.

Holes 1 and 2 intersected low grade gold mineralization in a fine grained, silicified sandstone with a pervasive quartz stockworks. Hole 3 failed to reach the target.

The results are all classified under the JORC code as “Exploration Results” and show there is a presence of gold at the prospect that would be mineable in other settings.

The results are very interesting and deserving of a second round of drilling which would start to outline the potential size and contained gold of the host rock.

Further drilling was recommended and the next round has already commenced in January 2010. It is planned to contribute to orebody delineation.

SCDDH#4 commenced on the 14th January 2010 and is still in progress. This hole targets an extensive gold soil anomaly near surface and in rocks lying further down slope. Fine grained sandstone, with iron oxides and quart stockworks are reported. For these initial details go to the Progress to date report appended.

The additional drill pads were constructed, and i the rig previously used is again being used after it was flown in by helicopter.

The other prospects within the EL, 24-28 and Coupon have undergone desktop study and will be visited in the field for reconnaissance, sampling and drilling feasibility purposes.

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1.1. Exploration Rationale

The reason for exploration in the Sulphide Creek Licence EL 43/2004 area is the existence of a major North-West structure known as the Harvey Creek Fault.
Gold and Antimony prospects are found in a linear trend associated with this fault at Woody Hill, Davie, Anomaly 24-28, Coupon and Rinadeena. All the prospects noted above have been spatially defined to various degrees.

The field work programme in EL 43/2005 focused exclusively, on the Davie Prospect. The objective was to prove up a small, high grade, structurally controlled gold deposit.

The Henty deposit is the genetic model. The Harvey Creek fault is interpreted as a conduit for remobilised Devonian fluids and/or concealed Henty deposits in the buried Cambrian rocks. The linear distribution of gold prospects along this fault represents 'leaching and leaking' from a deeper hydrothermal alteration zone in the Cambrian volcanic rocks at depth and their subsequent deposition in the overlying younger cover.

The Davie prospect is located north of the Abt railway and within 600 metres east of the Queenstown – Strahan road. The initial work was conducted by Trikon/Cyprus in the mid 1980's. An anomalous zone up to70ppb Au was defined over 250m long by 75m wide; with As up to 5600ppm over 400m X 100m. Asarco revisited the prospect in 2000 and commenced further gridding and soil/rock geochemistry. A dilation zone 'pull apart' basin has been interpreted with soil values up to 200ppb Au and rock values up to 855ppb. A zone up to 200m in length has been defined with Au values greater than 150ppb. Reid (MRT 01_4597) suggests that "Gold mineralisation at the Davie prospect may have been formed within a dextral wrench fault regime, associated with the intersection of the Harris and Harvey creek faults." Three drill holes were planned; however the project did not meet Asarco corporate goals.

The Davie prospect provides evidence of a major sulphidic alteration zone along the surface trace of the Harvey Creek fault. This conduit provided a pathway for hydrothermal fluids that have plumed up thru the underlying Mount Read Volcanics. The prospect of a concealed 'Henty' style deposit whilst valid, is muted by the thickness of the overlying cover rocks, which approximates 500+ metres at the Davie prospect.

The first task at this prospect was to initiate the drill programme proposed by Asarco. This was carried out and subject to favourable results, define the geometry of any mineralised body with a view to drilling deeper into the concealed Cambrian volcanics. Down hole geophysics may have assisted to locate off hole conductors.

Further exploration drilling currently underway is seeking to add understanding of the gold mineralisation. An update on drilling to 28/01/2010 is appended.

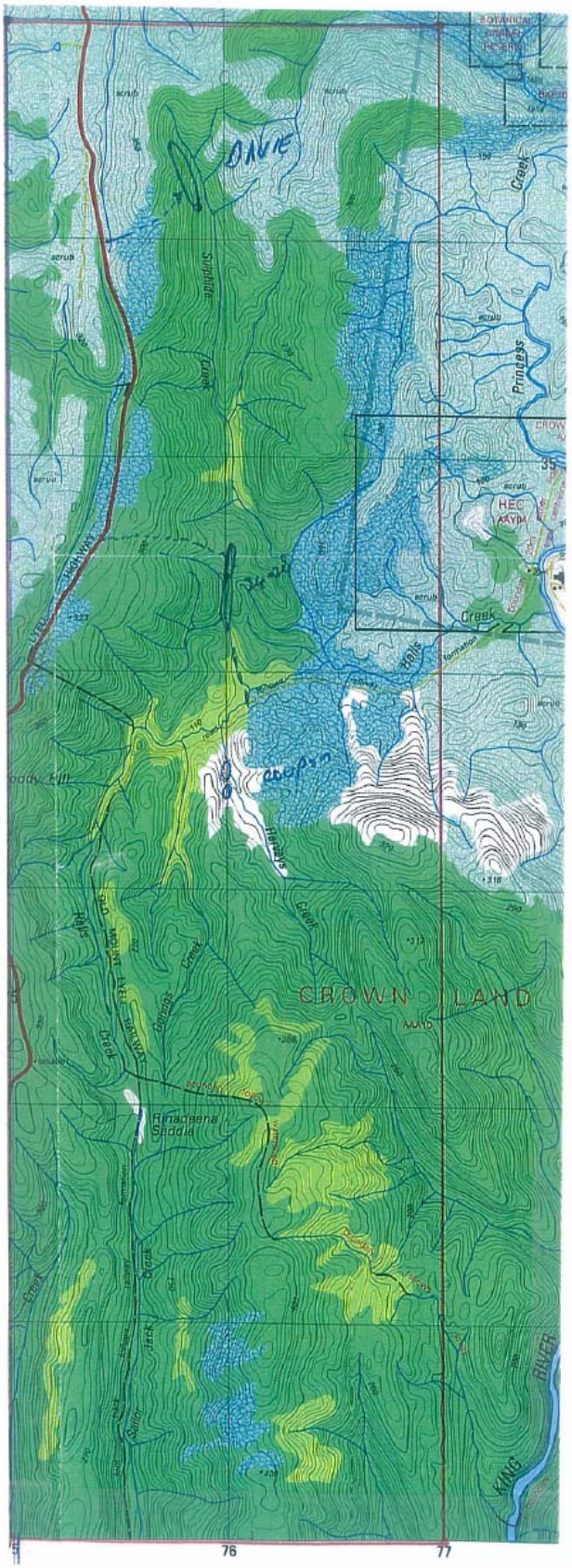
Sulphide Creek

Topographic Map

Scale : 1: 25 000

1 cm on the map is
250 metres on the ground

Strahan Sheet
3633



1.2. Licence 6

Sulphide Creek EL 43 / 2004
Application was granted on the 1st of March 2005.

This Annual Report Year 5 covers the period 1 March 2009 to 1 March 2010.

The previous Annual Report Year 1 covered the period 1 July 2005 to 1 March 2006. This is the time period when first work was able to be commenced and up to the renewal date of the EL.

The Exploration Licence is held 100% by Shree Minerals Limited.
The company commenced initial reconnaissance and data acquisition from the 4th July 2005 when Gujarat NRE Coke Ltd made its initial investment funds available for use by Zinico Resources NL which was then listed on the ASX on the 25th August 2005 and then commenced exploration work. The company changed its name at its first Annual General Meeting on 22nd November 2005 to Zelos Resources NL and again on 23rd November 2006 to Gujarat NRE Resources NL to reflect the increased shareholding of the major investor. GNRL was taken over by Gujarat NRE Minerals Limited in January 2008 and the Tasamian ELs were sold to Shree Minerals Limited in May 2008.

1.3. Location

The tenement known as Sulphide Creek is rectangular in shape lineated north –south. The north-east corner is 3km south west of Queenstown in the west coast of Tasmania.

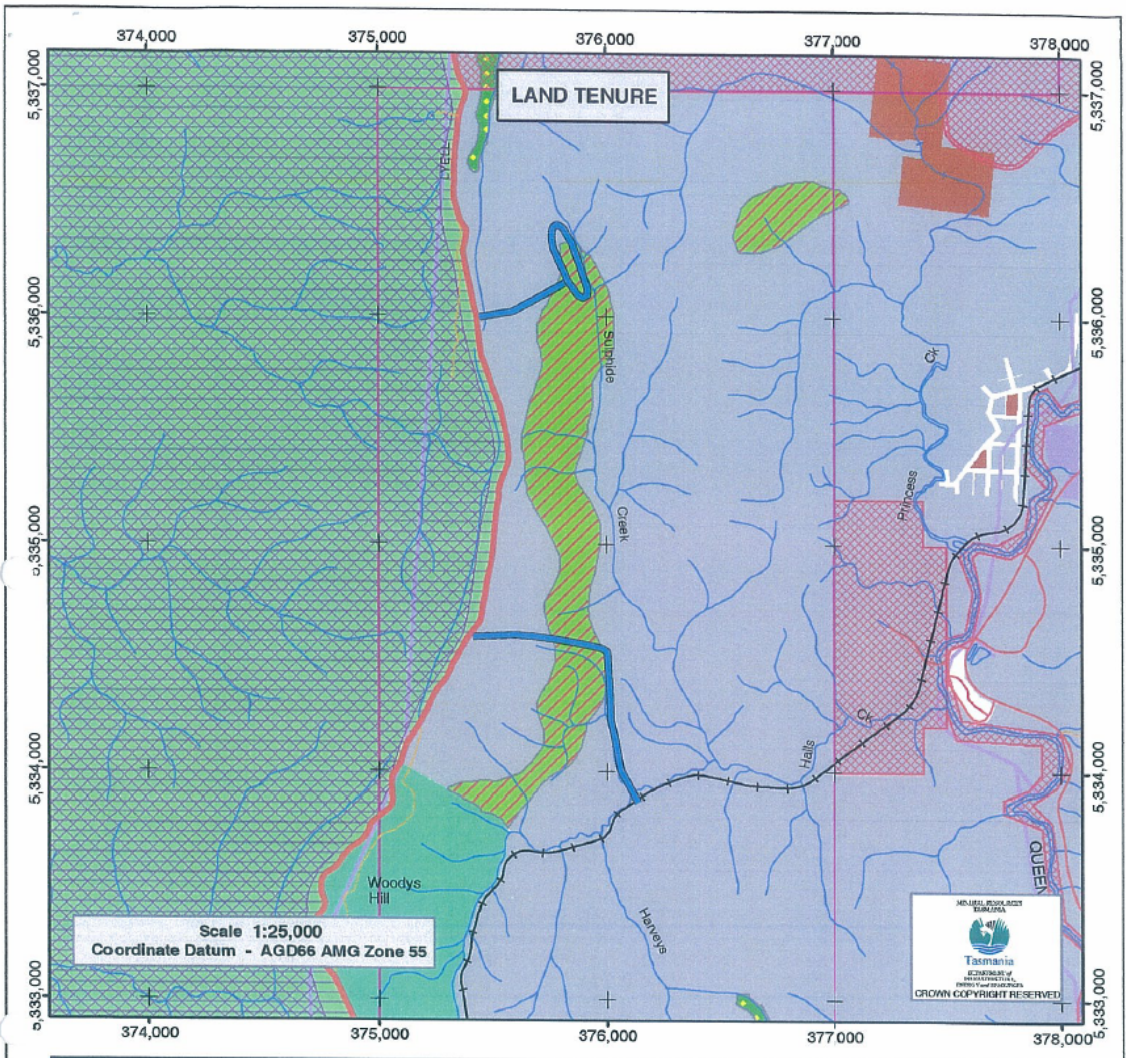
1.4 Area

The tenement is rectangular in shape with its east-west width 2 kilometres and its north-south axis 7 kilometres long giving the tenement an area of 14 square kilometres. (p5)

1.5 Access

The sealed main road known as the Lyell Highway is the main access road connecting the coast and harbour at Strahan to Queenstown, this road runs sub parallel and straddling the north - western 2/3rds of the EL boundary. On the eastern side and east of the boundary is the sealed Lynchford Road that goes well past that former township and continues south well past the southern boundary of the EL to the Darwin Dam.

The only other access to the EL is very restricted and is the now named The West Coast Wilderness Railway which was the former Mt Lyell Mining and Railway Co Ltd, Abt railway line, connecting the Mt Lyell works and Queenstown to Strahan. In its past life this railway line transported mainly copper ore concentrates. In its present life the same (restored) train rolling stock carries tourist passengers. This railway line enters the EL about half way along the eastern boundary near Bradshaw's Timber Mill and then heads



Land Tenure / Special Management Areas (Guide Only)

- Metallic Exploration Licence
- Mining Lease
- Fossicking Area
- Fossil Site
- Nonmetallic Exploration Licence
- Forest Communities Managed by Prescription
- RAMSAR Site
- HEC Vested Land
- Phytoph Cin Management Zone
- High Quality Wilderness
- Aboriginal Administered Land
- * Gas Pipeline Corridor
- Tas Forest Community Agrmt
- Private Land Reserve (RFA) / PAPL
- Proposed Private Land Reserve (RFA)
- Suspected Phytoph Cin region
- Administratively Excluded Areas
- Public (Crown) Reserve
- Commonwealth Land
- Private Land
- * Crown Land
- Nationally Significant Wetlands
- Nature Recreation Area
- Proposed Reserve
- Wellington Park
- Game Reserve
- Private Nature Reserve
- Private Sanctuary
- National Park
- Nature Reserve
- Hydro/Transend/Aurora Land
- State Forest / Hydro
- State Forest
- Forest Reserve
- Conservation Area
- Regional Reserve
- State Reserve
- Historic Site
- MDC Informal Reserve
- RVE Non-forest Vegetation

Proposed Tracks

- Access Track
- Vehicular Track
- Walking Track

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.

WPA05/48

south through about half the EL. The railway runs twice each day and three times in high summer. Permission has been granted to Shree Minerals Limited for limited access and use of the section between Bradshaw's Mill and the Halls Creek Siding.

The topography of the EL is deeply incised therefore rugged and is covered with thick forest and making access off the sealed roads/tracks very difficult.

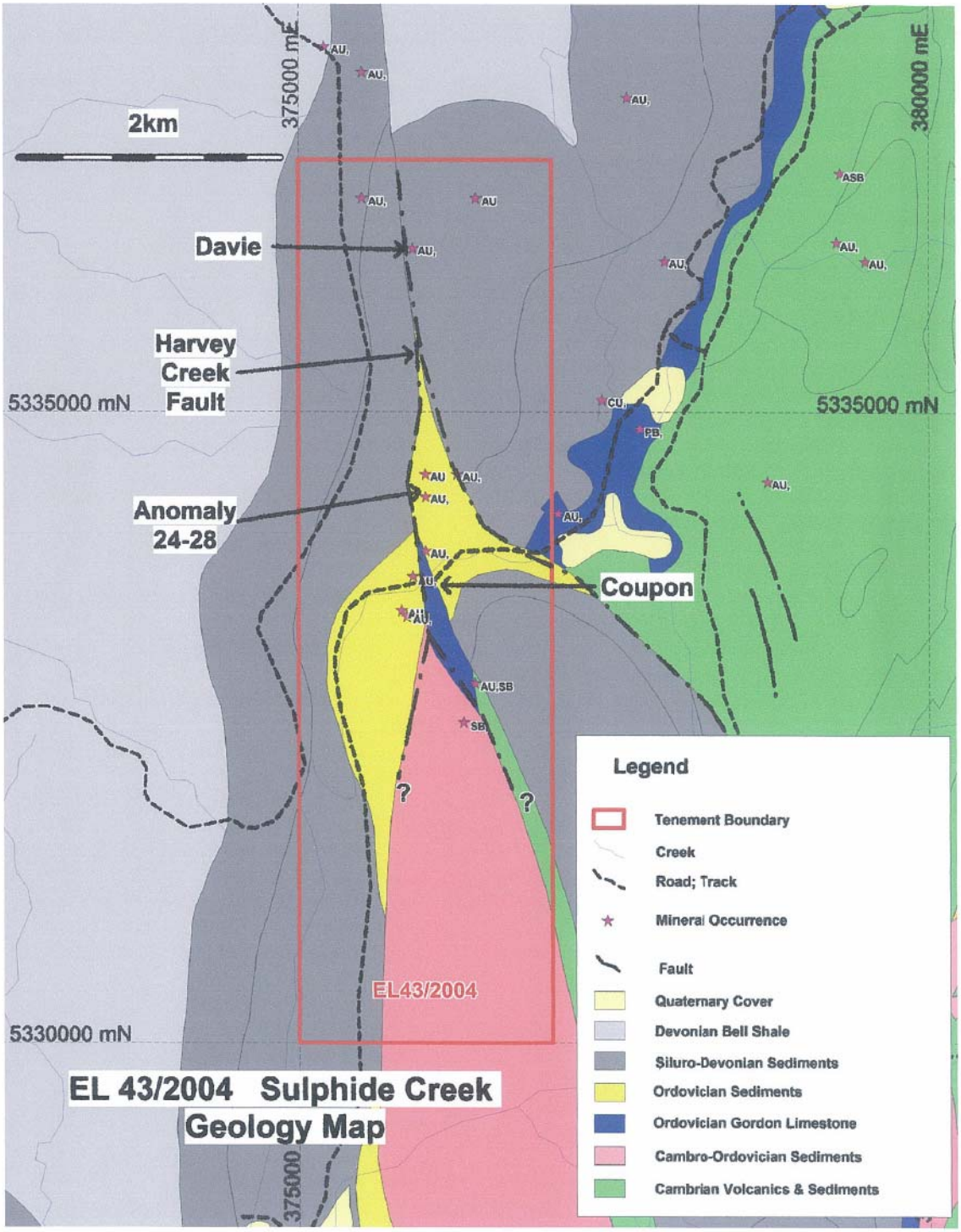
2 Review of Previous Work 9

2.1 Regional Geology

Sulphide Creek EL 43/2004 is located with in the world famous Mt Read Volcanics a well recognised mineral province located on the West Coast of Tasmania and hosting world class mining deposits such as the copper rich areas of Mt Lyell the lead and zinc areas of Rosebery and gold at Henty and base metals at Hellyer.

The geology of the Sulphide Creek tenement consists mainly of moderately folded Lower Palaeozoic sequence of sediments with minor volcanics. The siliciclastics range from conglomerates and pebbly sandstones of the Sedgwick Formation (Carbo-Ordovician age) to fine grained shales of the Devonian Bell Shales. Ordovician carbonates belonging to the Gordon Limestone also occur within the sequence along with sandstones of the Ordovician Arndell Sandstone. A sliver of Cambrian Tyndall Group felsic volcaniclastics occurs in the south east sector.

The structural setting to the licence is complicated with seemingly numerous faults generally converging at the centre of the property. There are inferences from the geological map to the past existence of basement structures that control sedimentary deposition. A major north-south striking, bifurcating fault named the Harvey Creek Fault with sinistral movement transects the middle of the licence. The Coupon, Anomaly 24-28 and the Davie gold prospects occur in close proximity to this fault with the Coupon prospect hosted by all the Ordovician siliclastics and carbonates. The Tyndall group unit appears to line up with an inferred splay fault direction of the Harvey Creek Fault.


2km
375000 mE
380000 mE
Davie
Harvey
Creek
Fault
5335000 mN
Anomaly
24-28
Coupon
EL43/2004
5330000 mN
EL 43/2004 Sulphide Creek
Geology Map
Legend
Tenement Boundary
Creek
Road; Track
Mineral Occurrence
Fault
Quaternary Cover
Devonian Bell Shale
Siluro-Devonian Sediments
Ordovician Sediments
Ordovician Gordon Limestone
Cambro-Ordovician Sediments
Cambrian Volcanics & Sediments

2.2 Previous Regional Exploration History 11

Work completed by Titan Goldstream in the early 1990's identified significant gold-arsenic anomalism associated with Harvey Creek Fault within a folded sandstone – limestone unit (basal Gordon Limestone). Low-grade gold mineralisation was drilled at Coupon to a depth of less than 70m tested only 150m along strike. The best diamond drilling result was 8m at 1.24 ppm (or g/t) within a 77m anomalous zone.

According to Goldstream alluvial gold was panned in many streams of the Sulphide Creek area and traced back to source. This resulted in the excavation of several shallow shafts and adits. From the Woody Hill gold mine (just north of the current licence) 4 .6 kg of gold was produced from 265 tonnes of ore at a grade of 17.6 g/t. The Davie workings appeared to consist of several shafts and adits developed on quartz reefs which apparently recorded up to 14g/t gold at surface. These workings may not have been properly located by contemporary exploration (Newnham 1993). The coupon workings seemingly produced (in 1913) 32 tonnes of mined material at an average grade of 12 g/t gold. The Rinadeena Reward Claim was prospected for antimony with a 120 m long adit driven into black pug, presumably rotten limestone. The conclusion from Goldstream's work is that most forms of mineralisation, gold and base metals, occur in carbonate-rich lithologies adjacent to major faults.

Substantial geochemical coverage has been completed over the tenement with a series of anomalies generated these are listed in the table below:-

Prospect	Soil Anomaly Length (m)	Soil Anomaly Width (m)	Soil Anomaly (Gold ppm)	Max Float Grade (Gold ppm)
Coupon	400	150	>0.1	21.0
Anomaly 24-28	250	50	0.24	16.0
Davie	250	75	0.07	14.0

The predecessors of Shree looked at the recent literature available for the exploration licence as a whole (see list appended) and decided to concentrate its initial efforts on work at the Davie Prospect.

2.3 Past Exploration Work at the Davie Prospect 12

During the copper rush of the 1880's it is highly likely that the Harvey Creek was prospected (as all rivers and creeks in the district were) leading up to the fabulous discoveries made at Mt Lyell. Minor shows of gold and copper were probably found as there are reports of shallow drives and adits within the literature of past explorers. Modern exploration can be considered to have commenced in the 1960's with a regional stream geochemistry survey programme conducted by Pickands Mather International (the developers of the Savage River Iron Ore (magnetite) Mine. Gold was not assayed and no other metal anomalies were detected in this area at that time.

Trikon International Limited held the area in 1981 and in joint venture with the Electrolytic Zinc Company of Australasia Limited (now Oz Minerals Limited) completed a stream sediment and rock chip sampling programme of the area. This stream sediment survey detected a number of tungsten anomalies and thought they were significant because of the association of tungsten with gold in the Carlin district of Nevada, USA.

Later in 1984 Trikon re looked at the area data and carried out follow up stream sediment surveys which reported some gold anomalism in tributaries of Halls Creek.

A magnetic anomaly in the southeastern part of the tenement was investigated with grid based mapping, soil geochemistry and ground magnetic surveys, locating a wedge of Cambrian volcaniclastics. Geophysical modelling and geological interpretation resulted in the recognition of the major Harvey's Creek Fault.

The grid was extended 5km northward covering a portion of the Harvey's Creek Fault zone. Hand auger B-C horizon soil samples were initially collected at 20m spacing on grid lines 200m to 1000m apart locally. Several substantial gold-arsenic anomalies were detected and designated as Coupon and Davie.

Cyprus Gold Australia Corporation took over the lease in 1988 and commenced in fill gridding with 16.5km of lines 50m to 300m spacing, took 600 hand augered soil samples at 25m spacing. This work resulted in further defining the gold arsenic anomalous areas.

At Davie the anomaly was defined over 400m x 100m with arsenic values to 0.56% and gold to 14g/t from a grab sample from old workings.

Perilya-Noranda came into the tenement in 1991 and extended and filled in the grid to 200m line spacing over 4km length.

Goldstream Mining NL in joint venture with Titan Resources NL came into the licence in 1993. Both companies concentrated their work at the Coupon anomaly which underwent RC and diamond drilling neither of which was conclusive as drilling difficulties prevented the target zone being reached.

2.4 Results of the most recent field exploration in 2000. **13**

More detailed work at Davie was carried out in December 2000 at the time the licence was held by ASARCO Exploration Company Inc. and work under the supervision of Newnham Exploration and Mining Services Pty Ltd.

The work commenced with the cutting of an access track from the Strahan Road to the northern end of the anomaly and then 1950m of grid comprising 200m long cross lines over a baseline oriented north west-south east.

This baseline plus grid facilitated geological fact mapping, rock chip sampling (46 in number) and soil sampling (79 units) from the C horizon from 25m spaced sample sites.

As stated previously the terrain is very steep and covered by dense vegetation growth making access and field work difficult.

The cliff area comprises ferruginated, foliated sandstone and fault breccia. Iron oxides (mainly limonite with minor hematite) in the matrix is pervasive and locally is veined. It forms the bulk of the alteration at Davie. Semi massive ironstone is locally evident. Semi-pervasive silica alteration, of weak intensity, accompanied by quartz veinlets to 5mm width is often evident within indurated sandstones. Minor sericite is also apparent locally.

The cliff extends up to 25m high. This outstanding land form is part of the Ordovician aged Rinadeena Formation, which lies in faulted contact with fine to medium-grained quartz sandstone of the Siluro-Devonian aged Crotty Quartzite.

The Harvey Creek and Harris Faults are two significant NNW aligned structures separating these sedimentary units and intersect in the prospect in a north – westerly direction.

Soil and rock chip samples were analysed by Analabs Pty Ltd in Burnie and the geochemistry results per metal type was plotted and contoured on the grid map base. Soil geochemistry results maps were prepared for 1) base metals (Cu, Pb, Zn, Sb combined) and separate maps were prepared and contoured for 2) gold and 3) arsenic results. There was a substantial area of overlap of the gold and arsenic results indicating the area of most intense anomalism which then became the target area for drilling.

Robert Reid of Newnham Exploration Services concluded that the area is gold anomalous and worthy of further testing by drilling. RR of NES suggests that gold mineralisation at Davie may have been formed within a dextral wrench fault regime, associated with the intersection of the Harris and Harvey Faults. Potential for gold mineralisation in steeply plunging lensoidal shoot-like form is implied by the suggested wrench fault model.

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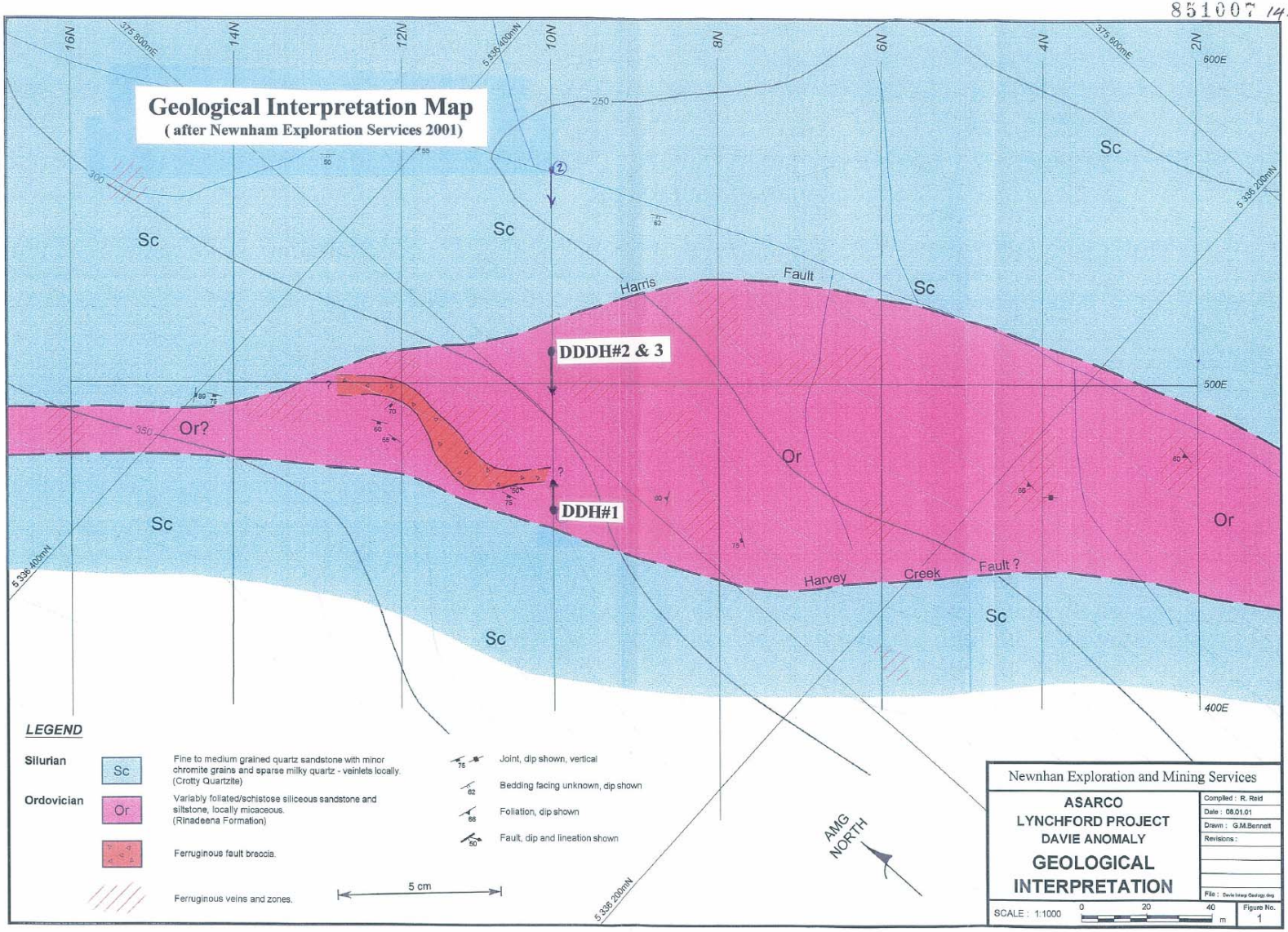
Geological Interpretation Map
(after Newnham Exploration Services 2001)
16N
14N
12N
10N
8N
6N
4N
2N
375 800mE
5 336 400mN
5 336 200mN
600E
500E
400E
250
300
350
Sc
Or
Or?
Harris
Fault
Harvey
Creek
Fault ?
DDDH#2 & 3
DDH#1
LEGEND
Silurian
Sc
Fine to medium grained quartz sandstone with minor chromite grains and sparse milky quartz - veinlets locally. (Crotty Quartzite)
Ordovician
Or
Variably foliated/schistose siliceous sandstone and siltstone, locally micaceous. (Rinadeena Formation)
Ferruginous fault breccia.
Ferruginous veins and zones.
Joint, dip shown, vertical
Bedding facing unknown, dip shown
Foliation, dip shown
Fault, dip and lineation shown
5 cm
AMG NORTH
Newnhan Exploration and Mining Services
ASARCO
LYNCHFORD PROJECT
DAVIE ANOMALY
GEOLOGICAL INTERPRETATION
Compiled : R. Reid
Date : 08.01.01
Drawn : G.M.Bennett
Revisions :
SCALE : 1:1000
0 20 40 m
Figure No. 1

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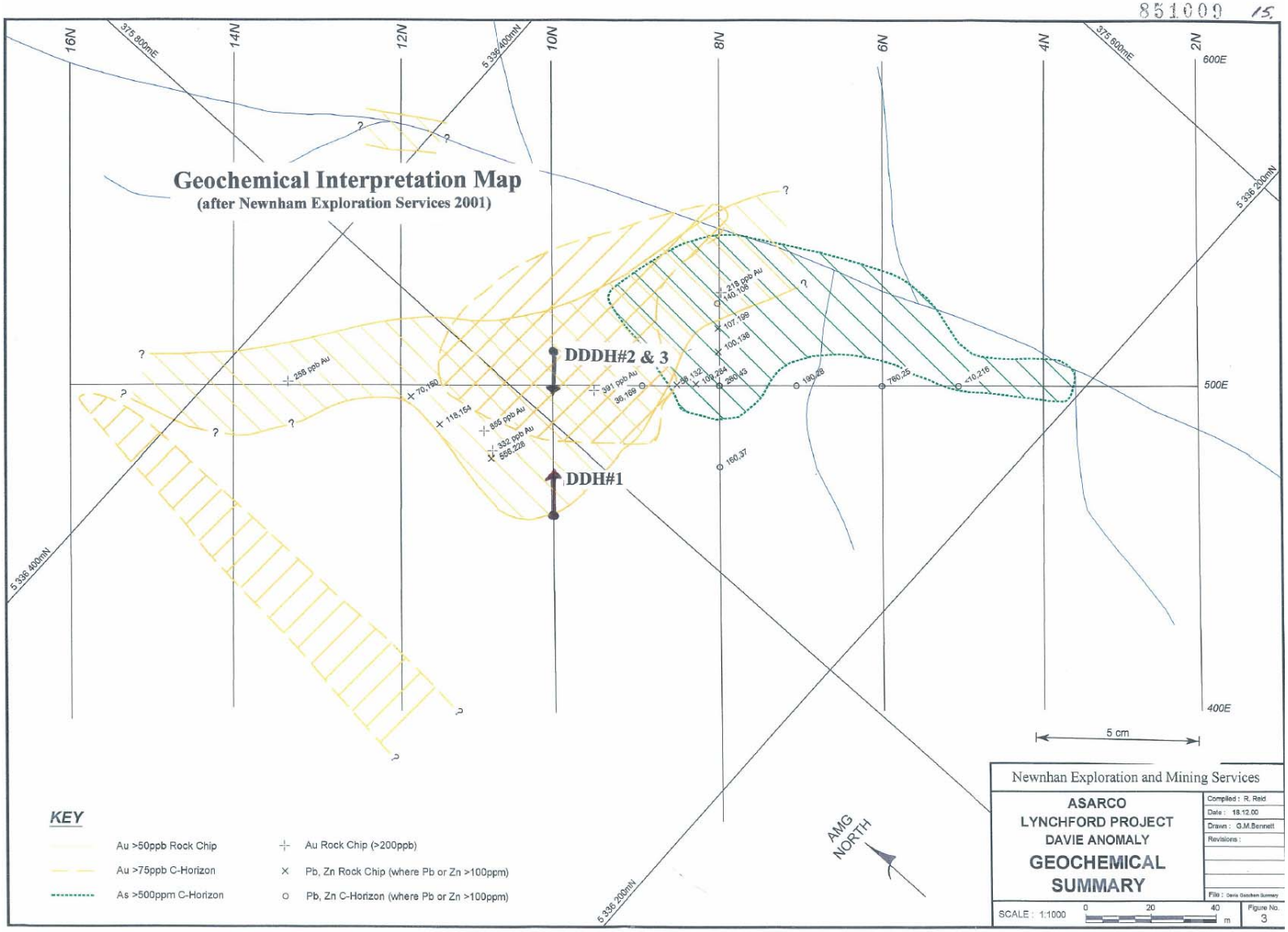

Geochemical Interpretation Map
(after Newnham Exploration Services 2001)
16N
14N
12N
10N
8N
6N
4N
2N
375 800mE
5 336 400mN
5 336 200mN
600E
500E
400E
DDDH#2 & 3
DDH#1
256 ppb Au
70,150
118,154
885 ppb Au
332 ppb Au
595,228
391 ppb Au
36,189
215 ppb Au
140,108
107,199
100,138
160,37
780,25
<10,216
5 cm
AMG NORTH
KEY
Au >50ppb Rock Chip
Au >75ppb C-Horizon
As >500ppm C-Horizon
Au Rock Chip (>200ppb)
Pb, Zn Rock Chip (where Pb or Zn >100ppm)
Pb, Zn C-Horizon (where Pb or Zn >100ppm)
Newnhan Exploration and Mining Services
ASARCO
LYNCHFORD PROJECT
DAVIE ANOMALY
GEOCHEMICAL
SUMMARY
Compiled : R. Reid
Date : 18.12.00
Drawn : G.M.Bennett
Revisions :
SCALE : 1:1000
0 20 40 m
Figure No. 3

The 2001 Newnham Exploration Services report concludes with a cross sectional map recommending the drilling of three inclined diamond drill holes testing the co incident area of surface gold and arsenic geochemical anomalism.

Corporate goals were not met therefore Asarco was not prepared to take on this drilling recommendation. Asarco then withdrew from the tenement which became vacant.

2.5 Exploration completed during the report period to 1 March 2006.

ZINICO/ZELOS

The EL was granted on 1 March 2004 to Zinico Resources NL. The first field visit to the area was made in September 2004 and followed a visit to the Hobart office of Mineral Resources Tasmania to meet the Tasmanian Government Geological staff and buy data relevant to the exploration area including some past reports and maps etc.

The next field visit to the area was made in July 2005.
It was a field orientation trip and also allowed the opportunity to meet and arrange the possibility of hiring various local contractors who would be willing and able to carry out the various work assignments required in the field.

GEOLOGIST

Tasmanian resident contracting consulting firm Coast and Mountain Exploration was hired to supervise all field related activities in regard to exploration procedures. Planning was carried out as to the best way to advance the Davie Prospect. After an initial field reconnaissance trip of the area various aspects of field activities were put into motion.

Initially a cut track to 4 wheel drive standard was suggested. However after a field visit to the prospect site in company with the Environmental Field Officer of the MRT and the head of the line cutting contracting firm and the head of the diamond drilling contracted company, all came to the conclusion that this would disturb the local environment. This field visit resulted in the MRT recommending a helicopter fly in / fly out arrangement for the proposed diamond drilling.

LINE CUTTING / HELIPAD CONSTRUCTION

A line/grid cutting contractor was engaged in July for work to commence in October. However his two week window of opportunity for constructing the access track and drill pads had closed. Therefore new contractors were sourced and engaged with a starting delay of about one month.

Meanwhile an application with the access track location route, drill sites locations and construction plans, submitted to MRT was approved.

Line cutting commenced on the 16th November 2005.

Problems encountered in the field were mainly related to the steepness of the terrain. Several areas had supporting ropes installed for steep climbing purposes. Also several of the drilling pads needed more excavation than first thought necessary.

The track, 1 kilometre in length leaves the Queenstown-Strahan road steeply in an area hidden by vegetation and flattens as it follows a creek bed for a short distance then gradually up a vegetation boundary up and along a ridge line. The track is not visible to the public from the bitumen road, save for the short distance on the ridge slope, which would be camouflaged with adjacent grass and bush. Across the hill the track continues down slope to the first drill pad further down slope to the second pad down to the creek up the other side to the third drill pad.

HELICOPTER

A Squirrel helicopter operated by Strahan Seaplanes and Helicopters Pty Ltd was chartered to ferry the drilling rig and equipment by a long sling line to the first drill site and subsequent move to the second drill pad site and then later to fly out the core trays and drill equipment upon completion.

Squirrel Helicopter

DRILLING

Low Impact Diamond Drilling Specialists Pty Ltd of Burnie and Queenstown were contracted to diamond drill a minimum of 3 holes for a maximum of 400 metres in total. Two holes at 150m and one at 100 m approximate depths. All with HQ core at the top reducing down hole to NQ size core in the target zone. A Longyear 28 Hydro diamond drilling rig was used for the purpose because it had capacity to drill to 250m linear depth if necessary and was capable of being flown in modules by the helicopter for assembly on site.

The drillers commuted daily from their homes in Queestown by car to the Queenstown to Strahan roadside near the start of the track, then spent 30 minutes walking along the cut track into the drill site. They worked a 10 hour daily shift 5 days per week with weekends off.

Drilling commenced on Friday 9th December 2005.

The first hole was completed on 16th December 2005 in a fault zone gangue and was terminated at 136m inclined depth. The drilling stopped 14m short of the targeted total depth owing to fault breccia and clays binding fast the drill rods.

From an exploration point of view: the hole was a success. The target was reached and gold mineralization found. The down hole geology was identified and confirmed, recovery of core was mostly good.

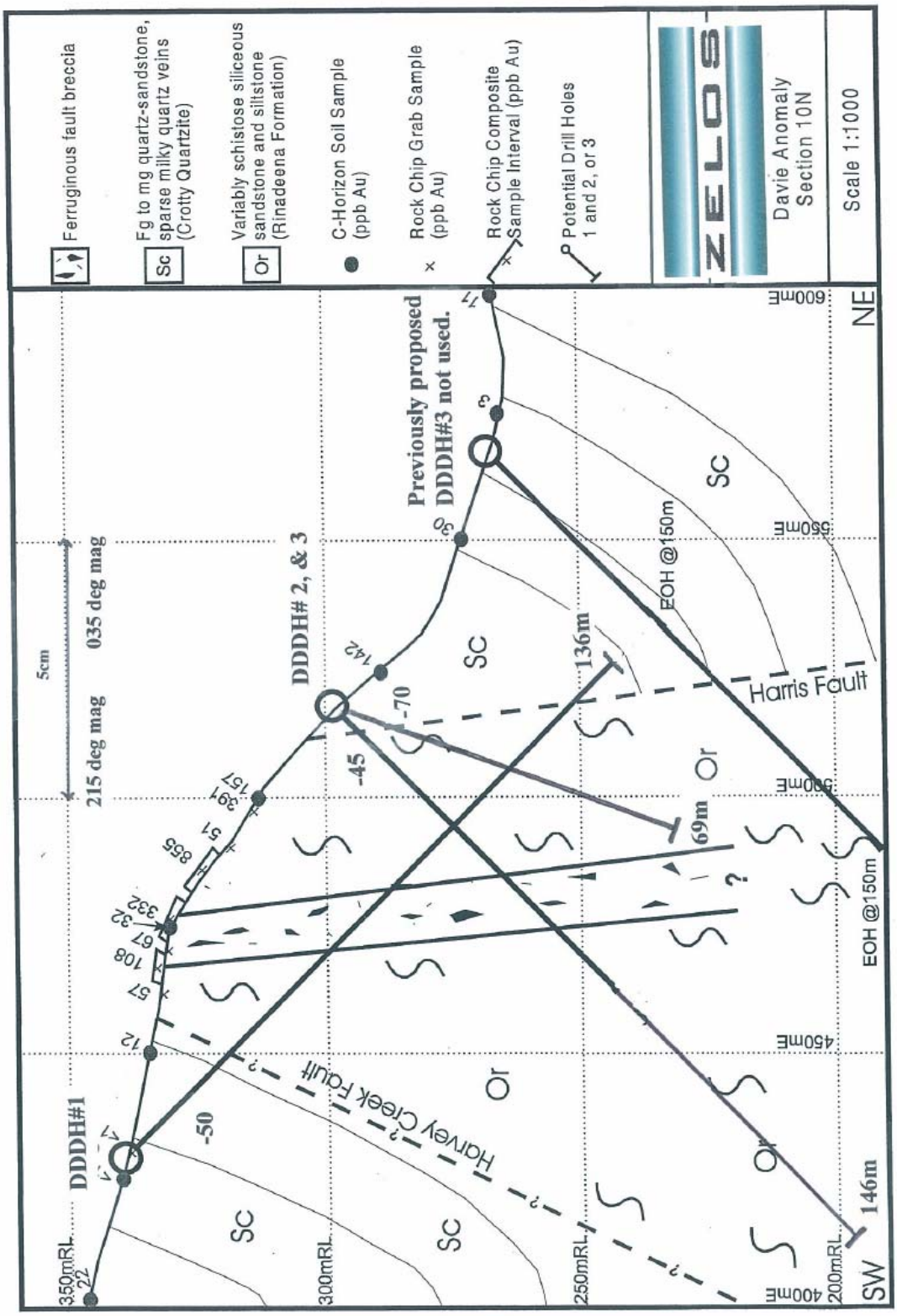
A long section of mineralized fine grained metamorphosed siliceous sediments with an accompanying quartz vein stock works system was intercepted.

The rig was repositioned on the new drill pad site and readied for the recommencement of drilling in the new year as the Christmas break intervened. Drilling didn't recommence until Monday 22nd of January one week after the anticipated restart date. DDDH#2 was terminated on Thursday 2nd February 2006 at 145.5m depth 5.5m short of the planned depth (two rods were bent in the helicopter flight in and were unusable until repaired). The DDDH2 terminated in fresh rock still in gold mineralization.

DDDH3 commenced immediately and was terminated on Sunday 12th February 2006 at 69m inclined depth because of bad drilling conditions.

DDDH4 commenced on the 14th January 2010 as is still in progress at 151.5m at this time of writing. This LIDDS rig was flown in to site by helicopter in a similar way to the 2005/2006 drilling work

Schematic Drilling Cross Section on local grid 10N



3. Exploration during the report period to 1 March 2007. 22

Field work during this period was minimal.
The drill sites were tidied up, left over core trays and rubbish etc removed.
Ropes left in place to assist with climbing the steep sites have been removed.

Follow up drilling was planned in the period to assess the lateral extent of the gold mineralised zone. Half way between the 2 drill sites then a perpendicular line with 3 drill holes sited 50m apart was the plan and was submitted to MRT for approval.

MRT replied with the question of timing and the topographic conditions of the proposed drill sites. A proposed visit to the site was planned to verify the feasibility of the proposed drill sites and report back to the MRT.

Owing to exploration activities and field work elsewhere on other projects, this field verification visit was not made during the period. The proposed further drilling was put on hold and proposed for the next year.

Desk top work was carried out on the Davie Prospect and also the 24-28 and Coupon Prospects. It is proposed that field visits to all three be made in the 2008 calendar year.

4. Exploration during the report period to 1 March 2008.

The entire EL was again reviewed and a field program was prepared for the summer. This entailed visits to the 24-28 and Coupon anomaly areas for reconnaissance, orientation of past work and some follow up outcrop sampling.

Other company projects ranking higher in urgency, prospectivity, were given priority and this coupled with limited field staff meant that no field work was carried out in the reporting period.

5. Exploration during the report period to 1 March 2009.

The only field work carried out during the year was the field observation and site visit to the western flank of the ridge at Davie for the purpose of selecting a suitable land route A visit was made to the office of our Geological consultancy company for similar reasons of alternate access and also on ore genesis and a possible revised exploration programme.

6. Exploration during the current report period to 1 March 2010.

Line cutters refurbished the existing track into the Davie site. MRT gave permission to make more pads and diamond drilling SC# 4 commenced on 14th January 2010 after flying in a drilling rig by helicopter (the same contractors were used as in 2005). Further drill holes are planned in the current work.

4 Discussion of Results. 23

DRILLING

The initial diamond drilling program at the Davie Prospect within EL 43/2004 Sulphide Creek, located just 5 km from Queenstown, Western Tasmania; revealed the following:

The first hole (DDDH#1) was sited south of the mineralized target zone. The drill hole was oriented to the north east (at 35 magnetic degrees) at an angle of - 50 degrees. This hole intersected both the Harris and Harvey Creek faults and intercepted the mineralized stock works in the oxidized zone. Best intercept was a 6m zone averaging 0.44g/t gold with a 1m intercept of 1.05g/t gold at 95m inclined depth . Detailed results were reported in an appendix in the Annual Reports for Years 1 and 2.

The second hole (DDDH#2) was sited 90m horizontally (110m along slope) to the northeast of hole #1 and the drilling direction was reversed to south west (215 degrees magnetic) and inclined at -45 degrees.

This second hole intercepted fresh and mineralized rock at 20m inclined depth and was terminated in mineralization at 145.5 metres owing to drilling difficulties. Within this quartz stock work zone was a 78m interval averaging 0.39g/t gold. Within this is a 12m intercept averaging 0.46g/t and a high of 1m at 1.02 g/t gold. Detailed results are appended in the Annual Reports for Years 1 and 2.

The third hole (DDDH#3) was sited on the same location as hole 2 and was drilled also to the south west but at a much steeper angle of – 70 degrees. It was terminated at 70m because it didn't penetrate fresh rock and presented many drilling problems being in clayey fault gangue. Assay returns for gold were at background levels of 1-10ppb with spot highs up to 77ppb. It is suspected that the drilling bit was deflected along the fault contact at depth and therefore did not penetrate into the silicified and gold mineralized target stockwork rock unit. Detailed assay results are appended in the Annual Reports for Years 1 and 2.

These figures are all "Exploration Results" only and show there is a presence of gold at the prospect.

DDDH4 is at the time of writing at 151.5 m inclined depth. The hole has intersected several bands of iron mineralisation. Details are in the core log in the appended Update Report.

ASSAYS

A total of 350 metres were drilled. Core trays were sourced from International Mining Supplies in Brisbane and are UV light resistant HQ plastic 4m (4 rows x1m) green trays with click in depth measure markers.

The diamond core was flown out by helicopter from the drill site to the west side of the Queenstown Airport near the Strahan Road (Lyell Highway) where it was placed on pallets and transported to Hobart. The core was logged, split and bagged in one metre interval samples and then shipped to the Amdel Ltd assay laboratory in Adelaide.
A total of 301 samples were assayed each representing a one metre interval.

The main metal of interest was gold but a complete suite of base and indicator metals was requested for assay. The full list of assay results is attached as an Appendix on pages 27-33 in the Annual Reports for Years 1 and 2.

The gold mineralized intersections returned in the assays are discussed in the results section above.

Amdel Ltd in Adelaide will again do the assay work for the split mineralised core sections. The main target will be gold but a full suite will be run.

Modus operandi will be similar to the above procedures carried out in 2006.

5 Conclusions 25

The Davie Prospect has rightfully had all the attention within this lease to date.
A three diamond drill hole programme has been carried out with 2 holes intersecting gold mineralization that would be mineable in other settings. The results are very interesting and deserving of a second round of drilling which would start to outline the potential size and contained gold of the mineralized host rock.

Further drilling is highly recommended and the next round has already been planned to start orebody delineation. An application has already been submitted to MRT.

Site verification and feasibility needs to be made with a field trip to the prospect.
This was carried out in November 2009 and sites selected and prepared.

This drilling can be carried out as soon as permission is granted and the additional drill pads are constructed, and drill rig availability. It could be done in winter despite shorter days.

The new drilling commenced on 14 January 1010 and with further holes the work should go to late March. With drill results back by end of April or sooner if it is batched per hole as is likely.

The other prospects with the EL ie 24-28 and Coupon should also be visited in the field.

The licence should therefore be retained.

6. Environment

Minimal damage was done during track cutting this is already growing back.

Drill pads were constructed by levelling a small part of the hill sides including the removal of a few trees. This will take a few more years to re grow as nature takes its course.

No animal habitat was spoiled.

None of this is visible from any road

Minor rehabilitation has taken place with the removal of rubbish and surplus core trays and ropes used to assist with climbing the steep slopes

7. Expenditure 26

Total Expenditure: accrued: to 1 January 2010 is $ 215 992.00
Major Expenditure Items are listed below and
are per invoice and include GST.

Geology			$ 39 649.36
Track /Line and Drill Pad Cutting			$ 10 948.00
Drill Pad Construction			*$ 22 000.00*
Helicopter Usage			$ 19 402.60
Drilling (2005/6)	Mobilisation		$ 4 000.00
	Davie DDH#	1	$ 17 996.50
		2	29 237.06
		3	16 400.00
Sub Total for 2005/6	Drilling Sub Total		$ 67 633.56
Core Trays	150 HQ		$ 2 7635.84
Assay	DDDH#1		$ 3 273.60
	2		*3 590.40*
	3		*1 082.40*
	Assay Sub Total for 301 units		$ 7 946.40

The costs above are actuals for drilling and associated costs with the recent geology /line pad cutting added in. Rent over the 4 years has not been included
Estimated expenditure for the March 2009 to end Dec 2009 is $ 13,441.00

In January 2010 Invoices for the items below have not yet been received and are estimated below, forFebruary 2010 they will be will be similar

Travel/accommodation	**$ 2 000**
Line /pad cutting	**$ 4 000**
Helicopter	**$ 6 000**
Drilling	**22 500**
Geology	**15 000**
Total Estimate for January is	**49.500**
“ “ “ February “	**49,500**
Rent	**615**
Sub Total	**99,615**
Add back expenditure M2009-D2009	**13 441**
+ Administartion at 10%	**11,306**
for Year to 1 March 2010 is	**$ 124,362**

Total Accrued Expenditure to date is $ 326,913

Further expenditure on the EL of a similar magnitude is estimated beyond 1 March 2010

8. References

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