



EL28/1988 ZEEHAN

ANNUAL REPORT TO

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Figure 1; Location map

Figure 2; B012 drill hole location over regional TMI image

All figures and coordinates in this report are in Geodetic Datum AGD66 (zone 55).

1 SUMMARY

Exploration Licence 28/1988 covers an area surrounding the Trial Harbor township and lies adjacent to ML 3M/2003 which hosts the Avebury nickel sulphide deposit. It is considered highly prospective for similar styles of mineralisation. The Avebury nickel sulphide deposit is hosted in Cambrian ultramafic rocks that extend onto the surrounding EL's, including EL28/1988.

In the past twelve months the following work was completed:

- Drilling of a single helicopter supported diamond drill hole at the Burbank prospect. The hole targeted an ultramafic body coincident with a prominent regional scale magnetic high feature. Drilling failed to adequately test the target due to technical difficulties and no nickel enriched zones were intersected.
- Commissioning of an extensive botanical survey in the area surrounding the proposed drilling program.
- Environmental rehabilitation.
- Ongoing, district-wide academic studies.
- Planning of a regional geophysical data acquisition programme. A Versatile Time Domain Electromagnetic (VTEM) survey is scheduled for acquisition over EL28/1988 and surrounding tenements in December 2010.

Annual expenditure for the year ending December 2010 on EL28/1988 was \$293,611.

Exploration planned for 2011 includes:

- Reassessment of results from the 2010 drilling program.
- Interpretation and targeting using VTEM survey data.
- Continued research into the genesis and geology of the Avebury ore system.

An amalgamation of exploration expenditure on all Avebury near mine exploration was granted in mid 2007. A total near mine exploration budget of approximately \$500,000 has been submitted for the 2011 calendar year.

2 INTRODUCTION

EL28/1988 Zeehan of 13 km² is located west and south of the Avebury Nickel Mine (Figure 1). The EL once covered the current Mine leases, with 3M/2003 excised in 2003 and 6M/2007 recently excised with the delineation of the East Avebury Resource. Only the western portion of the EL remains.

The EL is highly prospective for Avebury style nickel sulphide mineralisation. The Avebury deposits are hosted in serpentinised dunite and strongly metasomatised, tremolite-diopside ultramafic skarn intruded into Mid Cambrian basaltic volcanoclastics. Much of the ultramafic is not outcropping so to generate drill targets, heavy reliance is placed on geophysical techniques. High resolution aeromagnetics is a key early exploration tool as the altered ultramafics have a strong magnetic signature due to high concentrations of contained magnetite. Electromagnetic techniques are a key targeting tool in conventional nickel sulphide exploration and will be employed over the Avebury and surrounding tenements. Down hole electromagnetic surveys are also thought to have the potential to significantly enhance exploration success.

Although time consuming and expensive, diamond drilling in often rugged terrain is required for effective exploration, exploration has continually extended the Avebury Resource with recent ML additions from EL 28/1988. Further resource additions from the ML and surrounding EL's are anticipated.

MMG take a holistic approach to exploration within the Zeehan to Trial Harbour areas due to the main targets being analogues of the Avebury system. MMG has assembled a highly prospective portfolio of tenements within the area. In line with this approach, exploration expenditure over the surrounding tenements of EL28/1988, EL22/1997 and EL37/2003 have been granted amalgamation to Avebury Mine exploration and resource expenditures.

Exploration within EL28/1988 has long been considered strategically important to the Avebury Project and will continue to be the focus of exploration and resource expansion for the company.

3 EXPLORATION COMPLETED 2009 – 2010

Exploration during the reporting period focused on drill testing within the Burbank prospect area targeting a northwest / southeast striking magnetic high. The prominent magnetic feature is considered to be a continuation of a potentially nickel bearing ultramafic at depth. The drill hole B012 was designed to test the magnetic high / ultramafic as illustrated in figure two. Earlier drilling intersected serpentinised and sheared ultramafic rocks with nickel oxide mineralization associated with shearing.

Diamond drill hole B012 was a helicopter supported program that was completed on 27th March 2010 and drilled to a depth of 314.5m. The drill hole was designed to extend through the lower contact of an ultra-mafic body interpreted to be at around 450m depth coincident with the magnetic high feature. The drill hole intersected serpentinite from surface but failed to drill to the contact of the underlying Eldon Group siliciclastics as the hole stopped due to drilling difficulties. As a consequence of this, it also failed to adequately assess the large NW / SE trending magnetic high. Scope for additional work in this area, especially testing along strike of the magnetic anomaly exists.

Assays received for DDH B012 where the bottom 105 meters were sampled (210m to 314.5m EOH) due to a higher visual abundance of sulfides. The sampled interval contained trace amounts of pentlandite and full assay results are attached in Appendix 2.

The sampled interval of B012 contains Ni in the range of 1170 to 3220 ppm Ni with an average across the 105m interval of 2300ppm. Co (average 90 ppm) is weakly variable and Cr (average 1074 ppm) slightly increases towards the EOH. These results are indicating non-enrichment, back-ground concentrations usually associated with ultramafic lithologies. There is no associated Cu anomalism.

The below detection As concentrations throughout the drill hole indicates that a hydrothermal system driven by the Devonian Granites (Avebury model) is unlikely to be present in this immediate area. This data down grades the prospect.

There has been no on ground exploration in the later half of this reporting period. Exploration scaled back its approach from investigating at a prospect scale to more district scale reviews and targeting techniques. As part of this program it has been decided to undertake district scale geophysical programs in late 2010 / early 2011.

4 ENVIRONMENT

Prior to drilling B012, a full and detailed environmental survey was completed. The environmental consultant, Environmental Service and Design, was commissioned to do a complete botanical survey of the area (Appendix 3). The survey concluded that no threatened vegetation groups were present within the area. The endangered Swift Parrot *Lathamus discolor* was observed within the area. The report recommended the location of the proposed tracks should be varied so that no mature *Eucalyptus globulus* needed felling. MMG maintain a strict policy of avoiding felling of any mature trees when locating and constructing exploration drill tracks and drill pads. No large trees were felled during this program.

The drilling undertaken during the year was a helicopter supported program to minimise environmental impacts. A walking track of <2 kilometres was utilised for access of personnel and small hand carried items. A small walking track was also constructed from the drill pad to the Little Henty River where water was pumped to facilitate drilling activities. All walking tracks had very limited environmental impact. The tracks and drill site were all rehabilitated at the cessation of the program. Pictures of the rehabilitation of the access to and drill site of B012 appear in Appendix 4.

A site visit in November 2010 was made to the Trial Harbour area within EL28/1988 to assess rehabilitation progress of drill site access tracks and drill pads from the 2009 drilling program and to follow up on the historical drill hole A223, which appeared to be discharging water as reported in August 2009.

The drill access track has been adequately rehabilitated with the natural contour re-established. 'Islands' of intact vegetation have been placed within the disturbed area to promote a quick vegetative recovery process and vegetation re-establishment is progressing well.

Records indicated that the historic drill hole, A223, collared in close proximity to the A242, drilled in 2009, had a flow of water coming from it. A site visit in November confirmed that a small amount of water was pooling adjacent to the collar. This water was causing minor Fe oxide staining within the immediately surrounding puddles but was quickly dissipated and diluted by other surface waters from the up-hill catchment area.

The November 2010 site visit concluded that it is likely that most of the water present in the August 2009 report was due to the extended periods of wet weather during the winter as the volume of water had substantially decreased. Pictures of the site visits are given in Appendix 3 and no additional remediation work is considered warranted.

5 EXPENDITURE

Expenditure for the 2010 year for EL48/1988 was \$293,611. This expenditure exceeded minimum commitment. The detailed break down of exploration expenditure is outlined below.

Total Exploration Expenditure EL48/1988 Zeehan	Amount
Cost Element	AUD
TOTAL COSTS	293,611.00
OPERATING COSTS	293,611.00
PERSONNEL	52,304.00
CONTRACT FIELD SUPPORT	12,518.00
GEOSCIENCE CONSULTANTS	4,952.00
TRACK CUTTING & GRIDDING	13,000.00
GEOCHEMICAL	5,693.00
DRILLING	152,235.00
OTHER CONTRACTORS	24,778.00
STORES/SUPPLIES	131.00
VEHICLES, PLANT & MAINTENANCE	1,973.00
LAND & ENVIRONMENT	6,668.00
EQUIPMENT HIRE	6,573.00
DEPRECIATION, OFFICE & SUNDRY	12,786.00

6 EXPLORATION PLANNED 2010 – 2011

Exploration during 2011 will focus on the acquisition of VTEM data over the entire MMG portfolio of tenements proximal to the Avebury mine. This survey is designed to detect the presence of any massive sulphide bodies. The airborne VTEM data will be integrated to a detailed district scale review process. It is hoped that the new geophysical data set, in combination with advancements in the understanding of the Avebury ore system, will generate additional drill targets within the region.