

ROSEBERY MMG EXPLORATION

Rosebery Mine
HOSPITAL ROAD
ROSEBERY TASMANIA 7470 AUSTRALIA
Telephone 61 3 6473 184
MMGROUPLTD.COM



Mining and Metals Group Limited

EL 43/1992

MELBA FLATS

Annual Report for Year Ended April 2010

K. G. Wighton

SUMMARY

EL 43/1992 is a 6 sq km Exploration Licence surrounding a 269 ha mining lease, ML 2M/2007 which was acquired to facilitate development of the small scale resources identified at Melba Flats. In January 2010, an application for ML 2M/2007 to transfer to a Retention License RL5/ 2009 was granted.

During 2009, MMG geologists worked on the reinterpretation of the Melba Flats geology and geophysical characteristics aiming to generate and define deeper drilling targets. To assist in this, an academic technical report covering on the nature of the sulfides – Ni, Cu and PGM's at Melba Flats as well as the age and overall genesis of the deposits was instigated during the year. It was hoped that the academic study would also shed light on to whether the mineralization at Melba Flats was of magmatic or hydrothermal origin.

There was no work undertaken on RL5/ 2009. This report will summarize the work done on tenement EL 43 / 1992 in the twelve-month period to March 2009.

ASX Announcements and Annual Reports of Allegiance Mining cite a drill defined open-cuttable resource of 95,000 tonnes averaging 0.8% Ni and 1.0% Cu in the North Cuni-Genets area and an initial modest inferred mineral resource of 30,000 tonnes at 3% Ni based on seven shallow drill holes at Nickel Reward.

It is the intention of MMG to follow up on and attempt to add significantly to these resources during 2010 by focussing on the areas potential to host a large Ni / Cu sulphide deposit.

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ATTACHMENTS

1. EL 43_1992_Melba_Flats_Annual_Report_2009_text.pdf
2. EL 43_1992_Melba_Flats_Annual_Report_2009_figures.pdf
3. Internal Report. Crawford and Keays, 2010, Magmatic Ni – Cu Sulfides in Mafic Sills at Melba Flats, Western Tasmania – A Geochemical Investigation.

1. INTRODUCTION

The Melba Flats area is located 17km from Rosebery and is around 9km NE of from Zeehan on the Murchison Hwy in Western Tasmania (Figure 1). Access to the project area is via tracks established by Forestry Tasmania in the course of clear felling the area.

EL 43/1992 is a 6 sq km Exploration Licence surrounding a 269 ha former mining lease, ML 2/2007. These areas were acquired to facilitate development of identified resources at Melba Flats. Mining and Metals Group Limited (MMG) hold both licences.

Mining Lease 2M/2007 was granted on 22 August 2007 for a 10-year period. Due to the prevailing economic conditions in 2009 and the current size of the resource at Melba Flats, During 2009, MMG applied for and had approved the conversion of ML 2/2007 into a Retention Licence – RL5 / 2009.

Prior to its takeover by Zinifex in 2008 (and the subsequent Zinifex/Oxiana transaction that resulted in the formation of OZ Minerals also in 2008) Allegiance Mining had been exploring and evaluating the Melba Flats area since 1997. Prior to 1997 Rio Tinto Exploration (CRA Exploration) had been exploring the area since 1993. Annual Reports written by Rio Tinto provide comprehensive summaries of any work completed in the area prior to their period of tenure. Allegiance Mining compiled their regional drill hole database from information provided in the Rio Tinto Reports.

Previous reports on EL 43/1992 and ML 2/2007 (see References) describe campaigns of geological mapping, airborne and ground geophysics, geochemical sampling and drilling up to drill hole MF 93. This report describes the magnetic data inversion compiled in 2009. This data manipulation was aimed at better defining the magnetic image so as to more accurately target deeper drilling planned to be included within the 2010 program.

2. REGIONAL AND LOCAL GEOLOGY

Geologically the Melba Flats area consists of Cambrian sediments intruded by a number of Cambrian(?) gabbro dykes. The dykes are thought to be genetically associated with the Serpentine Hill and Razorback Ultramafic bodies east of the tenements, although an association with the Henty Dyke Swarm is also considered possible. The sediments dip to the east and generally strike north south. District folding and common small-scale faulting commonly cause local variations to this trend.

The gabbro dykes are intrusive, often with chilled, have brecciated margins, and are both concordant and discordant with the enclosing sediments. The dykes, sediments and ultramafics are pervasively altered. Carbonate and carbonate-talc alteration of the gabbro dykes is typically accompanied by late stage carbonate veining.

The Melba Flats Ni-Cu mineralisation is typically disseminated throughout a gabbro dyke host, but more concentrated (massive in places) on the footwall of the dike. Mineralisation is principally pentlandite-millerite-chalcopyrite-pyrite. Significant cobalt, gold and PGE are associated with either (or both) nickel and copper sulphides. Late-stage carbonate alteration and veining is also accompanied by coarse galena-sphalerite-chalcopyrite. The body of existing petrologic data suggests the Melba Flats sulphides are hydrothermal replacement deposits, derived from a larger magmatic source.

Historical production of 10,000t @ 9.5% Ni and 3.5% Cu to a maximum depth of 50m has been estimated for the Melba Flats field. Exploration to date by Allegiance has shown the Ni-Cu mineralisation to be more widespread and persistent to greater depths than previously thought. Drilling by Allegiance, complemented by surface exposure and former mine workings has identified modest shallow resources at Nickel Reward and North Cuni-Genets. The district is regarded as highly prospective for extensions of these resources and for more substantial bodies at depth associated with larger gabbro and ultramafic intrusives.

The overall strategy for Allegiance Mining at Melba Flats prior to its purchase by Zinifex/OZ Minerals was to commence production from several small pits and to access deeper resources by way of appropriately sized declines from within these pits. Reflecting this strategy, activity at Melba Flats under Allegiance Mining's management in the recent past has been undertaken with the objectives of:

- Expanding the shallow open-cuttable resources via step out drilling campaigns
- Exploring for depth extensions by drilling down dip of known mineralization
- Progressing development of the shallow resources towards production.

Although still investigating the former Allegiance model, MMG's exploration strategy is to assess if the Melba Flats area has the potential to host a large scale Ni / Cu +/- PGE sulphide deposit that will honour MMG's recently established deposit size criteria.

3. WORK COMPLETED - CURRENT YEAR

Once the take over of certain OZ Minerals assets by MMG took place in June 2009 and tenement allocations were finalized, MMG undertook a rigorous assessment of all of its exploration assets in order to properly define its goals and objectives for the short, medium and longer terms. MMG's tenements within Tasmania were no exception. Ground work on EL43 / 1991 was limited with all work conducted being desk top based, focusing on assessing the tenements merit and reinterpreting the geology and geophysics in order to target larger deposits more akin to MMG's corporate objectives.

Work during 2009 focused on interpreting data from the 2008 drilling program. Although upside potential was recognised, the potential for significant additions to the previously defined resources targeting the same generally narrow, near surface gabbro hosts, was considered to be low.

It was decided that a 3D magnetic data inversion would significantly assist in the targeting of deeper, potentially larger deposits beneath the currently defined resources.

Due to the economic situation during most of the year, coupled with the transition of ownership of the tenements from Oz Minerals to MMG, no drilling was undertaken during 2009. A drill program will be planned to be undertaken within 2010 that will target large scale Ni / Cu +/- PGE mineralization at depth defined by the newly re-interpreted magnetic data.

3.1. Magnetic Inversion Technical Summary

A 3D data magnetic data inversion was made in the hope it would better define deeper drilling targets underneath the existing resources. The Tasmanian Mines Department West Coast TMI data set used for the inversion. This data was acquired from a fixed wing system at a 200m line spacing and a nominal 60m flying height. The data was manipulated into a UBC3D mag inversion using default settings on a 25 X 25 X 16.667m cells to create a 0.01 SI iso surface (figure 2).

One main anomaly has been recognised that covers an area of ~1km E/W and is continuous over ~2.5km in the N/S direction. 2d sectional slices have been produced (see figures 3 to 7). The strongest signature to the anomaly is at around 1000m RL. MMG plans to drill test this anomaly in 2010.

3.2. Academic Technical Report

A research team comprising of Reid R. Keays (Monash University) and Tony Crawford (University of Tasmania) were requested to undertake a study into the Melba Flats geology and mineralization system. The study focused on determining if the Ni, Cu and PGE sulfides are part of a major or minor mineralizing system and establish the genesis, either magmatic or hydrothermal of the mineralization. The scope of the study also encompasses an attempt to age the gabbro dykes that host the mineralization and determine whether or not this intrusive

suite is part of the 600 Ma Crimson Creek Fm. or alternatively associated with the 515Ma boninitic magmatism that produced the Heazlewood, Serpentine Hill and McIvor Hill complexes. The study will also look into the geochemical characteristics of the mineralized gabbros versus the un-mineralized gabbros to try to develop a geochemical discriminator able to assist in future exploration.

The full report is included in an attachment to this annual activities summary.

4. PREVIOUS RESOURCE ESTIMATES

The source of Inferred and Indicated Mineral Resources at North Cuni-Gents and Nickel Reward cited by Allegiance in public documents is “*Allegiance Metals Pty Ltd, Melba Flats Nickel Project, Mineral Resource Report, October 2004*”, by Michael V McKeown.

Only drill holes MF 27 – 64, drilled in 2004, were included in calculating resources. Therefore drill holes MF 65 – 107 have not been included in the resource figures used for either the Genets or Nickel Reward prospects at Melba Flats.

There have been significantly mineralised intervals reported for many of the holes drilled since this resource calculation and while these results may not be part of the resource calculation, they are included in ongoing geological interpretations.

Current estimated mineral resources in the North Cuni-Genets area are:

Indicated: 83,000 t @ 0.7% Ni, 0.6% Cu, 0.02% Co

Inferred: 12,000 t @ 1.2% Ni, 3.3% Cu, 0.04% Co

Including a massive sulfide zone estimated to contain: 1,600 t @ 9.2% Ni, 6.0% Cu, 0.2% Co,

Nickel Reward

Inferred Mineral Resource of 30,000 t @ 3% Ni.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Regional Tenement Scale Recommendations

Evidence for the source of the Melba Flats, near surface Nickel and Copper mineralisation being of magmatic origin is growing as is the potential for a large magmatic nickel sulphide accumulation at depth. The Melba Flats area is underlain by the eastern portion of a significant circular magnetic high interpreted to be at around 1000m depth. Several deep drill holes to test this magnetic high are proposed for the upcoming year of tenure.

No ground work was done during the 2009 year on the individual prospect areas within EL43 / 1992 due primarily to economic uncertainties and corporate related issues. Some follow up work is planned to be undertaken during 2010. Interpretations continue on prioritizing the prospect areas and defining where the deeper drilling will be located. All prospect areas will receive new geological interpretations through 2010 though the upside in continuing to plan step out drilling

programs targeting similar tenure mineralization is thought to be limited. MMG will instead concentrate its efforts on the discovery of significant, large tonnage deposits.

Below is a summary of each project areas merits.

5.2. Nickel Reward

Nickel Reward hosts a very small but high grade Ni resource. Further interpretation on the prospect area is warranted during 2010 as at present, the structurally complex geology is poorly understood. Drilling to date suggests that high grade Ni and Cu mineralisation may be confined to smallish pods developed at the intersection of gabbros and faults.

No immediate work is planned for the Nickel Reward area, as according to the current interpretation, the potential for a large tonnage deposit appears low. This area will be re-interpreted geologically and in light of the newly acquired magnetic data.

5.3. North Cuni

Interpretations on the current results suggests that no further drilling exploring for extensions of the North Cuni mineralisation at depth or to the south of the North Cuni shaft appears warranted.

5.4. Genets

The drilling program carried out around the Genets prospect in 2008 was relatively successful and may warrant additional investigation. Mineralization is open along strike to the NE and at depth to the East but by all indications additional drilling is likely to result in similar short intervals and low grades.

Although no immediate work is planned for Genets during 2010 as the potential for a large tonnage deposit of sufficient Ni and Cu grade appears low, a cursory look into the data will be undertaken.

5.5. South Cuni

There remains little encouragement for the potential of South Cuni to host a large mineralizing system. There are however large gaps in the drilling which will be investigated to see if additional drilling is warranted.

5.6. Devereaux

Devereaux has been subject to a small-scale mining operation where a mineralized gabbro dyke has been exploited at surface. Previous recent work has attempted to interpret the dip and strike of the mineralized dyke without success.

Further geological and structural interpretation of existing data is required before any further drill testing in the Devereaux area should take place. No significant work is planned for the Devereaux area in 2010. However, some work on determining if the mineralised gabbro exploited at surface, continues laterally and at depth will continue in 2010. At this stage the strike and dip of the mineralized gabbro is unknown however the potential for this area to host a large tonnage deposit appears low. A target model for the prospect is yet to be developed.

6. REFERENCES

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