

Valuation of the Mineral Assets
of
Zeehan Zinc Limited

Prepared for
Zeehan Zinc Limited
by

Anderson & Schwab Australia Limited

This report has been prepared at the request of Zeehan Zinc Limited. The purpose of this report is to provide information to Zeehan Zinc Limited to assist it in providing an analysis and view to the Directors, management and ordinary shareholders of Zeehan Zinc Limited relating to that Company's determination to raise the capital necessary for it to develop its mineral assets at Zeehan, Tasmania. The report, prepared by Anderson & Schwab Australia Limited, has determined values for the mineral assets of the company. These valuations are based on information supplied by management, directors and staff of, and consultants to, Zeehan Zinc Limited; consultants reports based on investigations into various assets belonging to Zeehan Zinc Limited; publicly available information and reviews of data collected, collated and assessed by consultants to the Company. This report may accompany commentary provided by Zeehan Zinc Limited on their opinions with regard to their capital raising activities but the report must be provided in its entirety. The report has been completed in accordance with the terms and conditions described herein and set forth in our agreement with Zeehan Zinc Limited.

02 May 2006

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1. INTRODUCTION

1.1. BACKGROUND

Zeehan Zinc Limited (ZZL) is an unlisted Australian public company. The principal activities and assets of ZZL are the evaluation and development of the Comstock, Oceana and Mariposa zinc, lead and silver deposits located near the township of Zeehan, western Tasmania, Australia.

ZZL is seeking to secure finances sufficient to enable it to continue to develop its mining and exploration properties and to commence production of zinc and lead concentrates.

Anderson & Schwab Australia Limited (“A&S”) has been engaged by ZZL to undertake an independent valuation of these mineral assets. A&S’ Report will be provided to the directors, management and shareholders of ZZL for their use in raising funds from potential investors or financiers. A&S acknowledges that its report may be made available to persons outside ZZL as part of its financing activities and has given its consent for ZZL to use its findings subject to the terms and conditions set out in this report.

2. SUMMARY AND VALUATION

2.1. EXECUTIVE SUMMARY

- A&S's valuation for the mineral assets, as at the date of this report is estimated to be between A\$160.8m and A\$344.4 with an estimated fair market value of A\$291.0m.
- Zeehan Zinc's total resources of lead, zinc and silver ore exceeds 7,350,000 tonnes.
- ZZL commissioned two separate qualified geologists to undertake reviews and estimations of the zinc, lead and silver resources contained within the Comstock, Oceana properties located near Zeehan, western Tasmania. Both geologists are regarded as "Competent Persons" under the requirements of the JORC Code. In reviewing each geologist's report for the various deposits it is apparent that different estimation methods have been employed and different results have been obtained. While it is not currently possible to say that one is correct and the other incorrect, A&S has undertaken valuations using data obtained from both sources. The difference in final valuations obtained using the NPV method for both sets of information was small and in our opinion, not materially significant.
- A&S has considered the classifications and resource estimates provided by these Competent Persons and has used this information to undertake an estimation of the value of the Company's development projects.
- A&S has also considered the likely conversion of resources to a mine inventory status throughout the projected life of the mine development and has used advice from these Competent Persons when evaluating a most likely mine inventory.
- The Comstock Mining leases are currently under a renewal process by the State Government's MRT, with correspondence received by ZZL on 13 April 2006 from the MRT indicating that the mining leases will be renewed as soon as possible, conditional upon their review of ZZL's (1) Mine Plan, (2) Environmental Management Plan and (3) Decommissioning and Rehabilitation Plan. All the above items have now been supplied to MRT.
- ZZL subsidiary, ZZ Exploration Pty Ltd (ZZE), has appealed to the Tasmanian Mining Tribunal with regards to a decision by the Minister to revoke two of its Exploration Licences for a shortfall in its expenditure commitments during the first two year of its licence holdings. ZZE has applied for three mining leases to the State Government within these exploration licences that cover additional JORC resources signed off by 'Competent Geologists' over the Oceana Deposit, Mariposa Deposit and extension of the Balstrup Fault Deposit.
- A&S has utilised two methods to value the mineral assets of the Company. The first method involves the calculation of the Net Present Value of the Discounted Cash Flows of the resources based on our understanding of various parameters of production, processing, and marketing. This method is commonly used in the resources industry and can be applied to a project where a resource has been identified. In this instance A&S has used this method to calculate a value for the projects that are under development or those projects where a resource has been defined although development is still in its early stages. The second method, Exploration Expenditure Method (EEM), has been used to calculate the potential value of the exploration properties owned by the company.
- ZZL will need to continue its current programme of infill and development drilling in order to be able to upgrade its current resources and reserves. A summary of the short term proposed drilling programme is contained on page 24 of this report.
- Company management is a competent and skillful operator of small-scale, open-cut base metal mining operations. It is focused on extracting value from its assets and is developing an operating culture that should ensure its future profitability.

2.2 VALUATION

A&S has undertaken an assessment of ZZL's mineral assets. These include mining leases, exploration licences and mining lease applications. The mining leases and mining lease applications are in various stages of development.

The following developments have taken place at the Comstock mine:

- A crushing and minerals processing plant has been constructed;
- An open pit decline has been developed to extract the 98,881 tonne reserve within Allison's Pit
- A five kilometre 22kv powerline and transformer has been constructed to supply power to the Comstock operations;
- The diversion of the Trial Harbour Road around Allison's Pit 98,881 tonne reserve;

Other deposits owned by ZZL and currently under development are the Oceana and Mariposa deposits which have had sufficient geological work undertaken to enable an Indicated and Inferred JORC Resource classification (respectively) to be determined including an Indicated 665,531 tonnes at the Oceana deposit. The remainder of the exploration properties are in various stages of exploration understanding with several areas having small identified orebodies that have yet to have any significant delineation work completed on them.

A&S recognises that the company has applied for a Mining Lease (4M/2006) on the 22 March 2006 over the Mariposa deposit, contained within the exploration licence EL20/2002. This Mariposa deposit has not been included in our discounted cashflow valuation, although, sufficient exploration work has been performed to determine a JORC Inferred Resource of 573,737 tonnes. The preliminary mine plan indicates that the ore body could be extracted through a combination of open pit and underground operations, however, we have taken a conservative view of this 'new' deposit and have decided to allow its carried value to be contained within the overall exploration licence valuation calculated through the exploration expenditure method.

Our valuation has been based on key input assumptions supplied by ZZL's management, from the resources and conversion ratio estimations by the independent geologists and from Business Plans and updates and technical and financial reports prepared by independent resource consultants. Some of these consultants have worked on the development of these projects over several years and their continuous up grading of data inputs has been of value in our assessment of the projects. Where possible, A&S has attempted to verify these data inputs, but where this has not been possible we have relied on the data supplied by these consultants.

The input assumptions that we have used include: Resource calculations and applicable conversion ratios, metal grades, metal recovery factors, estimated annual production schedules, costs of operations, metals prices opinions, exchange rates, and discount rates. We have not made any assumptions regarding taxation as this is a corporate issue and not necessarily a project issue. Our valuation for the mineral tenements, which is the aggregate of the estimated fair market value of the company's mineral assets, as at the date of this report, is estimated to be between \$160.8 million and \$339.6 million, with an estimated fair market value of \$291.0 million.

Table 2-1 provides our valuation estimates and the valuation method for the mineral assets of ZZL. Each of the valuation methods is discussed in detail in Section 2.2.

Table 2-1: Valuation of ZZL Assets – Summary

Asset	Valuation Method	Value		
		Low	Market	High
Comstock Mine (Allison's Lode, Balstrup Fault, Main Lode including West Lode) and Oceana Deposit	NPV of discounted future cash flows	\$141.9m	\$267.4m	\$316.0m
EL 20/2002 (includes Mariposa Deposit), EL 30/2002, EL 18/2003	Multiple of Exploration Expenditure	\$18.9m	\$23.6m	\$28.4m
Total		\$160.8m	\$291.0m	\$344.4m

3. METHODOLOGY AND APPROACH

3.1. INTRODUCTION

The purpose of this report is to provide an assessment and valuation of ZZL's mineral assets. In providing our valuations we have followed the provisions of the Valmin Code of the Australasian Institute of Mining and Metallurgy ("The AusIMM") in undertaking our assessments of the tenements.

In general, a valuation is derived by considering a technical value, reflecting the assessed future net economic benefit of the project, which can be adjusted by way of premium or discount for given market and other conditions presently applicable to determine a fair market value. With this in mind, the application of standard valuation methodologies, while possible, may not indicate a realisable value, as the ability of a potential purchaser to utilise the asset for commercial advantage or otherwise gain from its ownership, may not be achievable.

In assessing the value of ZZL's tenements we are mindful that most of the company's resources contained within its development properties are according to JORC guidelines, classified as being Inferred Resources. At the Comstock Mine, the majority of the Allison's Lode has been classified as a Probable Reserve, and the Main (West) Lode and Oceana Deposit have been partly classified as Measured and Indicated Resources respectively by the independent geological experts. Nevertheless, given that the resources are JORC classified, therefore signaling that there is a degree of certainty associated with them, A&S believes that it is appropriate to use these data in calculating a value for the assets. We caution however that the valuations derived from these resources have been obtained from calculations involving, anticipated conversion ratios for generating mine inventory, and financial models that have utilised a range of assumptions that may or may not be appropriate under other economic conditions.

The Company's exploration properties have all be subjected to significant prospecting, exploration and small scale mining activities over many years. In recent years the Company has tended to focus its exploration activities on attempting to identify ore bodies in close proximity to pending mine developments in an effort to provide greater surety of feedstock for its milling operations. While little "grass roots" exploration work has been undertaken in recent years, the Company does have an extensive list of potential mineral resource targets already identified from earlier mining and exploration activities within its exploration properties. While we are aware that ZZL has written down some of its exploration expenditure on its exploration licences we are also cognizant that the "value" of these licences is determined by factors other than an accounting treatment. As such, the application of valuation methodologies needs to be carefully considered. We also acknowledge that given the strong expectation that mining operations will commence within the next 12 months that the accounting treatment of these written down values could be positively influenced, whereby exploration and evaluation costs may be capitalized under certain accounting criteria and a policy of impairment adopted on an annual basis. However, this aspect is not within the scope of this valuation report.

All references to dollars within this report are to Australian Dollars except where specifically identified.

A&S has not been engaged to provide independent verification of all Resources figures provided in this report. Prior to accepting this assignment we sought clarification on the validity of the resources data provided. At A&S' request, ZZL undertook to review this information and to provide to us Resources information that had been reviewed, estimated and/or approved by a "Competent Person" as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves ("JORC Code"). Two separate and independent reports were obtained and A&S was provided with all information. In reviewing each geologist's report for the Allison's deposit it is apparent that different estimation methods have been employed and that as a result different results have been obtained. While it is not currently possible to say that one is correct and the other incorrect A&S has undertaken valuations using data obtained from both sources. The difference in final valuations obtained using the NPV method for both sets of information was small and in our opinion, not materially significant.

Where practicable, we endeavoured to identify that the input data provided in the various reference materials that we used were valid, appropriate or calculated according to established principles. Where we could not satisfy ourselves as to the veracity of the figures we took steps, as deemed appropriate, to ensure that the information that we used was valid. Where A&S has used data provided by ZZL management or other consultants, we have credited the sources of our information.

For the purposes of this report and in consideration of the extensive development activities that ZZL has undertaken at its Comstock operations it was considered entirely appropriate that a site visit be undertaken. An A&S associate visited the site on 1 November 2005 in the company of David Tanner, Director and Paul Heath, Senior Mine Geologist to review operations and to view the geology of the exposed ore bodies. On completing the field visit meetings were held with ZZL management and directors in Hobart to review and collect data and information relating to the Company's projects. A continuous dialogue between ZZL management and A&S has been maintained during the course of this assignment. A second site visit was made on 20 March 2006, by an A&S Associate to further review updated information on the mining tenements and to discuss the potential start up of mining operations within the next 12 months, in light of the company securing sufficient funding.

3.2. VALUATION METHODS

3.2.1. SUMMARY

The commonly used valuation methods for mineral assets that we have considered, and/or adopted where considered appropriate, to determine the value of the mineral assets of the Company, include:

- The Orderly Realisation Of Assets method
- The Net Present Value Of Future Cash Flows method
- The Multiple Of Exploration Expenditure method
- Joint Venture Terms
- In Situ Values Method
- Comparable Transactions method
- The Alternative Acquirer method
- The Capitalisation Of Future Maintainable Earnings method

3.2.2. ORDERLY REALISATION OF ASSETS METHOD

The value achievable in an orderly realisation of assets is based on an assessment of the net realisable value of a business or asset, assuming its orderly realisation. Costs associated with the sale of the business or assets are included in the assessment. This technique is appropriate for minerals businesses, which typically have individually definable assets, with relatively high values compared to earnings and cash flows, and is applicable to minerals and minerals exploration businesses, in which individual properties and interests in individual properties are frequently bought and sold. We considered this method to be inappropriate for the valuation of the exploration properties owned by ZZL as these properties are regarded as having relatively low values with no apparent short-term capacity to generate cash flows, as such the capacity to realise their value in an orderly manner is extremely low. This method is also believed to be inappropriate for the valuation of the development properties as, while easily definable, are restricted to a small area and are integral to the on going operations of the company.

3.2.3. NET PRESENT VALUE OF FUTURE CASH FLOWS METHOD

The Discounted Cash Flow (DCF) valuation method is based on the premise that the value of a business is the net present value of its future cash flows. In the mining business, this method requires assessment of:

- mineral reserves, resources, and conversion factors;

- the appropriate mining and processing methods to exploit and market those reserves; and
- an analysis of future production, production costs, market prices, cash flows, capital requirements and capital costs for the life of the potential reserves.

This technique is particularly appropriate for a minerals investment with defined reserves and/or resources and is the most common approach to valuation in the minerals industry. A&S regard this methodology as being the most appropriate for valuing the development assets of ZZL.

3.2.4. MULTIPLE OF EXPLORATION EXPENDITURE METHOD

We have used the “Multiple of Exploration Expenditure” method to estimate the realisable (market) value of ZZL’s exploration properties. While ordinarily this method is used to assess value for a “grass-roots” exploration property, A&S has not been able to identify any other methodology that is appropriate for valuing what could be described as the “reasonably mature” exploration properties owned by ZZL. Accordingly, we have modified slightly the application of this method to take into consideration this “maturity” aspect. In this method, the total historical costs of acquiring and exploring the property up to the present point in time, plus committed and approved future exploration expenditure, is taken as the base. To this is applied an “exploration effectiveness multiplier”, a measure of the usefulness of the expenditure to the development of future exploration programmes and the effective equity interest.

The result is adjusted by applying a “prospectivity enhancement multiplier” (PEM) representing the valuer’s opinion of the company’s potential success (or otherwise) in upgrading the prospectivity of the property. This factor would normally lie in the range of 0 to 3, with zero representing a complete write-off, and a value greater than one applying where exploration had successfully upgraded the property. The selection of the appropriate enhancement factor is subjective and dependent on the valuer’s experience and judgement.

This method is appropriate for the valuation of ZZL’s base metals properties.

3.2.5 JOINT VENTURE TERMS

The terms of a joint venture agreement or proposed agreement indicate the value placed on a property by a (usually) knowledgeable incoming partner who is prepared to invest in the property to earn an interest. This method has to take into consideration the full details of the agreement, particularly the terms under which the incoming partner can withdraw. A&S has not been able to identify any recent joint venture arrangements in this region that would allow us to make an informed judgement as to the potential value.

3.2.6 IN SITU VALUES METHOD

Where some data on tonnage and grade exists such as the resource estimates for Comstock and Oceana, a discounted subjective profit margin per unit of production is sometimes used based on the valuer’s experience and judgement. This works best for simple situations such as gold deposits. With polymetallic deposits such as these, which may have several process options and for which there is likely to be a very heavy capital influence to project economics, A&S has determined that this method is inappropriate in this instance and has not been used.

3.2.7 COMPARABLE TRANSACTIONS METHOD

Comparable transactions relate to the values of reasonably recent transactions for other properties that are judged to be similar and / or in the same region as the property in question. As such transactions are often of a joint-venture nature, it is necessary to discount the apparent value for time and for the probability of the earning expenditure being completed or adjust them for other payments such as royalties to be triggered by successful exploration.

We have not used this process as we are not aware of any recent transactions in this general area that would allow us to value the mineral assets of ZZL.

3.2.8 ALTERNATIVE ACQUIRER METHOD

The “Alternative Acquirer” valuation method considers the premium price that an alternative acquirer is prepared to pay for a business to gain entry into a business, or to achieve economies of scale, reductions in competition and synergies with existing operations, or other factors. We have not applied this method to ZZL as we are unaware of any potential acquirers and the value of ZZL is specific to an individual acquirer.

3.2.9 CAPITALISATION OF FUTURE MAINTAINABLE EARNINGS METHOD

The "Capitalisation of Maintainable Earnings" methodology, which values an entity based on an empirically derived multiple of maintainable earnings, is appropriate where the earnings of a business are stable and sufficient to justify a value exceeding the value of the underlying assets. A&S has not used this method to provide a value for ZZL as it is at this stage an exploration and development company with no stable earnings profile.

3.3 MATERIAL ISSUES

The following issues have been considered by A&S during the valuation process as they are regarded as being material to this assessment.

- ZZL’s stated resource base and a strong reliance on a high rate of conversion of resources to reserves to obtain future levels of production, although this conversion rate has been verified by the analysis of ZZL conversion history and regional explanations;
- ZZL’s high probability of commencing mining operation, particularly within the Comstock mine area, within the next 12 months as a consequence of raising sufficient capital funds;
- ZZL’s reliance on retaining ownership of its mining tenements by a requirement of Government to upgrade its resources and successful progress toward a mine reserve;
- ZZL’s successful attraction of capital should allow it to commence mining operations, fulfil expenditure requirements through an intensive infill drilling programme, and realise a mine inventory over the next 2 to 3 years through sound mine management procedures.
- ZZL’s ability to successfully appraise its exploration properties and delineate further resources;
- ZZL’s management team has a proven ability to extract value from its assets and its knowledge of the industry in which it operates.

3.4 OTHER MATTERS

This report has been prepared in accordance with the requirements of the Australasian Institute of Mining and Metallurgy’s VALMIN Code.

4 ZEEHAN ZINC LIMITED

4.1 INTRODUCTION

Zeehan Zinc Limited (ZZL) is an unlisted public company formed to mine and process mineral deposits in the vicinity of Zeehan, Tasmania, Australia. Oceania Tasmania Pty Ltd (OT) and ZZ Exploration Pty Ltd (ZZE) are fully owned subsidiaries of ZZL.

OT currently holds mining leases 123M/47, 43M/85, 19M/95 and 9M/2002. ZZE currently holds Exploration Licences 20/2002, 30/2002 and 18/2003.

4.2 TENEMENTS

ZZL, through its subsidiaries OT and ZZE, currently hold four Mining Leases (ML's) and three Exploration Licences (EL's) and have made applications for three additional Mining Leases (Figures 1 & 2). All the ZZL EL's and ML's cover the *Comstock District* and *Zeehan Field* (Blissett 1962) both of which surround the Zeehan Township. Primarily, ML123M/47, ML43M/85, ML19M/1995, ML9M/2002, EL30/2002, EL18/2003 and application ML5M/2005 lie within the Comstock District. EL20/2002 and application ML2M/2005 and ML4/2006 lie within the Zeehan Field. See Table 4.2-1 for ZZL tenement summaries.

Table 4.2-1. ZZL Tenement summaries

EXPLORATION LICENCES (EL's)	Area	Grant Date	End Date	Expenditure Commitment	Owner	Notes
EL20/2002	71 sq.km.	31 Jan 2003	31 Jan 08	\$875,000 in the first two year period. (1), (2)	ZZE Pty Ltd	Category 1 minerals (Zeehan Field)
EL30/2002	8 sq. km.	31 Jan 2003	31 Jan 08	\$505,000 in the first two year period. (1)	ZZE Pty Ltd	Category 1 minerals (Comstock District)
EL18/2003	14 sq.km.	10 Feb 2005	10 Feb '10	\$10,500 in the first two year period.	ZZE Pty Ltd	Categories 1,3,4 and 5a minerals (Comstock District)
<u>MINING LEASES (ML's)</u>	Area	Grant Date	Renewal Date	Expenditure Commitment	Owner	Notes
123M/1947	146 ha	30 Oct 2000	1 Sep 05 (3), (4)	N/A	OT Pty Ltd	(Comstock District)
43M/1985	80 ha	1 Oct 1986	1 Oct 07	N/A	OT Pty Ltd	(Comstock District)
19M/1995	11 ha	30 Oct 2000	1 Sep 05 (4)	N/A	OT Pty Ltd	(Comstock District)
9M/2002	11 ha	16 Oct 2003	1 Sep 05 (4)	N/A	OT Pty Ltd	Tailings purposes (Comstock District)
2M/2005	50 ha	Application	N/A	N/A	ZZE Pty Ltd	Application ONLY within EL20/2002 (Zeehan Field) Oceana
5M/2005	47 ha	Application	N/A	N/A	ZZE Pty Ltd	Application ONLY within EL/30/2002 (Comstock District)
4M/2006	98 ha	Application	N/A	N/A	ZZE Pty Ltd	Application ONLY within EL20/2002 (Zeehan Field), Mariposa

NOTES:

- (1) Owner is appealing against the Minister for Mines intention to revoke for non-compliance with minimum expenditure commitments for first two years.*
- (2) Minimum expenditure commitment was reduced to \$750,000 for the first two year period, after a smaller than area applied for was granted.*
- (3) First granted to Electrolytic Zinc Company of Australasia Ltd [EZ] in 1947 and acquired by Oceania Tasmania Pty Ltd in 1988.*
- (4) Owner applied for renewal for a further 10 year period on 29 September 2005, within the 30-day period for renewal applications for existing tenements.*

4.3 ZEEHAN FIELD (INCLUDES 48 OLD MINES/ WORKINGS)

ZZE holds EL20/2002, a 71 square kilometre area that is situated immediately south-east of the Zeehan Township. A retention licence RL3/1996, covers a zinc-rich slag dump (495,000 tonnes @ 13.95%Zn, 1.5%Pb, and 35g/t Ag) adjacent to the Zeehan-Strahan Rd at the former Oceana smelter site and is excluded from EL20/2002. Additionally, ML9M/1991 which lies adjacent to the current Oceana Deposit workings is held by Zinifex Australia Limited, and is excluded from EL20/2002.

ZZE has applied for a 50 ha Mining Lease (2M/2005) that is located over the Oceana Mine workings. Application 2M/2005 is currently under consideration from Mineral Resource Tasmania (MRT).

Additionally, ZZE has applied for a 98 ha Mining Lease (4M/2006) that is located over the Mariposa deposit. This application was lodged on 22 March 2006 and is under consideration from MRT.

4.4 COMSTOCK DISTRICT (INCLUDES 27 MINES/OLD WORKINGS)

ZZE holds EL30/2002, an 8 square kilometre area surrounding the Comstock group of base-metals lodes, about four kilometres west of Zeehan Township. There are some 635 hectares of exclusions relating to pre-existing tenements, including ML's held by OT and a Retention Licence RL 5/1997, that covers Zeehan Township and the Queen Hill tin group of former mines, immediately west.

ZZE submitted a ML application (5M/2005) that covers the western extension of the Balstrup Fault over EL30/2002. ZZE received advice from the Director in a letter dated 5 September 2005, that this recommendation will not be placed before the Minister until the matter of the proposed revocation of ELs 20/2002 and 30/2002 had been resolved by the Mining Tribunal (*see note 1 in Table 1*).

OT holds ML123M/1947, ML43M/1985, ML19M/1995 and ML9M/2002, contiguous tenements that cover an aggregate area of 247 hectares. Three of OT's MLs (123/1947, 19M/1995 and 9M/2002) are currently pending a renewal application lodged by OT on the 29 September 2005 for a period of another 10 years.

4.5 EXPLORATION LICENCES - UPDATES

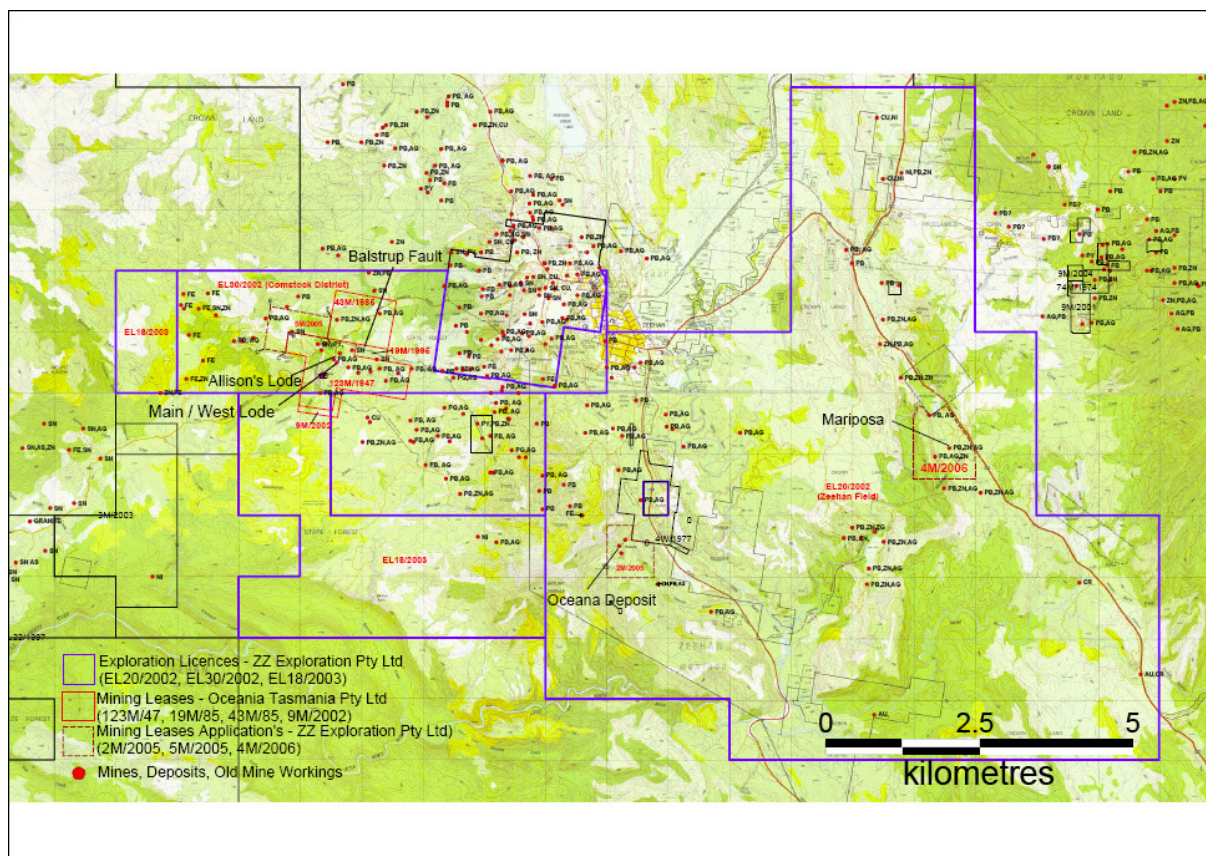
ZZE was advised by the Minister for Infrastructure, Energy and Resources, in a letter dated 7 July 2005, that his decision to revoke EL's 20/2002 and 30/2002 under Section 34(1) of the Mineral Resources Development Act 1995, would stand. The Minister had convened a meeting with the ZZE on 8 June 2005 regarding the issue of proceeding to revoke EL's 20/2002 and 30/2002. ZZE has advised the Minister in a letter dated 13 April 2005, that expenditure on both EL's for the first two-year period was a total of \$477,731 and that ZZE would commit to spend an additional \$492,412 on EL20/2002 and \$287,857 on EL30/2002, to cover the shortfall of actual expenditure compared to commitments.

ZZE advised the Minister, in a letter dated 4 August 2005, that it would appeal against the decision to revoke the EL's. Subsequently, the first hearing of the Mining Tribunal was held in Launceston on the

26 September 2005 and the discovery process initiated. A second hearing for 28 October 2005 was adjourned and the next hearing is set down for 28 November 2005.

EL20/2002 was granted on 31 January 2003 with an attaching expenditure commitment of \$750,000 for the first two years. EL30/2002 was granted on the same date with an attaching first two-year period expenditure commitment of \$505,000.

Information supplied to A&S by ZZL on 28th April 2006 indicates that the actual expenditure for each exploration licence, for the first three year term of each licence, was \$827,963 for EL 20/2002, and \$551,902 for EL 30/2002. These expenditures are in excess of the required commitments for each licence.



Map 1: ZZL asset boundaries (at 19 April 2006)

4.6 PREVIOUS MINING ACTIVITIES

The Zeehan Zinc tenements are situated west and south of Zeehan, an important historic mining centre on the West Coast of Tasmania, a region with a long, semi-continuous history of base metal mining operations that commenced late in the 19th Century.

4.6.1 COMSTOCK DISTRICT

4.6.1.1 Historical

Knight (1997) states that the Zeehan mineral field, of which the Comstock region is part, had two major past periods of mining activity. The first from discovery in 1882 ended after the outbreak of World War I in 1914. A minor resurgence occurred between 1947 and 1960. This resulted in production of some 194,816 tonnes of lead and 26,585,000 ounces of silver. ZZE (AR,2001) record an historic mineral production from the Comstock leases area of 2,640 tonnes of zinc, 3676 tonnes of lead and 165,000 ounces of silver.

4.6.1.2 Recent Past

Trial Mining 1988-1989 by Oceania

Knight (1997) records that 7,334 tonnes of high-grade base-metal ore was shipped to the Rosebery Mill, owned and operated by Pasminco, from the South Comstock Mine (within 123M/1947) by OT in 1989. The average head grade of this shipped tonnage was 14.8% Zn and 3.6% Pb and 62 g/t Ag. Knight reports that 1,000 tonnes was also mined from the Sylvester Mine (within 43M/1986). Zeehan Zinc reported in their 2001 Annual Report that some 70,000 tonnes was mined overall.

OT files contain records that indicate Sundew Holdings Pty Ltd (Sundew) delivered (in 1997) a total of 1,347.9 tonnes of base-metal lode material with an average content of 14.5% Zn, 2.4% Pb and 45 g/t Ag to the Rosebery Mill, from the Allison's Mine (within 123M/1947). Sundew secured a sub-lease agreement from OT in 1997 for mining and exploitation rights for the first 70 metres below surface within ML 43M/1985 and the majority of ML123M/1947. This sub-lease agreement has since reverted back to OT.

Mineral Exploration by others since 1990

Renison Goldfields Consolidated Exploration Pty Ltd [RGC] conducted exploration over the Comstock Group of mineralised lodes between 1990 and 1995 under a five-year option agreement with OT. RGC held an EL that surrounded the OT ML's during this period. RGC's exploration included geological mapping, ground magnetic surveys, soil sampling and drilling. A total of 16 holes were drilled, mostly aimed at carbonate replacement style mineralisation associated with the footwall of the Balstrup Fault. An inferred resource estimate was generated by RGC over a one kilometre strike length to a depth of 480 metres, from a depth of 80 metres below surface. This estimate was generated prior to the implementation of the JORC Code. RGC estimated an inferred tonnage of mineralisation of around 6 million tonnes. Average metal contents using intercepts at or above 1% zinc, were estimated by RGC to be 5.5% zinc, 3.3% lead and 40 grams per tonne silver. RGC and Knight (1997) indicated potential exists for a smaller, higher-grade deposit if narrower intersections are selected and Swansea Mining Company Pty Ltd (a company associated with OT) estimated 2.9 million tonnes of the RGC-defined mineralisation contains an average metal content of 8.6% Zn, 4.6% Pb and 59 g/t Ag.

Western Metals Corporation Limited (WMC), the then operator of the Hellyer Mine, situated some 90 kilometres to the north, conducted some exploration under a joint venture option agreement, negotiated in 1999. WMC's objective was to delineate additional resources of ore for the Hellyer Plant. A total of just less than 2,000 metres in three diamond core holes was completed and a deep-penetration surface Electro-Magnetic [EM] survey was completed. WMC concluded the geophysical anomalies EM and gravity, present within the OT ML's and environs were not attributable to lead-zinc-silver mineralisation but could be explained by geology. A deep intercept about 200 metres east along strike from the best intercept achieved by RGC along the Balstrup Fault failed to intersect significant base-metal mineralisation and deep tests of fissure-style veins between Balstrup and Tenth Legion faults did not intersect base-metal mineralisation.

4.6.2 ZEEHAN FIELD

4.6.2.1 Historical

The Zeehan mineral field contains several known deposits of zinc (Zn), lead (Pb) and Silver (Ag). Between 1887 and 1913 approximately 42 mines produced 190,000 tonnes of lead, 71 tonnes of zinc and 27 million ounces (840 tonnes) of silver from pits and shallow underground workings (Blissett 1962). Underground mines were usually shallow due to the inefficiency of water pumps at the time. Zeehan ('the Silver City') became a large thriving centre, with an opera house and a Mining School.

Oceana Silver Mining Company formed in 1892. At that time a shaft was sunk into the Oceana Deposit (The Oceana Mine lies within EL20/2002 and is part of ZZE's application ML2M/2005) and

two drives were made. Operations produced 1,016 tonnes of ore until the shaft collapsed in 1899. Minor mining continued until 1925, see Table 2.

Table 4.6-2 Ore extracted from the Oceana Mine (McGilvray 2002)

Period	Ore (tonnes)	Recovered Grade		Metal Produced	
		Pb (%)	Ag (g/t)	Pb (tonne)	Ag (oz Tr)
1887-1899	1016	39	445*	396	14,537
1906-1925	569	47	525	271	9,645
1954-1960	130,236	11	128	14,473	537,725
Total	131,821	11.5	132	15,140	561,907

Renewed exploration in 1954 under a Broken Hill North and South joint venture named Zeehan Mines Pty. Ltd. continued until 1960. Documented evidence of reserves at that time are found in Jack (1960).

4.6.2.2 Recent Past

More recent exploration was undertaken by the Amoco and Cyprus Gold Australia Corporation in 1978 to 1988 and Arimco Mining Pty. Ltd. in 1991. Arimco entered into a joint venture in May 1992 with Pasmauco Australia Ltd.

4.7 GEOLOGY AND MINERALISATION

4.7.1 COMSTOCK DISTRICT

The Comstock District Group of tenements are situated within Proterozoic and early Palaeozoic sediments of the Oonah and Crimson Creek Formations. The sediments of the Oonah Formation are dominated by carbonate lithologies whereas the sediments of the Crimson Creek Formation are dominated by argillaceous and arenaceous lithologies, with minor carbonate intercalations.

The Oonah Formation sediments have been subjected to intense deformation, manifest as tight folding with associated development of thrust faulting and normal faulting. The Crimson Creek Formation sediments appear less deformed and isoclinal folding appears absent. Devonian age granitoids (principally the Heemskirk Granite) have intruded the Oonah and Crimson Creek Formations and are considered the source of the base-metal and tin mineralisation that is widespread throughout the Zeehan Mining District. Stocks of Heemskirk Granite are interpreted at shallow depth beneath Queen Hill and the Comstock mining precincts and these have either provided the source for mineralisation or a heat source to remobilise and focus pre-existing mineralisation.

Three styles of mineralisation are present in the Comstock region. The most prominent style, and that mined historically in the Comstock Zeehan Mining Field, is a fault-controlled lode-style veins of lead-silver mineralisation hosted by carbonate lithologies. These mostly lie outside the metamorphic aureole of the Heemskirk Granite pluton. Two sets of fault trends host this mineralisation – a series of northwest to west-northwest faults, including the Balstrup, Tenth Legion and Sylvester; and a north-northeast series of faults.

The two other styles of mineralisation that occur in the region, but have not been the subject of significant historical mining, are a sphalerite-rich base metal pyrite vein style and a magnetite-serpentinite skarn style. The latter mostly occurs inside the metamorphic aureole of the Heemskirk Granite while the former is hosted in a variety of lithologies.

4.7.2 ZEEHAN FIELD (OCEANA MINE)

The geology of the Oceana Mine deposit consists of a stratabound and discordant massive sulphide body of variable thickness, hosted in the steeply dipping Ordovician Gordon Limestone. They are bound by the underlain Moina Sandstone and the overlain Crotty Quartzite. Post mineralisation faulting cross-cuts the ores body at the Mine Fault, while the northern limit of mineralisation is truncated by the Oceana Fault. Mineralisation according to Tear (Oct 2005) tends to be along two parallel bodies, galena dominant, and sphalerite poor, with localised massive pyrite.

4.8 SITE VISIT

Andrew Habets of Pertzel Tahan and Associates, Senior Associate Consultants of A&S, visited the Comstock property on Tuesday 1 November 2005. Mr Habets was accompanied by Paul Heath the Senior mine geologist and David Tanner, Director of ZZL. A brief visit to the Oceania property was also made at that time. On 19 and 20 March, 2006 A&S associates undertook a further inspection of the construction of the gravity plant and mine developments. Recent photographs of the plant under construction are provided in *Appendix I: Photographs 1 – 3*. *Photograph 4* shows a panoramic view of the Comstock Mine, with *Photographs 5 & 6* showing examples of the recently exposed high-grade zinc-lead-silver ores.

Recent drilling work at the Allison's Lode are seen in *Photographs 7 & 8*. Mr Habets site visit also reviewed the current Swansea Tramway Waste Rock Dump and proposed Co-disposal waste area and access road. The Trial Harbour diversion around Allison's Lode is now under construction (*Photographs 9 & 10*). The Allison's Pit, Comstock Mine is seen in *Photograph 11* and the proposed Comstock Creek diversion from the main adit (beneath all the Comstock historical workings) to the co-disposal area (currently running into Comstock Creek – *Photograph 12*).

4.9 RESOURCE & RESERVE ESTIMATES & METHODS OF ASSESSMENT

Resource and reserve estimates at Comstock Mine (Allison's Lode, Main Lode including West Lode, and the Balstrup Fault) is summarized in Table 4.9-1 on the following page.

4.9.1 ALLISON'S LODGE

Cotlco (Sept 2005) has defined an open pit resource to RL 264m. The 'Polygons of Influence' method was used and a density of 3.8tcm applied to data gathered from 12 diamond drill holes drilled by ZZE during early 2005, and 5 pit channel traverses completed by OT during 2000. A total of 7,420t @ 16.3% Zn, 8.6% Pb and 277g/t Ag has been included in the Measured category and is in accordance with the Joint Ore Reserves Committee (JORC) guidelines on the Australasian Code for the Reporting of Mineral Resources and Ore reserves (2004). Cotlco (Sept 2005) concludes, "This stems mainly from the variability of the mineralization, as to both grade and thickness as well as the need for regular spaced drilling". A subsequent field visit by Andrew Habets of Pertzel Tahan and Associates consulting geologists, confirmed the variability of the mineralization ranging from massive sulphide pods, up to metres in diameter, to disseminated patches of low grade mineralization in a decayed dolomite.

SMG (Nov 2005) has defined an open pit resource to RL270 for the remaining in situ ore in Allison's Lode. An inverse distance squared method was used to calculate the resource and various density scenarios used (3.3tcm being the final reported density). While Simon Tear from SMG (Nov 2005) concluded that: "Statistical analysis indicated that the channel sample assay data", carried out by Heath (2001) on a 20m interval "was not compatible to core data for calculation purposes", he has however, determined that there is a continuity in ore blocks south of 5360620N.

The contrast between the Cotlco (Sept 2005) 'Polygon of Influence' model and that of SMG (Nov 2005) 'Block' model is centered on the length and following resource category of the data from hole SY037. While Cotlco (Sept 2005) uses a 2m intercept SMG (Nov 2005) uses a 14m intercept "based

on statistical data and the author's field observations and mapping over the past six years". Such discrepancies are only resolved by closer spaced drilling.

It is worth noting that from the five channel samples conducted by Heath (2001), that only one channel still remains across the current total width of Allison's Lode. The remaining channel is, Traverse A, and is recorded in Heath (2001) showing a horizontal intercept of 19m @ 11.84% Zn, 3.57% Pb, and 52 g/t Ag. The remaining four channels have been mined and placed on the 3,300t high-grade (21.5% Zinc, 15.5% Lead, , 540g/t Silver) (Measured) stockpile near the Gravity Plant.

During January 2006 a summary of the opencut reserves at Allison's lode located on the Comstock mine was completed by The Minserve Group Pty Ltd. The Mineserve Group classified the deposit as a 'Probable Reserve' of 98,881 tonnes @ 5.46% Zinc, 1.93% Lead and 42.67g/t Silver.

Table 4.9-1 Summary of Resource and Reserve Estimates

	Tonnes	Grade Pb% / Zn% / Ag g/t	Source
Allison's Lode			
Probable Reserve	98,881	1.93 / 5.46 / 42	Minserve, 2006
Measured ¹	4,700	7.1 / 15.8 / 217	Cotlco Feb 2005
Inferred	43,700	2.2 / 4.8 / 14	Cotlco Feb 2005
Measured ²	7,420	8.6 / 16.3 / 277	Cotlco Sept 2005
Inferred	26,150	1.9 / 7.0 / 35	Cotlco Sept 2005
Indicated	30,160	2.0 / 7.2 / 36	Cotlco Sept 2005
Measured ³	35,252	1.5 / 5.7 / 29.1	SMG Consultants Nov 2005
Indicated	59,412	1.08 / 4.77 / 22.8	SMG Consultants Nov 2005
Inferred	3,563	0.67 / 2.25 / 17.1	SMG Consultants Nov 2005
Estimate ⁴ (to 50m)	250,000	4.5 / 14 / 90	BDA Aug 2000
Estimate ⁴ (to 30m)	130,000		Coffey Geosciences Jun 2000
Main Lode (incl. West Lode)			
Measured	4,600	12.3 / 10.6 / 140	Cotlco Feb 2005
Inferred	12,670	13.4 / 13.6 / 160	Cotlco Feb 2005
Measured	5,070	3.2 / 4.1 / 40	Cotlco Sept 2005
Inferred	12,710	1.7 / 4.3 / 24	Cotlco Sept 2005
Balstrup Fault			
Estimated ⁴	6,125,600	3.3 / 5.5 / 40	RGC 1993
Estimated ⁴	2,900,000	4.6 / 8.6 / 59	WMR 2000
Estimated ⁴	5,100,000	2.3/4.0/NA	WMR 2000
Inferred	4,600,000	3.3 / 5.7 / 35	Cotlco Feb 2005

¹ Includes 1,400t (measured) stockpiled @ 15.5%Pb, 21.5%Zn, 540g/t Ag near the ZZL plant.

² Includes 3,300t (measured) stockpiled @ 15.5%Pb, 21.5%Zn, 540g/t Ag near the ZZL plant.

³ Excludes 3,300t (measured) stockpiled @ 15.5%Pb, 21.5%Zn, 540g/t Ag near the ZZL plant.

⁴ Estimated ONLY. This estimate is non-JORC compliant.

4.9.2 WEST COMSTOCK LODGE (MAIN LODGE)

Cotlco (Sept 2005) estimated the resource at West Comstock by a calculation of average volumes using the intercept from nine drill holes, grab samples, and using a density of 3.8tcm. The downgrading of ore grade by Cotlco (Nov 2005) from the previous estimate in Cotlco (Feb 2005) has been noted. This has been attributed to an additional nine drill holes being drilled after the Cotlco (Feb 2005) report, and grade differences between the original surface sampling (pit grab samples) and drill hole intercepts. Hence, Cotlco (Nov 2005) has classified the top 4m as Measured as defined by JORC, with the remainder being classified as Inferred.

West Comstock also known as Main Lodge, previously has been covered with waste from the South Comstock open pit during 1989 mining operations by OT. While it is most likely an extension (either off set or continuous) of the old open pit operation, it requires a systematic close spaced drill programme to further define the nature of mineralization and lift the level of classification and volume as defined by JORC. An intensive infill drilling programme is currently underway on the Main Lodge.

4.9.3 BALSTRUP FAULT

Mineralisation in the footwall of the Balstrup Fault is over a kilometre in strike length with 16 holes drilled by RGC in the early to mid 90's (referred to as the Sylvester deposit). Cotlco (Feb 2005) estimated the resource at Balstrup Fault using 'Polygons of Influence' for weighted grade estimations from five of the RGC drill holes and indicates that part of the mineralisation extends into ZZE's EL30/2002. While it is agreed with BDA 2000 that many of the drill holes are likely to have stopped short of their intercepts, it would be recommended that closer-spaced and systematic drilling be completed to enable to raise the category of this resource into Indicated and Measured. An intensive infill drilling programme is currently underway on the Balstrup Fault to further define the surface mineralisation.

4.9.4 OCEANA DEPOSIT

Resource estimates at the Oceana Deposit have been summarized in Table 4.9-4.

Table 4. 9-4 Resource estimates at the Oceana Deposit

	Tonnes	Grade Pb% / Zn% / Ag g/t	Source
Oceana Deposit			
Indicated ¹	665,531	5.2 / 2.3 / 29	SMG Consultants Feb 2006
Inferred ¹	938,147	2.6 / 1.2 / 16.3	SMG Consultants Feb 2006
Indicated ¹ (openpit 120m)	665,531	5.2 / 2.3 / 29	SMG Consultants Mar 2006
Indicated & Inferred ¹ (openpit 120m)	1,386,991	3.8 / 1.7 / 22.5	SMG Consultants Apr 2006
Inferred ¹	2,100,000	9.2 / 2.6 / 88	Cotlco Feb 2005
Inferred ¹ (openpit 50m)	208,100	7.5 / 1.7 / 57	Cotlco Sept 2005
Estimated ² (openpit 50m)	140,000	12 / 2.8 / 62.4 (2.2OZ)	Cordery 1998 / Mancala 1999
Inferred ²	2,250,000	7.5 / 2.6 / 51	Saxon (1995)
Inferred ²	2,500,000	7.5 / 2.6 / 50	Pasminco (1994)
Inferred ²	2,500,000	9.4 / 4.0 / 75	Cyprus (1988)
Estimated ²	1,690,000	8.0 / 4.0 / 66	EZ March 1983 (Paul Joyce)
Estimated ²	4,000,000	19.4 / 4.0 / 106	Amoco Minerals (1978)

¹ The above figures are compliant with JORC.

² The above figures may NOT necessarily be JORC compliant.

ZZE has completed an extensive work programme between 2003 to 2006 which comprises the following:

- ZZE has commissioned two independent 'Competent Person' geologists to estimate the resources at the Oceana Deposit (SMG Consultants Pty Ltd and Cotlco Pty Ltd);
- ZZE carried out three additional reverse circulation holes and five trenches during early to mid-2005;
- ZZE re-pegged the existing grid over the Oceana deposit.
- ZZE carried out over 200 Bulk Density measurements on pre-existing core from the Mineral Resource Tasmania core library. These measurements could give more certainty to tonnage estimates for the Oceana Deposit. This work has assisted ZZE to upgrade some Inferred Resources into Indicated Resources.
- SMG Consultants Pty Ltd carried out an Open Pit Optimisation on the Oceana Indicated Resource (SMG March 2006). SMG concluded that an open pit with 60 degree wall angles could be achieved. SMG recommended a detailed geotechnical study;
- A comprehensive and systematic infill drilling programme, focusing on the proposed pit area was completed over the Oceana deposit during February 2006. A total of 17 additional holes totalling 665.5m have now been completed as at 31 March 2006.

4.9.5 MARIPOSA DEPOSIT

Resource estimates at the Mariposa Deposit have been summarized in Table 4.9-5.

Table 4.9 - 5 Resource estimates at the Mariposa Deposit.

	Tonnes	Grade Pb% / Zn% / Ag g/t	Source
Mariposa Deposit			
Inferred ¹	573,737	5.09 /2.02/62	SMG Consultants Feb 2006
Inferred ¹ (Underground)	276,347	10.52/2.79/57	SMG Consultants Mar 2006
Inferred ¹ (Openpit)	73,767	8.3/1.06/55	SMG Consultants April 2006

¹ The above figures are compliant with the JORC Code.

The Mariposa deposit is part of a series of limestone-hosted base metal prospects located around Zeehan which have been subjected to substantial previous mineral exploration. The original Mariposa deposit began its mine life in the 1890's as a small trial mining exercise with a shaft and underground drives developed (Tear 2005a). In the mid 1990's CRAE carried out an extensive aircore drilling programme coupled with some diamond drilling and other geological studies including mineralogy (Parkinson 1994, Parkinson 1995 and Tear & Russell 1997). Significant mineralisation and geochemical anomalism was discovered but follow up work was not completed (SMG Consulting 2006). ZZE applied for an exploration licence over the deposit during 2003.

ZZE has completed the following over the Mariposa Deposit:

- commissioned an independent 'Competent Person' geologist from SMG Consultants Pty Ltd; to calculate the resources at the Mariposa Deposit;

- re-pegged the existing grid over the Mariposa deposit.
- commissioned SMG Consultants Pty Ltd to carry out a Conceptual Open Pit Optimisation of the Mariposa deposit Inferred Resource (SMG February 2006).
- commissioned SMG Consultants Pty Ltd to carry out a Conceptual Underground Mine Design on the Mariposa Lode. An Inferred resource of 276,347 tonnes @ 10.52%Pb, 2.79%Zn and 57g/t Ag could be extracted from underground.
- applied for a 98 ha mining lease over the Mariposa deposit on the 22 March 2006.
- Submitted a comprehensive and systematic infill drilling programme, focusing on the proposed pit area to Mineral Resources Tasmania during February 2006. Part of ZZE's submission included carrying out an archaeological, botanical and Aborigine Cultural Heritage Survey over the Mariposa deposit during February 2006. A total of 40 drill holes have been planned with drilling expected to commence when the drilling programme has been approved by Mineral Resources Tasmania.

Despite this preliminary work, A&S has taken the view that at this point in time, it will not include the Inferred Resource at Mariposa as part of the convertible mine inventory for DCF inclusion but, has acknowledged its upgrading through the exploration and evaluation expenditure method.

4.10 SAFETY, ENVIRONMENT AND REHABILITATION

On the 19 July 2001, West Coast Council granted approval for ZZL to establish a minerals processing plant for the milling and floatation of lead and zinc ores on land at Comstock Creek, on Trial Harbour Road, Zeehan, ELMS6914. Certain conditions for the approval required the company to seek Council approval to re-align the Trial Harbour Road and to up-grade the road in certain places. Additionally, there are numerous requirements under the *Environment Management and Pollution Control Act 1994* that must be adhered to. Schedule 2 of the Permit covers Environmental Conditions and states that "the person responsible for the activity (or activities) must not produce or process more than 200,000 tonnes of minerals per annum." A&S notes that maximum design production capacity of the plant is approximately 400,000 tonnes per annum. An application was made to the Department of Primary Industries, Water and Environment on the 19 April 2006 to increase the production of minerals processed from 200,000 to 400,000 tonnes per annum. A&S has modelled NPV values for both 200,000 and 400,000 production scenarios.

The Permit also establishes reporting and operations practices which must be adhered to. Additionally, management practices for water, waste rock tailings, rehabilitation, emissions and monitoring are clearly established. On 19 May 2003 the Director of Environment issued Environment Protection Notice (EPN) 684/1 to Zeehan Zinc Limited amending several of its Permit conditions.

At the end of March 2006 environmental consultants SEMF Pty Ltd completed an Environmental Management Plan Review of the Comstock Mine for ZZL. The review illustrates that the company's operations have "undergone several improvements in environmental performance" during the period from 2003 to 2005 and, accordingly, ZZL has complied with the relevant environmental permits and has made commitments to future improvements and mine management to secure a Best Practice operation.

4.11 VALUATION OF MINERAL ASSETS

4.11.1 VALUATION SUMMARY

Table 4.11-1 provides our valuation estimates and the valuation method for ZZL's mineral assets. The valuation method is discussed in detail in Section 2. As shown in Table 4.11-1 we estimate the value

of the mineral assets of ZZL at 19 April 2006 to be between \$160.8 million and \$344.4 million, with a fair market valuation of \$291.0 million

Table 4.11-1: Valuation of Mineral Assets of ZZL

Asset	Valuation Method	Value		
		Low	Market	High
Comstock Mine (Allison's Lode, Balstrup Fault, Main Lode including West Lode) and Oceana Deposit	NPV of discounted future cash flows	\$93.5m	\$267 m	\$316.0m
EL 20/2002 (includes Mariposa Deposit), EL 30/2002, EL 18/2003	Multiple of Exploration Expenditure	\$18.9m	\$23.6 m	\$28.4m
Total		\$160.8m	\$291.0 m	\$344.4m

4.11.2 VALUATION OF DEVELOPMENT PROPERTIES

4.11.2.1 Introduction

Several companies and consultants have in recent times undertaken commercial and or technical assessments as part of a process of review and valuation of ZZL. In November 1997, JM Knight & associates Pty Ltd ("Knight") prepared an Information Memorandum for the Comstock Silver Lead Zinc Prospect. The memorandum discussed several features of the deposit including a section dedicated to prospectivity. Support for the findings of the Knight report was provided by Australian Mining Consultants ("AMC") subject to the usual disclaimers. During June 2000 Simon Tear of Benmore Exploration Pty Ltd provided a review of the geology of the Comstock Prospect with particular emphasis on the Allison's Lode.

Behre Dolbear Australia Pty Ltd ("BDA") provided in August 2000 an Interim Report and Valuation of the Comstock Property. In February 2003 and again in September 2005 BDA provided a Business Plan for ZZL. During May 2002, ZZL produced a Finance Proposal – Progress Report for the processing plant. In February of 2005, Dr John Cottle of Cotlco Pty Ltd was commissioned to provide a JORC compliant resource classification for the properties owned by ZZL. In September 2005, Dr Cottle undertook a resources estimation and classification update on his earlier work as a result of additional drilling and sampling that had been carried out by ZZL on the West Comstock and Allison's lodes and the Oceana deposit. Dr Cottle concluded that "due to the sparsity of samples no geostatistical analysis, variography or kriging was able to be carried out on the data or applied during resources estimation and classification. Resource estimates were made on the basis of 'polygons of influence' attached to each drill hole intercept or surface sample point." The results of Dr Cottle's findings are displayed in Tables 4.9-1 and 4.9-4. Also, during November 2005, Simon Tear of SMG Consultants ("SMG") was commissioned by ZZL to provide a measure of the resource for the Allison's lode and to classify the resources to JORC standards. SMG generated a block model using Surpac software and the results of that work are displayed in Table 4.9-1. During January 2006 The Mineserve Group Pty Ltd calculated a 'Probable' mine reserve for Allison's Lode (Table 4.9-1). During February and March 2006, SMG calculated an Indicated resource for the Oceana Deposit, see Table 4.9-4. Additionally, ZZE commissioned SMG to carry out a Conceptual Open Pit Optimisation of the Oceana deposit Indicated Resources.

In September 2005, ZZL commissioned A&S to provide it with a review and valuation of its mineral assets. To this end A&S has reviewed the mining development project, resources estimations supplied to it by ZZL and worked closely with ZZL directors and management to review the technical and financial input details to a financial model of the development project supplied by ZZL.

A&S reviewed the ZZL financial model and used it in valuing the mineral assets using the Net Present Value of Discounted Future Cash Flows method. A&S reviewed the data inputs to the model that involved geological resources, assumptions for mine planning, production schedules, metal recovery

rates, metal concentrates, operating costs, transportation costs, metals prices and any other inputs that were regarded as being within A&S sphere of knowledge.

4.11.2.2 *Valuation Assumptions for Development Properties*

The ZZL model was prepared in nominal (inflation adjusted) terms.

The assumptions reviewed and adopted by A&S for input to the financial model included:

- Production volumes and timing assumptions;
- Conversion ratios for resources to mine inventory
- Ore metal grades;
- Metal recovery factors
- Contained metals in concentrates
- valuation scenarios;
- capital expenditure, working capital and financing assumptions;
- metal price assumptions; and
- exchange rate assumptions.

These assumptions were compiled in conjunction with discussions and information provided by management of ZZL and from the A&S network. A&S reviewed all of these assumptions for reasonableness in order to verify their use in the valuation model.

In providing our valuations of the ZZL development project and its mining leases our basic assumption is that the mineral assets of ZZL are the Comstock development project and the Oceana deposit.

The principal assumptions adopted in our valuation of the Comstock and Oceana mines are set out in Table 4.11-2 on the following page.

Table 4.11-2. Principal valuation assumptions of ZZL

Factor	Assumption		
	Low	Mid	High
Operations:			
<i>Production:</i>			
Life of Mine	10 years	10 years	14 years
Total JORC classified Resources (million tonnes)*	6.75	6.75	6.75
Annual Production (tonnes)	200,000	400,000	400,000
Total production (tonnes)	1.86 million	3.46 million	5.06 million
Effective mine inventory conversion factor (%)	27.56	51.26	74.96
Recovery into a pre-concentrate (zinc)	88.0%	88.0%	88.0%
Recovery into a pre-concentrate (lead)	84.0%	84.0%	84.0%
Recovery into a pre-concentrate (silver)	85.0%	85.0%	85.0%
Mining costs (A\$/t Year 1)	14.00	14.00	14.00
Average proportion of main product washed	19.0%	19.0%	19.0%
<i>Costs:</i>			
Administration and Overhead costs (A\$ per annum)	0.3 million	0.3 million	0.3 million
Insurance, Leases, Exploration (A\$/t)	4.99	4.99	4.99
Milling Costs (A\$/t)	10.08	10.08	10.08
<i>Other:</i>			
Final rehabilitation costs (A\$)	0.95 million	0.95 million	2.18 million
Median capital expenditure per annum (A\$ per annum)	0.7 million	0.7 million	0.7 million
Financial:			
Long-term lead price (US\$/t)	1409.00	1409.00	1409.00
Long-term zinc price (US\$/t)	2,269.00	2,269.00	2,269.00
Long-term silver price (US\$/oz)	9.54	9.54	9.54
Long-term exchange rate US\$/A\$	0.75	0.75	0.75
Interest Rate (%)	8.5	8.5	8.5
Royalty (%)	4.00	4.00	4.00
Discount Rate (%)	10.0	10.0	10.0
CPI (%)	3	3	3

* - Excludes Mariposa Inferred Resource of 573,573 tonnes. Total JORC Resource = 7.35 million tonnes.

As the model utilises nominal values an indexation factor has been applied to these costs.

4.11.3 Valuation of Development Properties

The value of the development assets of ZZL has been estimated by using the Net Present Value of Future Cash Flows method. In our calculations we have assumed that ZZL is successful in retaining the rights to mine the Comstock and Oceana areas. We have used two production scenarios but maintained constant contained metals grades and pricing scenarios, based on lead, zinc and silver price assumptions determined from historic and assumed prices to produce a low and high value range. The low range production scenario involves the production of a maximum of 200,000 tonnes per annum which is in accord with the current Permit ELMS 6194 issued by the West Coast Council while the high range production scenario involves the production of a maximum of 400,000 tonnes per annum which approximately equates with the maximum design capacity of the current plant.

Table 4.11-3.1 has been provided by SMG consultant S. Tear, which illustrates the conversion ratio of Inferred resources to reserves for the Allison's (Comstock) and Oceana deposits. Although table 4.11-3.1 shows that the conversion ratios achieved have been in excess of 97% for the Allison's deposit we have erred to the conservative when we have compiled our mine inventory assumptions to be more inline with those values shown for the Oceana deposit.

Table 4.11-3.1 Resource to Reserve Conversion Factors

Resource to Reserve Conversion Factors				
Oceana Deposit				
	Tonnes	Pb %	Zn %	Ag g/t
Planned mineable resource to 1070mRL	1,076,491	4.6	2.0	27.0
Resource down to pit floor at 1070mRL	1,386,991	3.8	1.7	22.5
Total resource to 1000mRL	1,603,678	3.7	1.7	21.9
In pit resource to reserve conversion %	77.6			
Total resource to reserve conversion %	67.1			
Allison's Lode				
	Tonnes	Pb %	Zn %	Ag g/t
Mining reserve	95,581	5.2	1.3	26.0
Defined resource	98,228	5.0	1.2	25.0
In pit resource to reserve conversion %	97.3			

Based on our review of the assumptions input to the financial model we have determined that the value range of the ZZL development projects area to be between \$141.9 million and \$316.0 million with a mid point valuation of \$267.4 million.

Table 4.11-3.2 Valuation of ZZL Development Projects

Valuation	Low	Mid	High
Comstock Mine (Allison's Lode, Balstrup Fault, Main Lode including West Lode) and Oceana Deposit	\$93.5 million	\$267.4 million	\$316.0 million

4.11.3 VALUATION OF EXPLORATION ASSETS

4.11.3.1 Introduction

In addition to ZZL's development projects ZZL also holds ownership of three Exploration Licences. These are EL 20/2002, EL 30/2002 and EL 18/2003.

Information regarding the geology and mineralisation recorded within these tenements is provided in Section 4.7.

4.11.3.2 Valuation of Exploration Interest

A range of values has been placed on ZZL's exploration licences using the Multiple of Exploration Expenditure Method. Records of exploration expenditure for these areas have been reviewed commencing from 1980 through to April 2006. Table 4.11-4 illustrates the exploration expenditures and A&S' perceived effective exploration value attaching to each. Having reviewed these exploration

expenditures for this period we determined that a total of \$9.45 million worth of effective exploration expenditure has been incurred on the properties during this period.

Table 4.11-4: Exploration expenditures on predecessor and current exploration licences

Year	Description	Effective Exploration Amount
1980 - 1990	Drilling, geophysical surveys, assaying, South Comstock mine development	\$1.50m
1990 - 1995	RGC exploration	\$1.60m
1996 - 1999	Aerial EM, gravity modelling, general admin., consultants, computer modelling,	\$0.50m
2000	(Oceania Tasmania P/L) general exploration (not detailed)	\$1.99m
2001	(Oceania Tasmania P/L) near mine exploration	\$1.32m
2002	OT near mine exploration	\$0.44m
2003	(ZZ Exploration P/L) ELs, 20/2002, 30/2002, 18/2003	\$0.49m
2004	(ZZ Exploration P/L) ELs, 20/2002, 30/2002, 18/2003	\$0.43m
2005	(ZZ Exploration P/L) ELs, 20/2002, 30/2002, 18/2003	\$1.18m
Total		\$9.45m

Based on the geological information available on the exploration licences A&S has determined that Prospectivity Enhancement Multipliers in the range 2.0 to 3.0 are realistic given that the exploration activities have shown that the area contains a considerable number of minor mines and workings but that to date none of these have received enough attention to warrant defining them within mining leases. The company's exploration activity has most recently resulted in ZZL applying for a mining lease (4M/2006) over the Mariposa deposit contained within exploration licence 20/2002. Although the company has made this application we have erred to the conservative when attempting to apply a value to this deposit. Conceptual mine plans have been produced to extract a possible inferred resource for both the East and West Lodes of 573,737 tonnes (Lead 5.09%, Zinc 2.02%, Silver 62 g/t) (SMG Pty Ltd February 2006), requiring an open pit and underground conceptualisation. However promising the Mariposa deposit, further appraisal drilling to firm up resource classification would be required for us to approach the deposit as part of the future mine inventory.

ZZL holds a 100% interest in all of the permits. A value has been placed on ZZL's exploration interests in the range \$18.9 million to \$28.4 million, with a mid point value of \$23.6 million.

Table 4.11-5: Valuation of Exploration Permits

Item	Low Value	Mid Value	High Value
Effective Exploration Expenditure	\$9.45m	\$9.45 m	\$9.45m
Prospectivity Enhancement Multiplier	2	2.5	3.0
Equity holding (%)	100%	100%	100%
Value	\$18.9m	\$23.6 m	\$28.4m

We have included below a table of anticipated drilling activity to be performed during the first half of 2006, throughout the suite of ZZL exploration and development targets. The success of this drilling programme will greatly assist the company to move resources to the reserve classification and provide the potential to expand mining operations in to the future.

Table 4.11-5: Drilling /Assay/Assessment Programme as at 19 April 2006

Deposit	Estimated date of drilling	Metres drilled	Proposed (P) or Completed (C) drill holes	Proposed date for assays to be reported	Proposed Completion of Metallurgy	Calculation of Resources and/or Reserves
Oceana Deposit	31 March 2006	665.5	(C)	10 May 2006	25 May 2006	June 2006
Main Lode - North (Comstock)	7 April 2006	875	(C)	20 May 2006	5 June 2006	July 2006
Main Lode - South (Comstock)	19 April 2006	737	(C)	31 May 2006	15 June 2006	July 2006
Allison's Lode North (Comstock)	30 April 2006	551	(C)	10 June 2006	31 June 2006	August 2006
Bendall's Fault (Comstock)	10 May 2006	800	(P)	25 June 2006	20 July 2006	Sept 2006
Boss Lode (Comstock)	20 May 2006	800	(P)	15 July 2006	15 Aug 2006	Oct 2006
Balstrup Fault (Comstock)	20 June 2006	3000	(P)	25 Aug 2006	15 Sept 2006	Dec 2006
Sylvester Deposit (Comstock)	20 July 2006	1000	(P)	20 Sept 2006	Oct 2006	Jan 2007
Mariposa Deposit (EL20/2002)	20 August 2006	2000	(P)	15 Oct 2006	Nov 2006	Feb 2007
Britannia Lode (Comstock)	15 September 2006	1000	(P)	10 Nov 2006	Dec 2006	Feb 2007
Susanite Lode (Comstock)	25 September 2006	650	(P)	20 Nov 2006	Dec 2006	March 2007
Balstrup Fault - W (EL30/2002)	15 October 2006	1000	(P)	15 Dec 2006	Jan 2007	March 2007
Central Balstrup (EL30/2002)	10 November 2006	500	(P)	10 Jan 2007	Feb 2007	April 2007

Source ZZL – April 2006.

5 REFERENCES

5.1 ACCESS TO SENIOR MANAGEMENT

In undertaking the review and valuations A&S received good cooperation from Directors and Management of ZZL. Within the time available and the availability of management, we are satisfied that we obtained sufficient information to be confident that our observations reasonably reflect the current situation at ZZL.

5.2 SOURCES OF INFORMATION

A&S' consultants possessed some prior knowledge about the assets of the company although they had not personally visited any of the properties. The knowledge that they did possess came from a variety of sources, including discussions with previous and current consultants to ZZL, consulting assignments on similar exploration projects, specialist industry intelligence reports, competitive analyses and acquisition intelligence.

More detailed technical, commercial and financial information was supplied by ZZL and a list of these references is to be found in Appendix II.

5.3 BUSINESS AND TECHNICAL PLANNING SYSTEMS

The principal source of reliability in future projections is the quality of technical and business planning that goes into developing the projections themselves. A&S believes that ZZL has access to the technical and business planning resources and processes necessary to provide reasonable projections.

6 GENERAL

6.1 QUALIFICATIONS

Anderson & Schwab is a management and financial consulting firm that has specialised in providing its services to the minerals industry for the past forty years. Its Australian subsidiary (Anderson & Schwab Australia Limited) was established in 1997.

Anderson & Schwab was the technical specialist to Morgan Stanley Australia Ltd when that firm provided the Specialist's opinion concerning the dual listing of RTZ-CRA in 1995. The company reviewed all of the global operations of both companies and assessed the value of their respective exploration interests. In 1996, it was the lead consultant in advising Australian Diamond Exploration NL in response to a takeover offer by Ashton Mining Limited. A&S has provided Specialist's advice to Grant Samuel when that company provided an Independent Expert's Report to Aberfoyle Limited in relation to the takeover offer by Western Metals NL. It also provided Specialist's advice to Grant Samuel and to KPMG Corporate Finance when both of those organisations provided the Expert's Reports on the takeover offer by Rio Tinto for North Limited and Ashton Mining Limited respectively. Anderson & Schwab formed part of the project team that undertook a review of the mining, environmental, legal and economic issues associated with the Ok Tedi Mine, PNG; reviewed and valued the coal assets of PT Kideco, a 12 million tonne per annum Indonesian based coal mining and exporting company, formed part of the strategic review team that evaluated and valued the WMC Corridor Sands Project, and most recently reviewed and valued the minerals assets and Stuart Oil Shale Project of Southern Pacific Petroleum .

Ian Buckingham, Managing Director of Anderson & Schwab Australia, is the firm's lead consultant in preparation of this opinion for ZZL. Mr Buckingham was the leader of A&S' teams that worked on the Aberfoyle, North's, Ashton, WMC, Ok Tedi, PT Kideco, Corridor Sands and Southern Pacific Petroleum's valuation assignments. He has also undertaken a number of strategic development assignments on behalf of global mining groups.

IAN D BUCKINGHAM

Ian Buckingham, is the Managing Director of Anderson & Schwab Australia, and holds an MBA from RMIT University, Bachelor of Applied Science (Applied Geology) from the Victorian Institute of Colleges and Fellowship and Associateship Diplomas in Geology. Mr. Buckingham is a Member PESA and AAPG. Ian is a member of the Valmin Committee that has recently completed a review and up date of the Valmin Code for use in valuing mineral assets.

Commencing his career as a base metals, gold and diamonds exploration geologist he moved into gas engineering and petroleum exploration and development before establishing himself as a resources analyst in stock broking and investment banking. As an analyst he analysed, evaluated and developed financial models for major mining and energy companies. Since joining Anderson & Schwab he has worked on several projects where his knowledge and expertise in areas such as due diligence, valuation, commercial and technical analyses, concept and strategic development, financial modelling and general mining management have been required.

6.2 FEES

A&S will be paid a professional fee plus reasonable expenses for the preparation of this report. The fee is not contingent on the conclusions set out in the report, or the conclusion of the proposed transaction.

6.3 COMPLIANCE

This report has been prepared in compliance with the requirements of the “Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for independent Expert Reports” (The VALMIN Code).

6.4 DECLARATION

Prior to the December 2005 Valuation Report A&S has not worked on any other assignment for ZZL.

Neither A&S nor any of the contributors to this report have any business relationship with ZZL or with any companies associated with those companies that could reasonably be regarded as being prejudicial to their ability to give an unbiased and independent assessment.

There is no present agreement, arrangement or understanding that A&S will at any time in the future undertake any assignment for ZZL or any company or organisation associated with them.

Other than as set out herein, neither A&S nor any of its associates nor any other person who contributed to this report has any interest in the companies that are the subjects of this report.

6.5 INDEMNITY

A&S and its associates have been indemnified by ZZL as to damages, losses and liabilities relating to or arising out of their engagement that do not arise from the fault of A&S or its associates.

6.6 CONSENT

A&S has given its written consent to ZZL to use this report in its fund raising and/or financing efforts and to be provided to ZZL shareholders, pursuant to Australian regulatory requirements. As of this date, A&S has not withdrawn its consent. A&S has not been involved in the preparation of or authorised or caused the issue of any other part of any documentation that may be provided by ZZL to its shareholders, or to potential financiers other than this report.

Neither the whole, nor any part of this report, nor any reference thereto, may be included in or with, or attached to any document or used for any other purpose without the prior written consent of A&S to the form and context in which it appears and the purpose of its use.

All of the persons involved in the preparation of this report have consented to the use of this assessment report, for the purpose stated above and in the form and context in which it appears.

6.7 LIMITATION

The statements and opinions contained in this report are given in good faith and, to a considerable extent, reliance has been placed on the information provided by ZZL. All such information has been presented in a professional manner and A&S believes, on reasonable grounds, that it is true, complete as to material details, and not misleading. The work undertaken for the purpose of this report in no way constitutes a technical audit of any of the assets or records reviewed, and A&S does not warrant that its inquiries have realised all of the matters that an audit might disclose. A&S in no way guarantees or otherwise warrants the achievability of the forecasts of future production and costs used in valuations in this report.

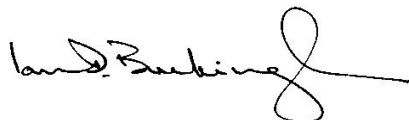
6.8 FACTUAL AND CONFIDENTIALITY REVIEW

A draft copy of this report was provided to officers of ZZL for comments as to confidentiality issues, errors of fact or misinterpretation, or substantive disagreements on the assumptions that A&S has adopted. While A&S has withheld certain information deemed by ZZL to be confidential and included

minor corrections and amendments in this final report as a result of comments received, neither the methodology nor conclusions were amended.

A&S gratefully acknowledge the assistance provided by the Directors and management of ZZL in facilitating the preparation of this report.

ANDERSON & SCHWAB AUSTRALIA LIMITED

A handwritten signature in black ink, appearing to read 'Ian Buckingham', with a stylized flourish at the end.

Ian Buckingham

Managing Director

APPENDIX I —PHOTOGRAPHS

Photographs 1- 3: Gravity Plant, Comstock Mine

Photograph 1



Photograph 2



Photograph 3



Photograph 4: Panoramic View of the Comstock Mine



Photograph 5: High-grade Zinc-Lead-Silver ore



Photograph 6: High-grade Zinc-Lead-Silver ore



Photographs – 7: Drilling of Allison’s Lode, Comstock Mine



Photograph 8: Drilling of Main Lode, Comstock Mine



Photograph 9: Trial Harbour Rd Diversion around Allison's Lode Reserve



Photograph 10: Trial Harbour Rd Diversion around Allison's Lode Reserve



Photograph 11: Allison's Pit, Comstock Mine



Photograph 12: Proposed Comstock Creek diversion from main adit (beneath all the historic Comstock workings) to the disposal area.



APPENDIX II - REFERENCES

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