

EL22/1997 TRIAL HARBOUR
ANNUAL REPORT FOR PERIOD ENDING
JULY 2010

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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. MMG's administration of EL22/1997 is strategic in the development strategy of the Avebury Mine as are the other EL's surrounding the Mine Lease. MMG is currently doing work on all of its tenement holdings in the Zeehan area as part of an overall program of expansion through exploration.

EL22/1997 is considered highly prospective for a similar style of mineralisation to the Avebury mineralizing system. 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.

In the 12 months from July 2009 to July 2010, the expenditure commitment imposed on EL 22/1997 was exceeded by completing desk top re-evaluation studies. Part of this program included on-going research into characterizing the Avbury mineralization in order to more effectively target similar deposits in the region. Field checking was carried out on the tenement and a drilling program planned. Due to budgetary constraints no drilling was done on EL22/1997. Exploration drilling in the region instead focused on assessing the magnetic high anomaly within the Zeehan tenement EL28/1988 that runs directly along strike and into the Trial Harbour tenement and within the Fen Creek / Little Henty tenement EL37/2003. Four drill holes from the original program on two sites within EL22/1997 remain to be drilled, (Figures 1 & 2).

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 Avebury Mining Leases to the north and southwest (Figure 1). The EL covers areas that are highly prospective for Avebury style nickel sulphide deposits and forms an important part of its long term exploration program aimed at nickel resource expansion in the region. The Avebury deposit is hosted in serpentinised 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 has to date been an effective geophysical exploration tool. MMG is also considering the use of a Time Domain Electrico-magnetic (VTM) technique in the future as much of the ultramafic host rocks do not outcrop making surface mapping difficult.

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. Academic research and the use of new techniques will continue to be used to advance our understanding of the Avebury mineralizing system and help locate similar deposits in the region. 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 in 2008 – 2009

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

A drilling program was planned and allocated a priority ranking. Drilling was to be done during 2009 with priority one holes drilled first with the remainder of the program drilled depending on budgets and results.

4. EXPLORATION COMPLETED IN 2009 / 2010

Data evaluation and re-interpretation were the main focus of activities during 2009 to 2010 tenement year. A drilling program with six diamond drill holes was planned in November 2009 and designed to assess magnetic anomalies within EL22/1997, EL37/2003 and EL28/1988. EL22/1988 was re-mapped and field checked with the planned drill holes located but it did not receive any drilling activities. Data analysis and interpretation continued on surface and drill hole data with the aim of generating additional drill hole targets.

5. ENVIRONMENT

No environmental rehabilitation work was undertaken during the period.

6. EXPENDITURE

Total expenditure of \$70,154 was spent on the tenement during the period. The minimum expenditure requirement was set at \$50,000. Most costs were associated to desk top studies and associated administration costs. Mapping, field checking and the locating of planned drill hole locations also attracted costs.

On April 4 2007 a request for amalgamation of exploration expenditure on the tenements surrounding the Avebury mine lease was granted. Total exploration expenditure on exploration licences near Avebury for the financial year 2009 to 2010 was in excess of \$730,000.

7. CONCLUSIONS AND RECOMMENDATIONS

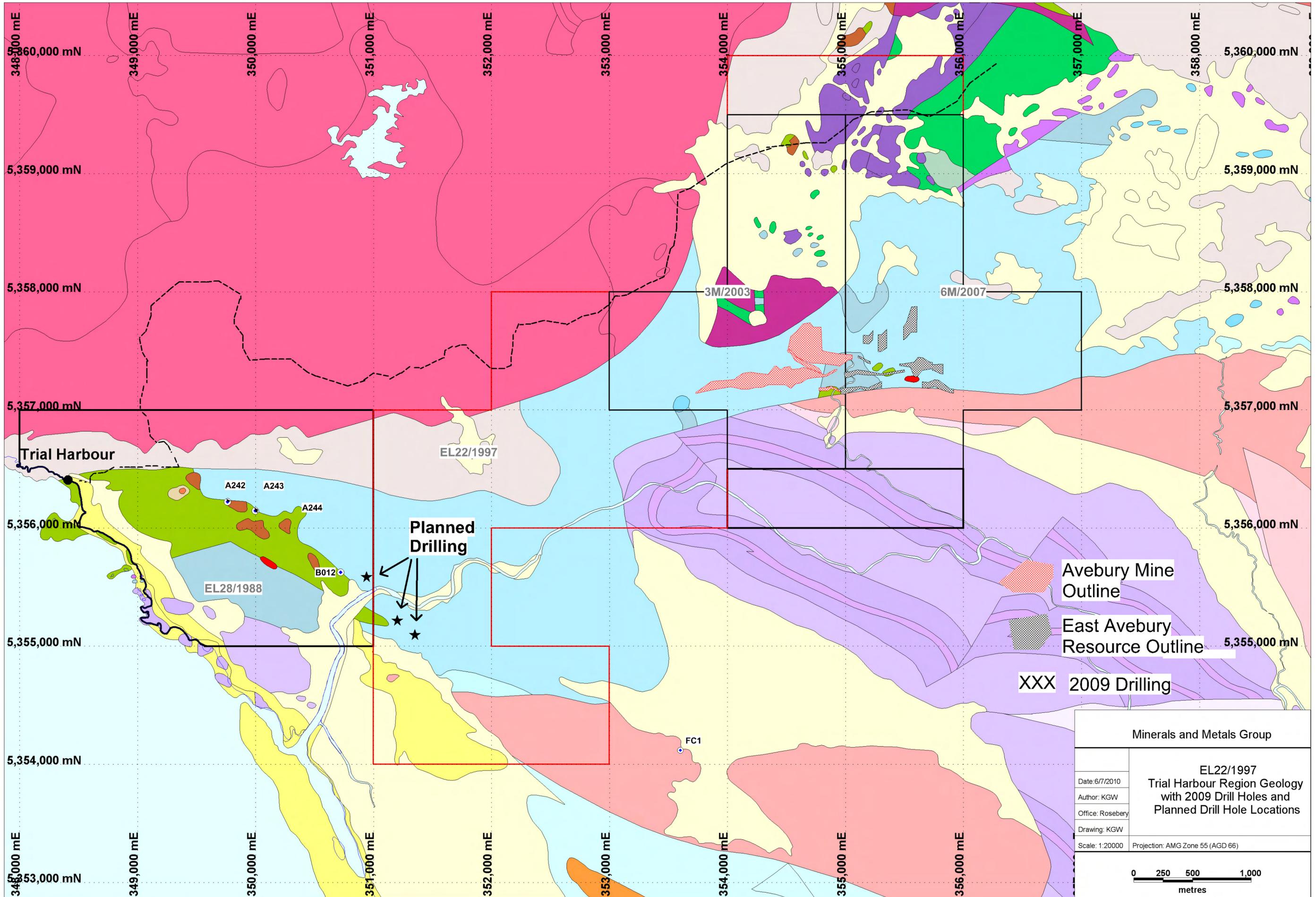
All surface and drill hole data requires re-examination and interpretation. The drill holes that did not get completed during 2009 / 2010 will be re-assessed.

Diamond drill hole B012, collared within EL28/1988 immediately to the west of the tenement boundary of EL22/1997 did not reach its target depth due to drilling difficulties. There is a weak geochemical anomaly interpreted within the last 10 to 15m of B012 indicating that the drill hole may have stopped close to the ultramafic / sediment targeted contact. This will require follow up which may occur within EL22/1997.

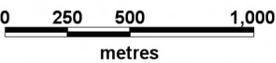
There are drill holes planned that remain to be drilled SE of B012 targeted on the strike extension of a SE trending magnetic anomaly.

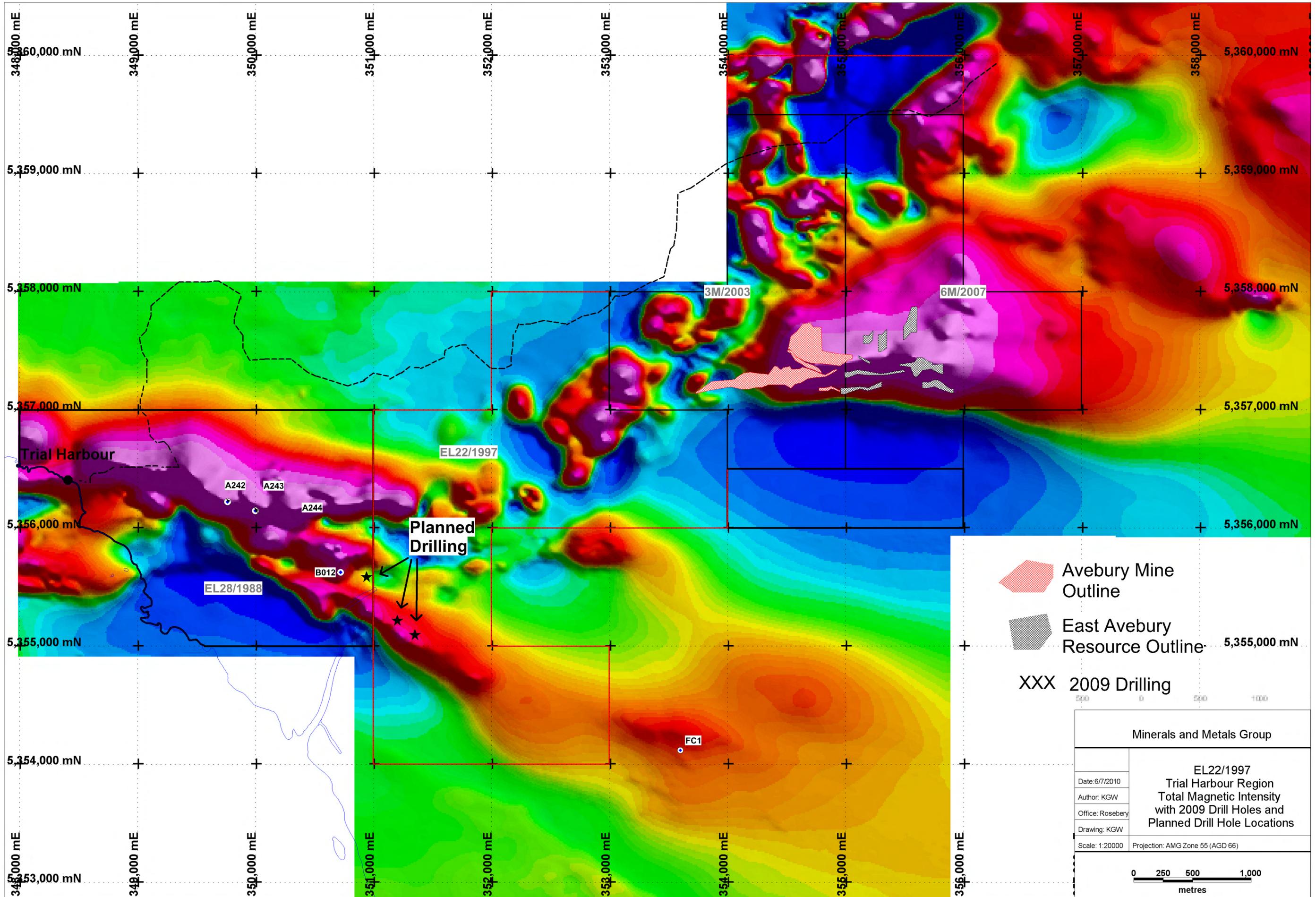
Helicopter support has been required for all holes to date at the Burbank Prospect. Future programs in the vicinity are expected to also require helicopter support.

A large scale VTEM geophysical survey is being planned to cover parts of the Zeehan region and may have implications for future exploration on EL22/1997.

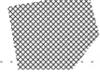


Minerals and Metals Group	
Date: 6/7/2010	EL22/1997 Trial Harbour Region Geology with 2009 Drill Holes and Planned Drill Hole Locations
Author: KGW	
Office: Rosebery	
Drawing: KGW	
Scale: 1:20000	Projection: AMG Zone 55 (AGD 66)





 Avebury Mine Outline

 East Avebury Resource Outline

XXX 2009 Drilling

Minerals and Metals Group	
Date: 6/7/2010	EL22/1997 Trial Harbour Region Total Magnetic Intensity with 2009 Drill Holes and Planned Drill Hole Locations
Author: KGW	
Office: Rosebery	
Drawing: KGW	
Scale: 1:20000	Projection: AMG Zone 55 (AGD 66)

