



**QUARTERLY ACTIVITIES REPORT**  
**For the Quarter Ended 31 December 2008**

Zamia Gold Mines Limited (ASX-ZGM) is an Australian-based molybdenum, gold and base metals exploration company which continues to focus exclusively on the Clermont region in Central Queensland.

**HIGHLIGHTS**

**Anthony Molybdenum Project**

- Geological mapping has shown that porphyry-style molybdenum mineralisation is related to a northwest-trending porphyry dyke.
- The deposit is up to 300m wide and extends to at least 300m depth. It is at least 1000m in strike length and remains “open” to the northwest and southeast.
- ZGM is preparing a drilling plan aimed at defining a resource in accordance with the guidelines of the JORC Code.
- Other parallel dykes, not yet been tested for their molybdenum potential, provide targets for future exploration.

**Gold Targets**

- At the Matilda prospect, MMI geochemistry has defined an anomaly extending over an area of 500m x 300m, with extensions open to the northeast.

**Increased Financial Stability**

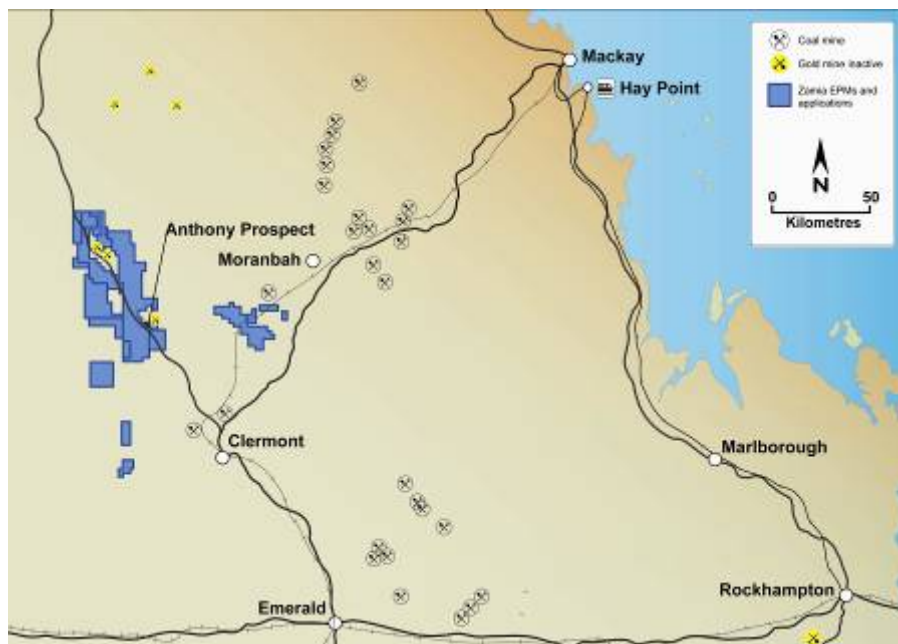
- Austerity measures have been introduced.
- Financial support has been provided by major Shareholders.

**Changes to Directorate**

- Mr R N Lees and Dr C Seaborn resigned on 29 October 2008. The Company thanks them for their significant contribution to the strong underlying value created by the Anthony molybdenum discovery.
- Mr Chen Qiang was appointed a Non-executive Director on 6 November 2008.

## Background

ZGM holds a portfolio of tenements in the Clermont district of central Queensland, primarily to explore for molybdenum, gold and base metal deposits in the Drummond Basin. Following a review of past exploration data, soil geochemical sampling and an initial drilling programme, a significant porphyry-style molybdenum deposit was discovered at the Anthony prospect, located 75 km north of Clermont.



*Location map of Zamia's exploration tenements*

## Anthony Molybdenum Project

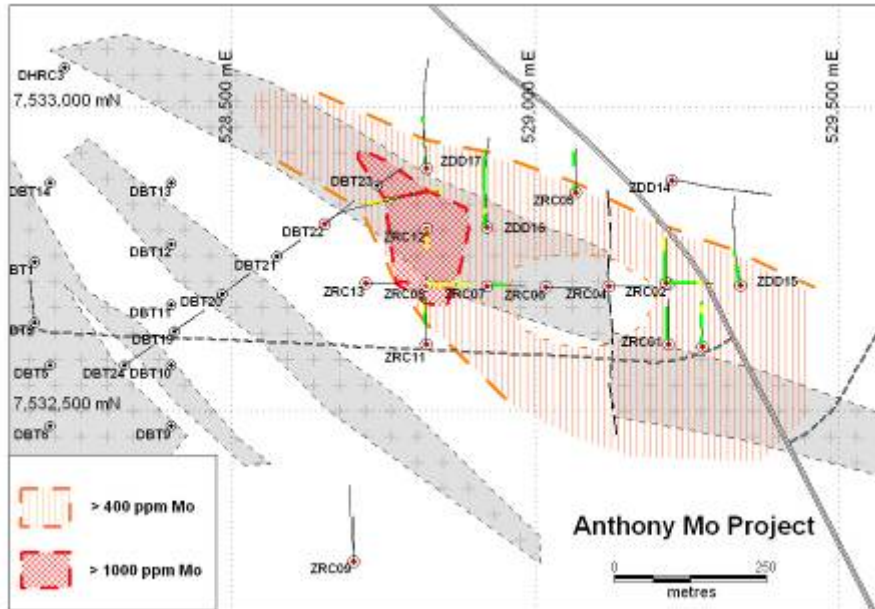
During the September quarter, ZGM completed a seven-hole diamond drilling programme on the Anthony project. During the December quarter, field work was curtailed and activities were confined to compilation and assessment of data.

This work has shown that the porphyry molybdenum system is related to a northwest-trending porphyry dyke which has been emplaced into basement metamorphic rocks of the Anakie Inlier. Molybdenum mineralisation occurs as molybdenite (molybdenum sulphide – MoS<sub>2</sub>) with quartz in vein stockworks and breccia zones. Mineralisation occurs in both the dykes and the basement rocks. The intensity of mineralisation is related to the intensity of alteration and fracturing of the host rocks.

A high grade core, in the northwest of the deposit, is flanked by lower grade (but still potentially ore grade) mineralisation. The deposit is up to 300m wide and has been shown by diamond drilling to extend to at least 300m depth. It is at least 1000m in strike length and remains “open” to the northwest and southeast.

ZGM is preparing a drilling plan aimed at defining a resource in accordance with the guidelines of the JORC Code.

Other parallel dykes have not yet been tested for their molybdenum potential. These provide targets for future exploration.



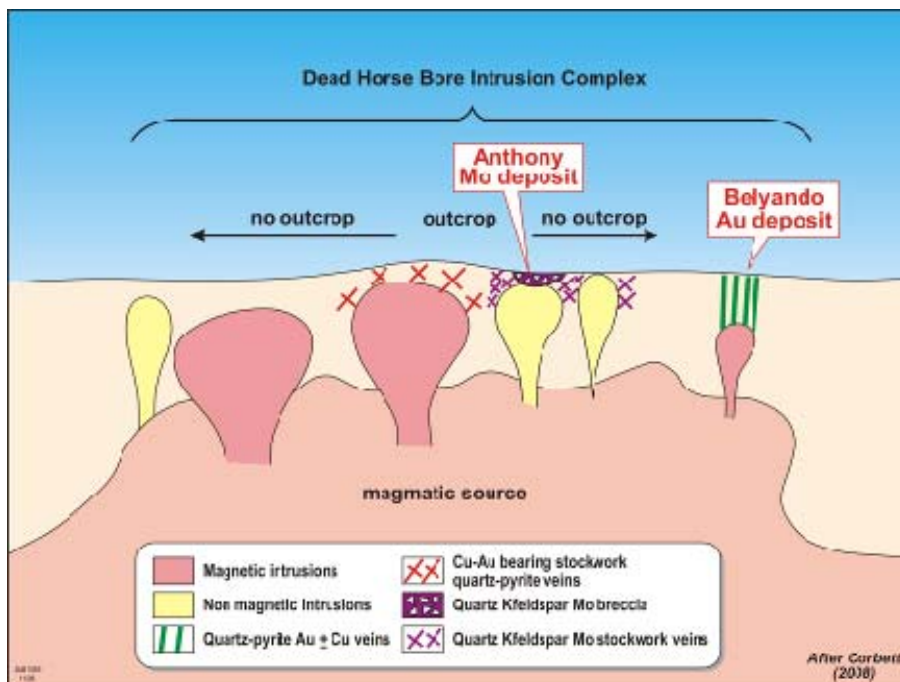
*Anthony prospect: Geological interpretation*

### Oxide Mineralisation

The near-surface mineralisation is oxidised to about 50m depth. This material would normally be discarded as waste, however preliminary testing by the Company's consultants has demonstrated the potential for recovery of several products that would enhance the economics of a future operation – an enhanced low grade concentrate with minimal processing and as a soil additive without any processing. Low level trials are continuing of the latter.

### Other Targets near Anthony

The Anthony molybdenum deposit is associated with small porphyritic intrusive bodies which are interpreted to be part of a larger intrusive complex.

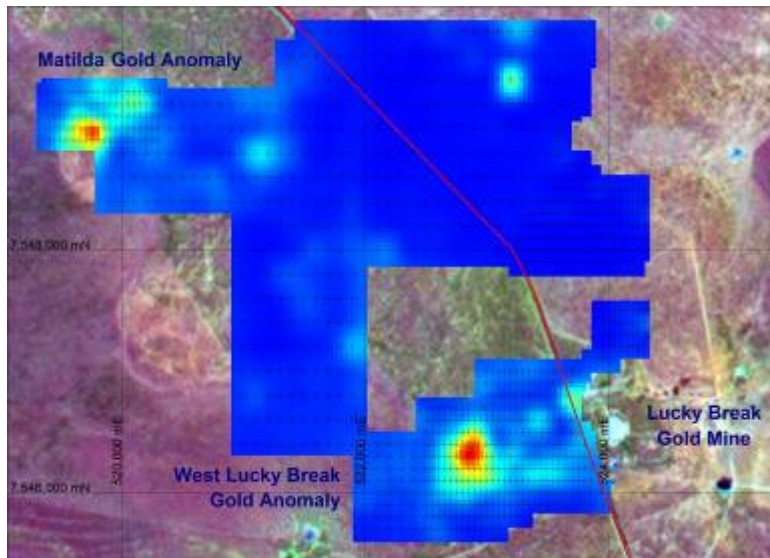


*Schematic section to show the interpreted intrusive complex in the Dead Horse Bore / Anthony area*

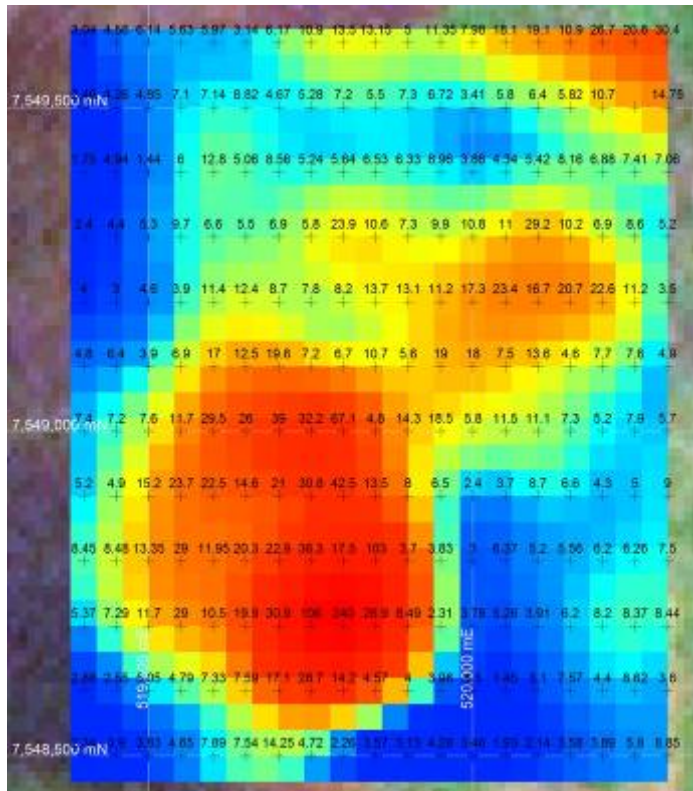
The likely presence of multiple mineralised intrusive bodies is confirmed by the presence of the Belyando gold deposit, which lies 3 km northeast of Anthony. Other targets include a previous drill hole intersection of 10m at 0.5 g/t Au 1 km west of Anthony, and several untested potassium radiometric anomalies.

## Gold Targets

Work during the quarter was confined to completion of geological mapping at the Matilda prospect, and compilation and assessment of data from soil geochemical surveys.



During July 2008, mobile metal ion (MMI) geochemical surveys had detected the West Lucky Break and Matilda anomalies. The Matilda anomaly remained "open" to the southwest and northeast.



Additional MMI geochemistry defined the anomaly more precisely. It extends over an area of 500m x 300m, with extensions to the northeast which has not yet been closed off. The maximum value of 240 ppb gold in soil is the highest seen to date on Zamia's prospects.

There are coincident arsenic and lead anomalies.

Rock chip assays (up to 1.4 g/t Au) have established anomalous gold in outcrop and float rock at the prospect.

## Exploration Tenements

The following changes to Zamia's tenement position have taken place:

### Applications granted

- EPM 17555 Gregory, consisting of 20 sub blocks, was granted on 20 November 2008. Gregory adjoins EPM 15145 Mazeppa Extended (Anthony prospect) to the south.

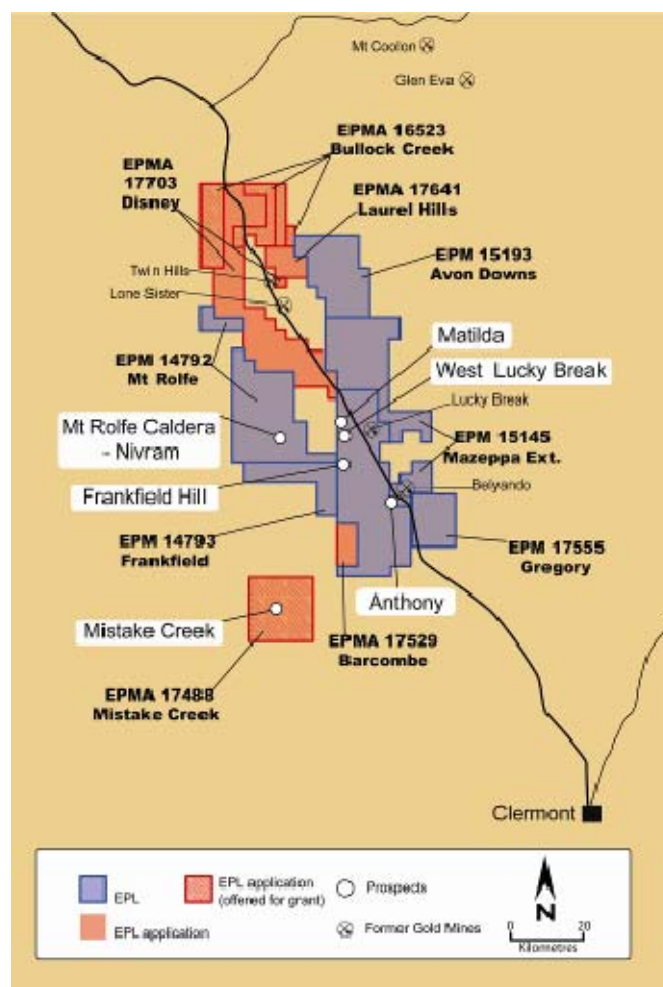
### Applications proposed

- EPMA 16523 Bullock Creek, proposed on 22 July 2008, was advertised on 14 January 2009 as required by the Native Title Act 1993 (C'wealth) section 29.
- EPMA 17488 Mistake Creek was proposed on 6 January 2009 with March 2009 given as the anticipated advertisement date.

### EPM titles relinquished

Three EPMs were relinquished during the quarter:

- EPM 15311 Red Rock Extended officially surrendered on 2 December 2008
- EPM 16636 Charlton Park officially surrendered on 26 November 2008
- EPM 14686 Mt McLaren officially surrendered on 12 December 2008



*Zamia's core tenement position*

EPM titles annual renewals and reductions: A reduction application was submitted for EPM 14790 Mazeppa for year 4 of title commencing 12 January 2009. The application proposed a reduction from 89 to 49 sub-blocks. The area was assessed to ensure that all prospective ground was retained.

## **Corporate Activities**

The constrained cash position occasioned by the slow receipt of drilling results was exacerbated in late October 2008 by the dramatic collapse in molybdenum prices. This necessitated austerity measures that included the departure of the Executive Directors and most staff. Directors also determined cease the payment of Non-executive Director fees.

Molybdenum prices that had been stable for over a year at around US\$33 – US\$35/lb dropped in late October to US\$25 – US\$26/lb and in early November to US\$9 – US\$10.50/lb, a price not seen since May 2004. Molybdenum fell more than any other metal in the last quarter in 2008 as a reaction to lower steel output.

However, because the global market for molybdenum is relatively small and is concentrated into a limited number of producers and processors, swift action to cut back production has already been taken. Additionally, the heavy emphasis on steel intensive infrastructure spending as part of the global initiatives announced by China, USA and European to boost the global economy portends well for a stronger longer term pricing structure. The London Metal Exchange announced its intention to provide a terminal market for molybdenum during 2009.

Every advanced molybdenum development has either been mothballed or is in the process of being re-engineered as a smaller higher grade operation to cope with current prices.

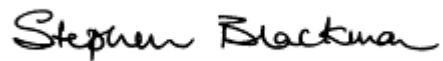
The Company's internal scoping study still shows a positive return at current prices for the Anthony deposit.

The Company received additional financial support from its two major shareholders, West Minerals Pty Ltd and International Base Metals Limited. The former took a placement of 4,570,000 shares at 7.94 cents per share and currently holds a 16.3% interest; the latter opted to take shares in lieu of cash payments under the pre-existing management service agreements. Both actions received Shareholder approval in mid- December.

Mr Chen Qiang, Managing Director of West Minerals, was appointed to the Board as a Non-executive Director on 6 November 2008.

The Board wishes to acknowledge the contributions made by Mr R N (Sam) Lees, initially as Exploration Manager and latterly as Executive Director – Technical, and by Dr Colin Seaborn as Executive Director. Both gentlemen deserve credit for establishing the Anthony molybdenum project as an important Australian east coast discovery capable of early development.

For and on behalf of the Board,

A handwritten signature in black ink that reads "Stephen Blackman". The signature is written in a cursive, slightly slanted style.

Stephen E Blackman  
Non-executive Chairman

29 January 2009

Dr Ken Maiden (MAIG, FAusIMM), compiled the technical aspects of this report. Dr Maiden is a Director of Zamia Gold Mines Limited. He is a Member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to the styles of mineralisation and types of deposits under consideration and to the activities that are 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". Dr Maiden consents to the inclusion of the matters in the form and context in which they appear.