

12 March 2008

Company Announcements Office ASX Limited Exchange Centre 20 Bridge Street Sydney NSW 2000

Dear Sir,

ZGM 2008/009 – NEW MOLYBDENUM DISCOVERY

- At the Anthony prospect north of Clermont in Central Queensland initial scout drilling has identified a molybdenum ("Mo") discovery
- 12 holes of an initial 13 RC drill hole program completed
- Visible molybdenum mineralisation was noted in 10 of the 12 holes ٠
- Extensive mineralisation with grades up to 1920ppm molybdenum (0.192%)
- Molybdenum grades are similar to those in found in international and Australian molybdenum developments
- The mineralisation remains open in all directions and at depth
- Highlights of initial assay results received from first ten holes include:

Hole	From	То	Metres	ppm Mo	
RC08A001	0	150	150	514	
including	123	126	3	1430 (0.14%)	
RC08A002	0	150	150	487	
including	21	24	3	923	
	105	108	3	1065 (0.11%)	
RC08A003	105	150	45	634	
including	114	117	3	1850 (0.19%)	
RC08A005	126	135	9	618	
RC08A008	0	144	144	590	
including	63	84	21	827	
	69	72	3	1480 (0.15%)	
	117	120	3	1920 (0.19%)	
	129	132	3	1390 (0.14%)	

 Zamia Gold
 T: (+61) 2 8223 3744

 Mines Limited
 F: (+61) 2 8223 3799

 GPO Box 4147
 E: info@zamiagold.com.au

 Sydney NSW
 W: www.zamiagold.com.au

 2001 Australia
 A.B.N. 73 120 348 683

Background

As outlined in ASX releases dated 15 January 2008 and 5 February 2008, Zamia Gold Mines Limited ("ZGM") has identified a large molybdenum soil anomaly 75km north of Clermont in Central Queensland. The western edge of the anomaly was drilled in 1994 by CRA and molybdenum mineralisation was encountered in two holes (DBT22 and DBT23). The prospect area is on a low rise and straddles the Gregory Highway. An initial RC percussion drilling program (see Photo1) commenced at end January 2008.

Exploration program to date

Despite inclement weather 12 of 13 planned holes have now been completed (Location details of the holes are in Table 2). The holes drilled mostly at a 60 degree angle are identified on Figure 1 showing the molybdenum soil anomaly. Visible molybdenite (MoS_2) the usual ore-mineral of molybdenum was noted in 10 of the 12 holes within the fresh sulphide zone (see Photo 2). The holes, mostly drilled to 150m (approximately 130m vertical depth), have successfully intersected an intrusive mineralised porphyry system. The holes cover an area approximately 450m east-west by 250m north-south.

The boundaries of the mineralisation have not been defined and most holes have ended in mineralisation. Part of the soil anomaly occurs to the east of the Gregory Highway and this area immediately east of RC08A001 and RC08A002 is yet to be tested.

ZGM has received full results from nine of the holes and partially from the tenth. The molybdenum results, summarised in Table 1, compare favourably to other molybdenum projects including those under development in Australia and overseas.

<u>Geology</u>

The molybdenum mineralisation occurs in quartz stockwork veins both in intrusive porphyry rocks (see Photo 3) and metamorphosed sediments. The rocks are generally weathered to a vertical depth of 60m to 70m. In most holes the weathered zone is mineralised and studies have been initiated to identify the molybdenum minerals present. The successful treatment of the mineralised weathered zone would enhance the economics of any future development.

RC08A 009, drilled at the southern end of the prospect about 400m south of the other holes, did not intersect significant molybdenum values but ended in anomalous silver-lead mineralisation (147m to 150m, 3m at 37g/t silver, 0.18g/t gold and 0.67% lead). Precious metal and base metal veins often occur close to porphyry systems and therefore the mineralisation in RC08A 009 warrants follow-up.

The results of this initial scout drilling program warrant a comprehensive exploration program to define the extent of the deposit and estimate mineral resources.

Two Appendices are attached:

- An internal review of the economics of molybdenum projects under development in comparison to the Anthony prospect (Appendix 1).
- A background on molybdenum use, demand and supply (Appendix 2). Strong growth is expected in the demand for molybdenum.





For and on behalf of the board,

l_ Col.

Colin Seaborn Executive Director

Mr R N (Sam) Lees (FAIG, FAusIMM), compiled the technical aspects of this report. Mr Lees is Executive Director -Technical, Zamia Gold Mines Limited. Mr Lees is a Fellow of the Australian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity that is being reported on to qualify as a Competent Person as defined in the September 2004 edition of the "Australasian Code of Reporting of Mineral Resources and Ore Reserves". Mr Lees consents to the inclusion of the matters in the form and context in which it appears.

		EROM	то	WIDTH		COMMENTS	
	150		150	150		COMMENTS	
RC00A 001	150	0	60	60	478	Weathered	
		0 60	150	00	538		
	including	00	135	30	642		
	meruanig	123	135	33	1/30		
RC08A 002	150	0	120	150	497		
		0	81	81	515	Weathered	
	includina	21	24	3	923		
	Ŭ	81	150	69	475	All sulphide	
	including	81	120	39	603	L L	
	Ŭ	105	108	3	1065		
RC08A 003	150	0	105			Await results	
		105	150	45	634	Sulphide	
	including	114	117	3	1850		
RC08A 004	150	L	ow values				
RC08A 005	150	0	150	150	345		
		0	72	72	345	Weathered	
		87	135	48	408	Sulphide	
	including	126	135	9	618		
RC08A 006	150	138	141	3	388		
RC08A 007	132	0	69	69	389	Weathered	
	including	33	39	6	684		
RC08A 008	144	0	144	144	590		
		0	63	63	608	Weathered	
		63	144	81	576	Transition & sulphide	
	including	63	84	21	827	Transition	
		69	72	3	1480		
		117	120	3	1920	Sulphide	
		129	132	3	1390	Sulphide	
RC08A 009	150	147	150	3	Low	37.3g/tAg, 0.67% Pb, 0.18g/t Au	
RC08A 010	150	0	111	111	383	Weathered	
	including	54	81	27	495		
		111	123	12	410	Sulphide	

 Table 1 - Summary of molybdenum results.

Samples are 3m composites, sampled by spear. Analyses are either XRF and/or ME-ICP61. There is a good correlation between both methods and ZGM is examining the most appropriate method.

HOLE NO	EAST	NORTH	AZIMUTH	DIP
RC08A 001	529276	7532606	N	-60
RC08A 002	529219	7532709	E	-60
RC08A 003	529215	7532711	N	-60
RC08A 004	529121	7532705	E	-60
RC08A 005	529066	7532859	N	-60
RC08A 006	529017	7532704	E	-60
RC08A 007	528920	7532705	E	-60
RC08A 008	528820	7532706	E	-60
RC08A 009	528700	7532252	N	-60
RC08A 010	529219	7532610	N	-60
RC08A 011	528820	7532610	N	-60
RC08A 012	528820	7532800		-90
RC08A 013	528950	7532850	Proposed	

Table 2 - Drill Hole Locations



Photo 1 - RC Percussion Drilling – Anthony prospect



Photo 2 - Percussion chip showing molybdenite in quartz.



Photo 3 - Stockwork veining in a porphyry outcrop

Appendix 1 - Economics of Molybdenum Deposits

As an indication of the potential economics of the Anthony molybdenum project three projects currently under development have been compared based on publicly available information. They are Moly Mines Limited's **Spinifex Ridge** project in the Pilbara, Western Australia, Adanac's **Ruby Creek** project in British Columbia, Canada and General Moly's **Mt Hope** project in Nevada, USA. Production is due to commence between mid 2009 and second half 2010. Each prospectus has a 2 to 3 year development time scale.

- **Spinifex Ridge** average Mo grade at about 640ppm (0.064%) with about 15% additional credit for copper and silver; mine stripping ratio 1.3:1 (waste to ore) and mine plan to 400m depth; expected net cash operating cost \$US6.92/lb Mo
- Ruby Creek average Mo grade 580ppm (0.058%); mine stripping ratio 1.11/1 and mine plan to over 200m depth; expected cash operating cost \$US7.60 to 7.99/lb
- Mt Hope average Mo grade 940ppm (0.094%) over first ten years and 860ppm (0.086%) over 32 year life to 400m depth in first 20 years; expected cash operating cost \$US4.67/lb Mo including roasting to MoO₃. Korean Steel Maker POSCO is injecting \$170m for 20% equity in Mt Hope project. In addition, POSCO will be responsible for 20% capital & operating costs from Jan 1, 2008. This will entitle POSCO to 80% of Mo output from the mine. (from www.generalmoly.com February 2008).

In summary the three projects have:

- 1. Ore grades are between 580ppm (0.058%) and 940ppm (0.094%)
 - Anthony has achieved significant intersections with assays at least equal to these grades in a number of holes in the initial scout drilling program.
- 2. Mine plans are based on depths of over 200m to 400m vertical depth
 - Drilling at Anthony generally has only been to 130m vertical depth.
- 3. Operating costs are forecast to be between \$US5 and \$US8/lb of Mo. This compares to a current price for Mo of \$US32/lb

Appendix 2 - Molybdenum Background

Overview of Molybdenum use

The potential growth of the molybdenum market makes it an attractive commodity. The price has risen rapidly and now exceeds US\$30/lb (more than US\$66,000/t). World demand is expected to rise from 200,000 tonnes per annum to 500,000 tonnes per annum by 2030.

Molybdenum is a high melting point metal used to produce stainless steel, tool steel, cast iron and high temperature superalloys. It is also used as a catalyst in the oil industry and molybdenum sulphide is used as a lubricant.



As reported by the International Molybdenum Association (<u>www.moly.imoa.info</u>) major end use sectors include:

- Engineering & Machinery
 - o Chemical & petrochemical, offshore
 - o Vessels, tanks, heat exchangers
 - o Packaging, pulp & paper
 - Energy generation
- Transportation
 - o Automotive
 - o Shipbuilding
 - o Aircraft and aerospace
- Tubular products, tools, fasteners
- Catalysts, colours, pigments, lubricants

Global trends suggest that molybdenum will continue to be critical in facing technological challenges including:

- Control of Greenhouse emissions (use as catalysts)
- Vehicle weight reduction and trend towards higher strength materials
- Diesel engines for improved fuel efficiency
- Fuel cell powered vehicles
- High pressure pipelines for long distance gas and oil transportation
- Higher operating temperatures of fossil power plants for better efficiency and reduced emissions

Demand impacts

Overview: It has been projected that worldwide demand for molybdenum (Mo) will grow from about 200,000 tpa currently to 500,000 tpa by 2030, based on a 4.5% annual growth rate. Among the key assumptions behind these projections are that many new gas pipelines are being built, special steels utilizing Mo will be increasingly used in construction and vehicles will use more high strength low weight products.

Pipelines: The growing pipeline demand was strongly reflected in Petroleum & Gas Journal's 2006 Worldwide Pipeline Construction Survey which shows 81,593 miles of new and planned oil and gas pipelines are either under construction or planned. Using just 0.2 – 0.5% Mo in these pipelines represents a high demand on molybdenum. For example the proposed, 3,600 miles of 52 inch diameter, thick walled, high pressure pipe "Alaska Pipeline" has been estimated to require 10,000,000,000 lbs or more of pipeline Steel. At 0.5 % Mo content, the huge quantity of pipeline steel to be smelted and formed would use approximately 50,000,000 pounds (around 22,700t or 10% of current annual production) of Mo. At a conservative 0.2% it is still over 9000t (4.5% of current world usage) of Mo used in the pipeline. If 0.2% Mo is used in all 81,593 miles at the same dimensions then over 200,000t of Mo would be needed (equivalent to around one year's annual production currently) - from Ken Reser's Molybdenum Report (Feb 06)

Cars: There is projected to be a growing use of Mo in cars. A typical vehicle produced today contains just under one pound of Mo. The move to include high strength steels to reduce weight to strength ratios in cars will increase Mo demand (Dennis Battrum, market friendly report, Nov 20, 2007). Also molybdenum's use as a catalyst is expected to grow to meet environmental considerations.

Construction: Mo use as an alloying element in the production of special steels is also anticipated to grow as construction moves forward particularly in countries such as India and China. An indication of the expected growth in overall steel demand is reflected in the increasing iron ore production. Special steels tend to grow at a faster rate as increasing quality demands are placed on many steel products to satisfy usage requirements.

As an indication of rising demand, New York Commodity analyst (The CPM Group) is predicting that world demand for molybdenum will rise almost 6% in 2008 with increasing need for the metal in pipelines.

Supply Impacts

While a number of new Mo mines are due to come on stream in the next few years, the production of Mo from by-product Cu - Mo mines has generally been declining in recent years even with an increasing Mo price.

For example Chile's Mo by-product production has been falling since 2005 (down by about 20 million lbs from 105 million lbs). Canada's output has reduced by about 9 million lbs since 2004. China's production has also been reported to have reduced in the last few years.

It has been reported that some by-product mines are intending to bring back their molybdenum circuits so this trend may reverse to some extent.

<u>Price</u>

With the projected demand and supply issues taken into account commodity analysts are predicting a decline in the real price of Mo to just under 50% of where it is now to approx \$US15/lb in real terms around 2013 – 2016 and then hold at that level. Even at this value 700ppm Mo in an ore can be valued at over \$US22.70/t of ore compared to an operating cost range of \$4.67 to \$8 for the three projects quoted above.

POSCO's investment in the Mt Hope development indicates that it is concerned about locking in Mo supply for its steel production.

<u>Summary</u>

Overall the molybdenum market appears attractive even with additional mines coming on stream in the next few years. Profitability will depend on molybdenum grades and costs. The Anthony prospect's good location and terrain present the opportunity for attractive economics provided further drilling can confirm appropriate grades and tonnages.