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EL37/2003 FEN CREEK

ANNUAL REPORT TO

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Volume 1 of 1

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

1 SUMMARY

Exploration Licence 37/2003 lies immediately southwest of ML 3M/2003 which hosts the Avebury Nickel Sulphide deposit. The EL is highly prospective for similar styles of mineralisation. The Avebury Nickel Sulphide deposit is hosted in Cambrian Ultramafic Rocks which have been demonstrated to extend onto the surrounding EL's. Geophysical surveys have identified a strong ESE trending aeromagnetic high extending from outcropping ultramafic in the Trial Harbour region through the centre of the EL. Subsequent diamond drilling at the Burbank prospect on adjacent EL 22/1997 and EL 28/1988 has confirmed the presence of the host ultramafic.

The Fen Creek EL is located to the south of the Little Henty River and has no access infrastructure.

Exploration completed during 2009 includes:

- Reconnaissance Geology
- Magnetic Modelling
- Drill site investigation
- Exploration drilling application
- Botanical survey

Exploration planned for 2010 includes

- Diamond Drilling
- Soil sampling
- Reconnaissance mapping and rock chip sampling

The minimum estimated expenditure for the program is \$50,000.

2 INTRODUCTION

EL37/2003 Fen Creek was granted to Allegiance Mining in 2003. Allegiance Mining is a wholly owned subsidiary of the Minerals and Metals Group, (MMG)

The then OZ Minerals owned Avebury Mine and Mill was commissioned in June 2008 and has ramped up to full production of 7,000tpa of Ni in high grade concentrates from 900,000tpa. In February 2009 the operation was placed on care and maintenance due to a drastic fall in Nickel price and debt service difficulties of the parent company due to the 2008 Financial Crisis.

A restructuring of OZ Minerals resulted in the sale of the Avebury Mine and surrounding tenements to MMG in mid 2009. An exploration budget for the tenements was approved by MMG management in late 2009. The Avebury operation remains on care and maintenance pending improved financial conditions.

The EL is located immediately south and southwest of the Avebury Mine Lease 3M/2003 (Figure 1). The EL covers areas that are highly prospective for Avebury style nickel sulphide deposits.

The current resource is tabulated in Tables 1 - 3.

Avebury Mineral Resources, January 2009.

Table 1. Mineral Resources 0.4% Ni Cut Off				Contained Ni t	
Classification	Tonnes	Ni %	As ppm	Current	Previous
Inferred	13,970,000	0.94	325		
Indicated	4,670,000	0.95	320		
Measured	3,380,000	1.12	373		
Total	22,020,000	0.97	331	214,000	172,000

Table 2. Mineral Resources 0.7% Ni Cut Off				Contained Ni t	
Classification	Tonnes	Ni %	As ppm	Current	Previous
Inferred	10,710,000	1.04	369		
Indicated	3,750,000	1.03	336		
Measured	3,120,000	1.16	381		
Total	17,580,000	1.06	364	186,000	145,000

Exploration has continually extended the Avebury Resource with an additional Mine Lease granted (6M/2007) on extensions into former EL28/1988. Further resource additions from the ML and surrounding EL's are anticipated.

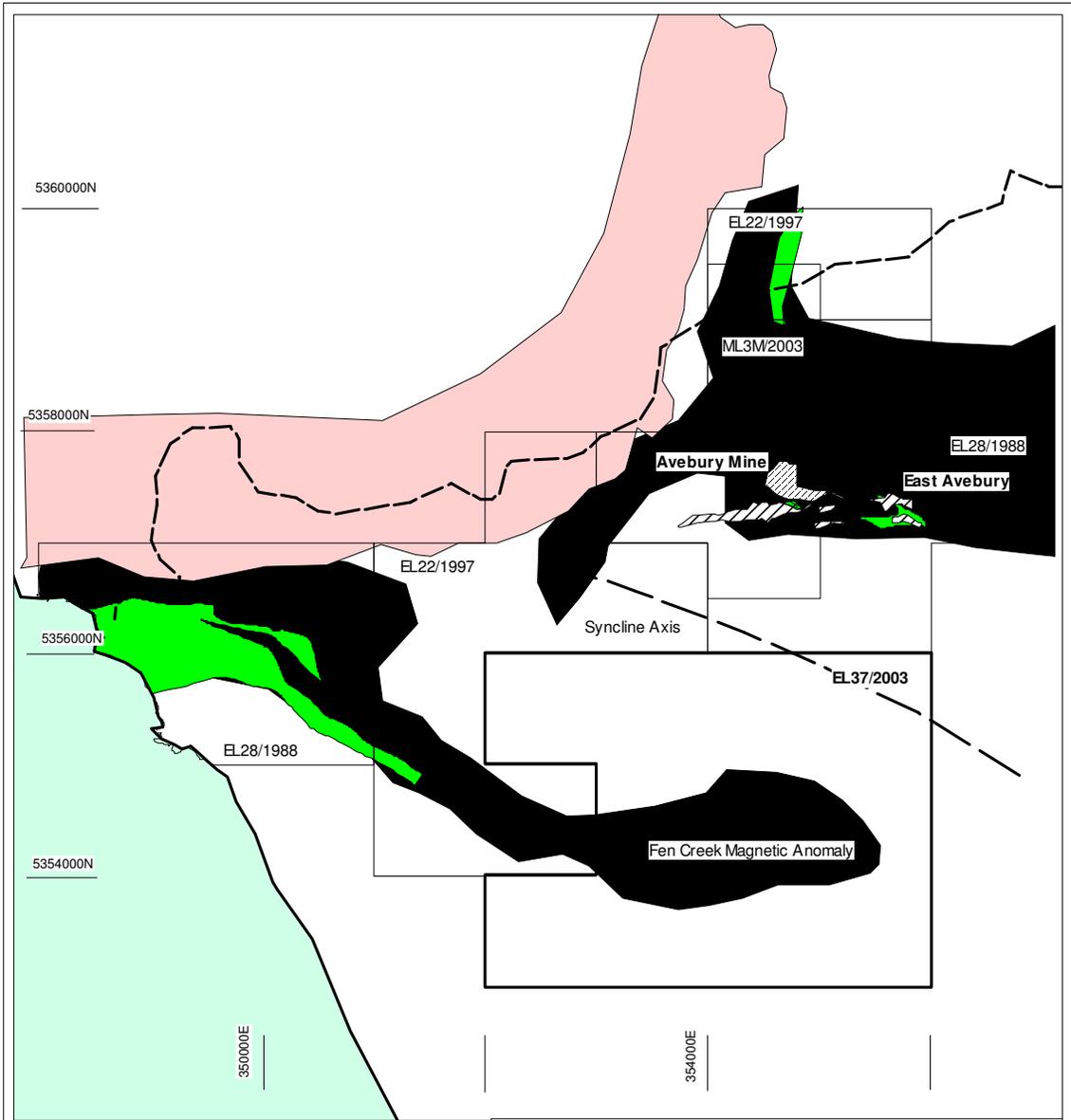
On April 4 2007 a request for amalgamation of exploration expenditure on the near Mine Exploration was granted. Exploration for the past year only recommenced in spring with two diamond drillholes testing the Trial Harbour Anomaly on EL28/1988. EL37/2003 is strategically important to the Avebury Project and will be the focus of exploration and resource in the near to mid term.

3 GEOLOGY

The Avebury deposits are 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 aeromagnetics 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.

An intense aeromagnetic high is located under EL37/2003 on the southern limb of a major east-west trending syncline (Figure 2). The stratigraphic and structural setting of the anomaly approximately mirrors the Avebury Deposit which is located on the northern limb of the syncline.

The magnetic anomaly on EL37/2003 is less intense than the Avebury anomaly suggesting the ultramafic may be smaller or deeper. It is important to determine the host sequence of the area. Gridding and B/C-soil sampling completed in 2008 has identified similar Ni, As, Zn soil anomalism to that found over the poorly outcropping Avebury and East Avebury ultramafic suggesting similar geology to the area.



-  Granite
-  Ultramafic
-  TMI anomaly



Allegiance Mining N.L.

ZEEHAN NICKEL PROJECT

**EL37/2003
FEN CREEK**

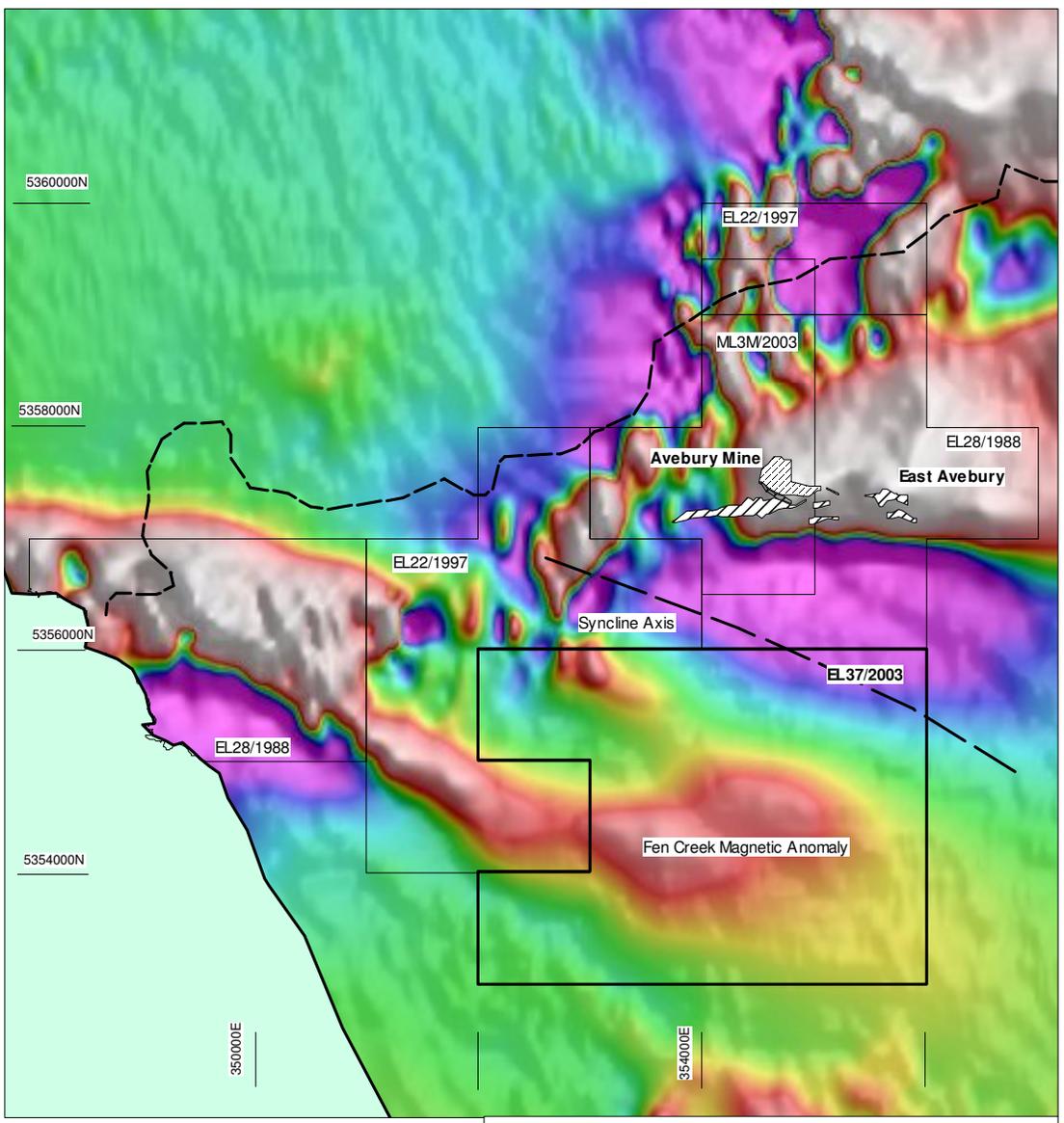
Location Diagram

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DATE :24/6/2007
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REVISIONS :

Figure 1.

Scale 1 :5000

Figure No.



- Granite
- Ultramafic
- TMI anomaly

<b style="font-size: 1.2em;">Allegiance Mining N.L.	
ZEEHAN NICKEL PROJECT EL37/2003 FEN CREEK TMI Image	COMPILED : T. Callaghan DATE : 24/6/2007 DRAWN : REVISIONS :
Figure 2.	Scale 1 :5000
Figure No.	

4 EXPLORATION COMPLETED 2009

Work completed on EL37/2003 during the last year includes:

- Reconnaissance Geology
- Magnetic Modelling
- Drill site investigation
- Exploration drilling application
- Botanical survey

A large linear aeromagnetic anomaly extends from the Burbank Prospect ultramafic ESE for 4km onto EL's 22/1997 and EL43/2003.

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 was established in May 2008. A b/c soil sampling program was completed and geological mapping initiated on the grid. Mapping is still to be completed.

Modelling of open file MRT data by group geophysicist Neil Hughes was completed during 2009. A south dipping ultramafic body was modelled. This however contradicts drilling evidence from Burbank where a steeply NE dipping ultramafic has been delineated. Further interpretation is required before the proposed drill site can be finalised.

Several drill sites have been investigated on both EL37/2003 and EL 22/1997 and will be tested this summer.

An application for a drilling program was submitted to MRT for approval. A botanical survey was requested prior to approval being granted. The survey was underway in late 2009 with the final report pending.

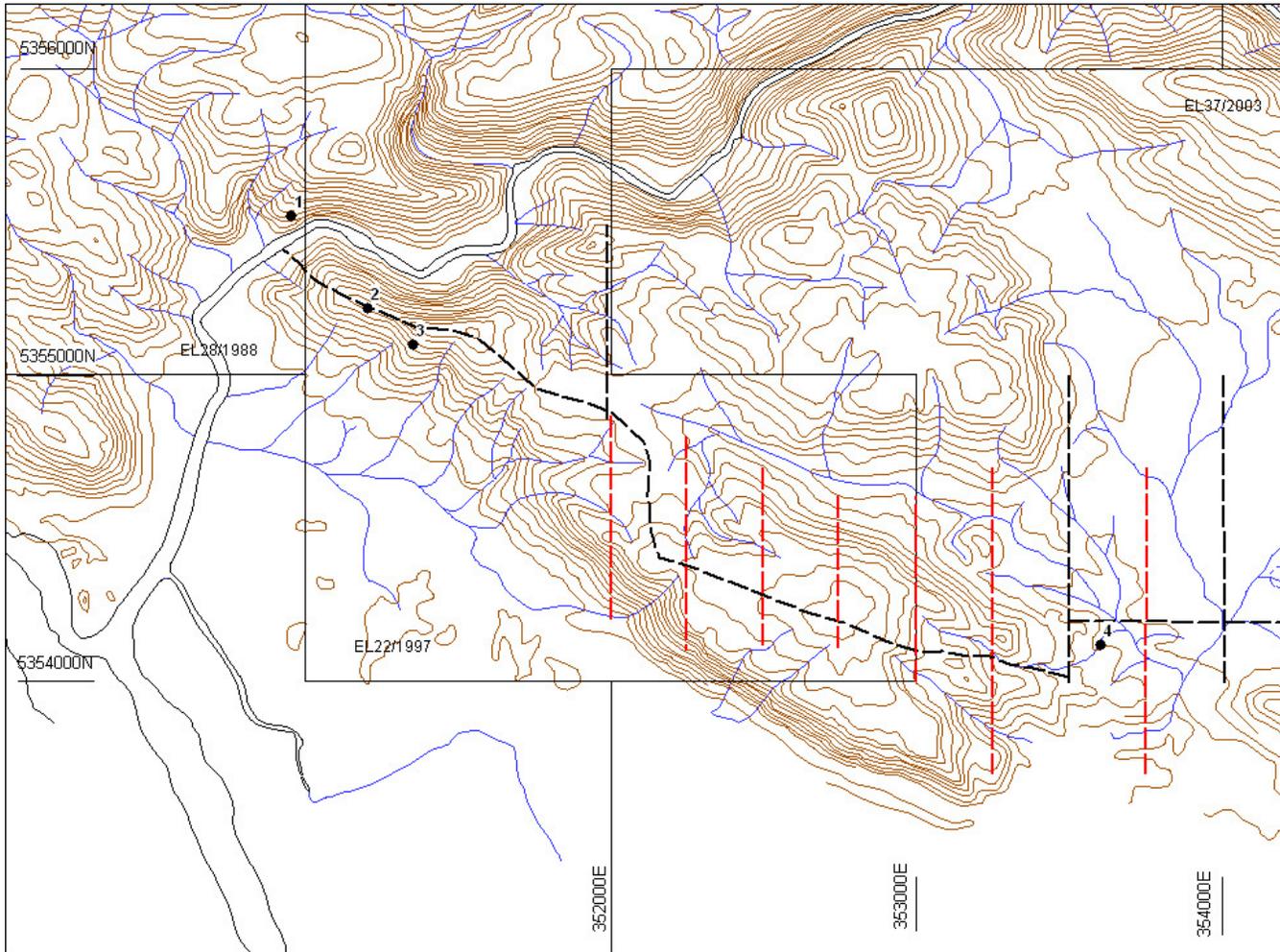


Figure 3. Proposed Drillhole Location, Fen Creek and Burbank.

5 EXPLORATION PLANNED 2010

Exploration planned for 2010 will include:

- Diamond drilling 1 hole on EL37/2003 and 2 on EL22/1997.
- Geological mapping and sampling

5.1 *Drilling*

One diamond drillhole has been scheduled for February/March. The hole will be drilled in sequence with the Burbank drilling planned for EL22/1997. Drillholes for both programs will be helicopter supported.

The Fen creek hole is nominally 250m in length.

5.2 *Geological Mapping and sampling.*

The 1:25,000 Mineral Resources Tasmania mapping suggests much of the area gridded is covered by Quaternary alluvial sediments overlying either Cambrian Sediments or Ordovician Gordon limestone. Reconnaissance mapping and rock chip sampling will continue in the coming field season.

6 SCHEDULE AND BUDGET

The program is likely to commence in February 2010 and be completed by May.

An expenditure of \$110,000 is anticipated for the EL in 2010. Amalgamated expenditure on the Avebury tenements is expected to be \$300,000

Drilling	300m	\$200/m	\$60,000
Helicopter	40hrs	\$1000/hr	\$40,000
Geology and Supervision			\$20,000
Total			\$120,000