



EL22/1997 TRIAL HARBOUR

ANNUAL REPORT FOR PERIOD ENDING

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All figures and coordinates in this report are in Geodetic Datum AGD66.

1. SUMMARY

Exploration Licence EL22/1997 (Figure 1) lies adjacent to ML's 3M/2003 and 6M/2007 within which is contained the Avebury Nickel Sulphide deposit. The EL is considered highly prospective for a similar style of mineralisation. The Avebury Nickel Sulphide deposit is hosted in Cambrian Ultramafic Rocks which have been demonstrated to extend onto the surrounding EL's, including EL22/1997. Geophysical surveys and subsequent first pass diamond drilling have confirmed the extension of the host sequence onto EL 22/1997 to the north, west and southwest. Earlier drilling has focused on the Burbank prospect with later drilling completed in 2006 - 2007 aimed at testing geophysical anomalies immediately west and north of the original Avebury ML.

No field exploration was completed on EL 22/1997 in the 12 months from July 2008 to July 2009. This was due to a general absence of budgets within the Exploration Department which arose for a variety of reasons including:

- Uncertainty to budgets and work programs surrounding the integration of the newly acquired Allegiance Metals assets into Zinifex in early 2008
- Integration of the Exploration Departments of Zinifex and Oxiana following the merger of Oxiana and Zinifex to form OZ Minerals on 1 July 2008 and subsequent project reviews, project divestments, budget revisions and redistribution of exploration assets which all caused significant disruption of exploration activities for some months before and after 1 July 2008.
- The Global Financial Crisis of 2008/09 severely impacted OZ Minerals. Unexpected cash flow problems due to the precipitous decline in commodity prices during September and October 2008 hit at the same time as peak capital spending at Prominent Hill and Century. Simultaneous with this - the turmoil in the global banking system affected the preparedness of many banks' to continue lending. The insecurity of the OZ financing condition led to a suspension of discretionary spending.
- Ultimately the declining financial situation forced OZ Minerals to place the Avebury operation on care and maintenance in December 2008
- Minerals and Metals Group purchased the Avebury Mine and surrounding exploration licences from OZ Minerals in a transaction completed in June 2009.

2. INTRODUCTION

EL22/1997 Trial Harbour was granted to Allegiance Metals (currently a member of the Minerals and Metals Group of companies) in 1997. The EL has been held under an annually renewed Term of Extension since 2003.

EL22/1997 is a licence in two parts bordering the ML to the north and southwest (Figure 1). The EL covers areas that are highly prospective for Avebury style nickel sulphide deposits. The Avebury deposit is hosted in serpentinitised dunite or strongly metasomatised, tremolite-diopside ultramafic skarn intruded into Mid Cambrian basaltic volcanoclastics. The altered ultramafics have a strong magnetic signature due to high concentrations of magnetite. High resolution aeromagnetism is a key early exploration tool. Much of the ultramafic is not outcropping and time consuming and expensive diamond drilling in often rugged terrain is a required for effective exploration.

Allegiance Metals have been actively exploring ML's 3M/2003 and 6M/2007, and the surrounding ELs EL28/1988, EL22/1997 and EL37/2003. All of the EL's are considered prospective and are planned to be adequately tested in a district wide program. Exploration has continually extended the Avebury Resource with an additional Mining Lease 6M/2006 added to the existing operations in 2007. Further resource additions from the ML's and surrounding EL's are anticipated.

On April 4 2007 a request for amalgamation of exploration expenditure on the near Mine Exploration was granted.

3. EXPLORATION COMPLETED 2007 – 08

The following work was completed on or adjacent to EL22/1997 during the twelve month period ended 31 July 2008 and described in full in the Annual Report for EL22/1997, Trial Harbour for the Year Ended July 2008:

- Diamond drilling of the aeromagnetic anomaly on the NE block of EL22/1997 (McIvor Hill, 1 DDH).
- Drilling at Pontiac (2 DDH)
- Drilling of the Trial Harbour Anomaly (A221, A223, A223A and A224)
- Gridding and soil sampling at Fen Creek.

3.1. Trial Harbour

Three DDH's were drilled into the high amplitude Trail Harbour aeromagnetic anomaly. One of these holes, A223A, intersected serpentinitised ultramafic, ultramafic skarn and massive magnetite as well as several zones of nickel sulphide mineralisation with a best intercept of 61.0 – 64.0m, 3.0m @ 0.8% Ni. A follow-up drilling program is considered warranted.

3.2. Pontiac

Two diamond drill holes were completed to the north of the Pontiac prospect targeted on what was interpreted to be a northern extension of a previously intersected mineralised serpentinite. No further holes are planned for this area at this stage.

3.3. McIvor Hill

One DDH MH001 was targeted on a strong magnetic high located beneath non magnetic gabbroic rocks in the far NE corner of EL22/1997. The hole did not intersect any serpentinitised ultramafics. No further holes are planned for this area at this stage.

3.4. Fen Creek

The Fen Creek prospect is located 2km south of the Avebury Mine on large linear aeromagnetic anomaly. The area is located in particularly remote and rugged country south of the Little Henty River. A foot access track and broad spaced reconnaissance grid has been established. Follow up work involving additional gridding, sampling, mapping and possibly drilling is considered warranted.

4. EXPLORATION COMPLETED in 2008 – 2009

Field based exploration planned for 2008 – 2009 included:

- Follow-up drilling of the Trial Harbour magnetic anomaly
- A study of the Pontiac-Tenth Legion area.
- Additional gridding, soil sampling and mapping of the Fen Ck Grid.
- Drilling of selected targets on the Fen Creek Grid.

Due to circumstances described earlier in this report, none of this work was actually completed.

Work completed has actually consisted of data compilation and interpretation of previous exploration (generally aeromagnetics and drilling) carried out on the Trial Harbour Ultramafic over all three Avebury region ELs, EL 22/1997 Trial Harbour, EL 28/1988 and EL 37/2003 Fen Creek.

Conclusions from this data assessment included:

- Anomalous Ni intersected in previous holes ZT3 and A223A on EL 28/1988 have not yet been followed-up
- The 11 holes drilled to date at the Burbank Prospect have tested less than 100m of strike of the Trial Harbour Ultramafic and follow-up drilling to the NW in EL28/1988 and to the SE in EL 27/1997 is necessary to fully test the potential of the ultramafic especially as it plunges gently to the SE towards and into EL 37/2003.

5. CONCLUSIONS AND RECOMMENDATIONS

Results achieved to date on EL 22/1997 warrant follow-up including:

- Step-out drilling to the NW of the Burbank Prospect in EL28/1988
- Step-out drilling to the SE of the Burbank Prospect in EL 27/1997
- Step-out drilling to the E of W of A223A in EL 28/1988

Helicopter support has been required for all holes to date at the Burbank Prospect. Future programs in the vicinity are expected to also require helicopter support.