EL37/2003 FEN CREEK

Allegiance Mining Pty Ltd

Annual Report to February 2011

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

1 SUMMARY

Exploration Licence 37/2003, Fen Creek, is located south of the Little Henty River and lies immediately southwest of ML 3M/2003, which hosts the Avebury Nickel Sulphide deposit. The Avebury deposit is hosted by Cambrian Ultramafic Rocks which are known to extend into the surrounding EL's. Airborne magnetic surveys have identified an ESE trending high, extending from outcropping ultramafic in the Trial Harbour region through the centre of EL37/2003. Subsequent diamond drilling at the Burbank prospect on the adjacent EL 22/1997 and EL 28/1988 has confirmed the presence of the host ultramafic.

Diamond drill hole FC1 was targeted to intersect the ultra-mafic within EL37/2003. The drill hole was completed during the current tenement year but failed to intersect ultramafic rocks.

Exploration completed during 2010 comprises:

- Drilling of a helicopter supported diamond hole, FC1, to a depth of 428m.

Exploration planned for 2011 includes

- Versatile Time Domain Electro-magnetic (VTEM) data acquisition over all of MMG's Avebury tenements;
- Target generation through interpretation of VTEM data;
- Follow up any suitable VTEM anomalies with diamond drill testing;
- Possible retesting of the aeromagnetic anomaly within EL37/2003 with additional drilling.

2 INTRODUCTION

EL37/2003 Fen Creek was granted to Allegiance Mining Pty Ltd in 2003. Allegiance Mining is now 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 ramped up to full production of 7,000 tpa of Ni in high grade concentrates from 900,000 tpa of ore treated. The latest resource figure for the deposit was calculated in January 2009 (Table 1). In December 2008 the operation was placed on care and maintenance due to a drastic fall in the Nickel price.

A restructuring of OZ Minerals resulted in the sale of the Avebury Mine and surrounding tenements to MMG in mid 2008. The Avebury operation remains on care and maintenance pending improved financial conditions.

MMG are engaged in sponsoring academic studies on the Avebury deposit through funding a PhD thesis at the University of Tasmania (CODES). A better knowledge of the genesis of the Avebury deposit will assist in the search for satellite deposits in the surrounding EL's.

The last resource estimate at Avebury was completed in 2009 and is tabulated in Table 1 below.

Avebury Mineral Resources, January 2009.

Table 1. Mineral Resources 0.4% Ni Cut Off				**Contained Ni t**	
Clasification	**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**	
Clasification	**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

EL37/2003 is located immediately south and southwest of the Avebury Mine Lease (Figure 1). The EL covers areas that are prospective for Avebury style nickel sulphide deposits.

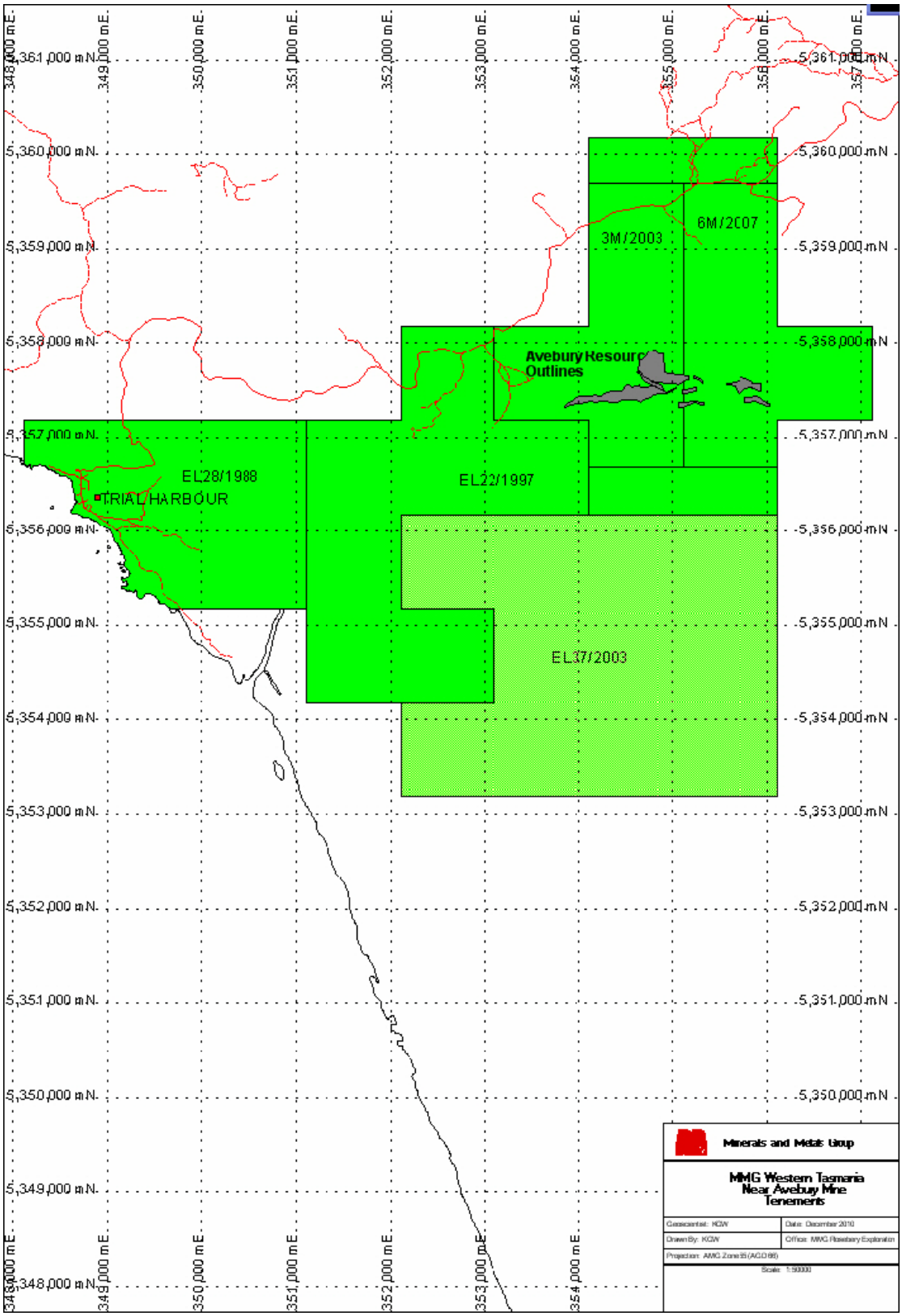

Figure 1 EL37/2003 Location Plan

A request for amalgamation of exploration expenditure on the three near mine Exploration Licences was granted on 4 April 2007.

3 GEOLOGY

The Avebury deposits are hosted in serpentinised dunite or strongly metasomatised, tremolite-diopside ultramafic skarn intruded into Mid Cambrian basaltic volcaniclastics. 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 (Figure 2). The magnetic anomaly on EL37/2003 is less intense than the Avebury anomaly suggesting the ultramafic may be smaller or deeper. The linear ESE striking magnetic feature is likely to represent a continuation of ultramafic lithologies intersected in drilling to the west in EL22/1997 and EL28/1988.

Gridding and soil sampling completed in 2008, 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.

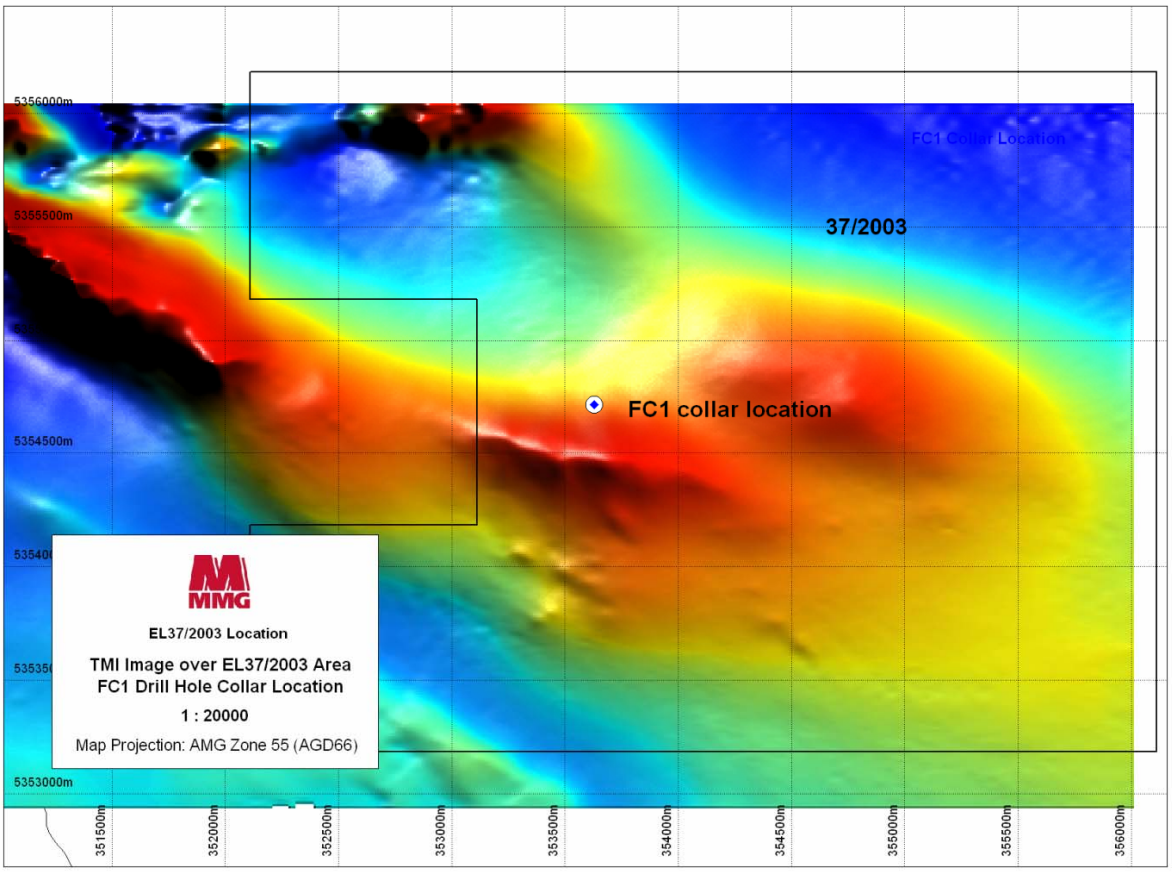

Figure 2 Total magnetic intensity image (TMI) of the Fen Creek EL37/2003 tenement with FC1 drill hole location

4 EXPLORATION COMPLETED 2010

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

- Diamond drill hole FC1 drilled to 428m.
- Drill site rehabilitation.

The area is located in particularly remote and rugged country south of the Little Henty River. To minimise environmental disturbance and access costs, the drilling program was helicopter supported.

A large linear aeromagnetic anomaly extends from the Burbank Prospect ultramafic within EL22/1997 ESE for 4km onto EL37/2003. The extension of the anomaly is interpreted to be a continuation of a prospective ultramafic host. FC1 was targeted to intersect the ultramafic but failed to do so. The location of FC1 within EL37/2003 is given in Figure 2.

Modelling of open file MRT data by MMG was completed during 2009. A south dipping ultramafic body was modelled. This however contradicted drilling evidence from Burbank where a steeply NE dipping ultramafic has been delineated. It was decided that FC1 should be drilled to intersect the continuation of the known ultra-mafic orientation delineated buy previous drilling. Unfortunately FC1 failed to intersect the targeted lithology. FC1 intersected Gordon Limestone from surface to 311m. Owen Conglomerate was intersected in the remainder of the hole to 428m. The core was not sampled as no mineralization was observed.

A geological log of FC01 is attached as Appendix 1 which also includes a collar location table and a downhole survey table.

A summary cross section is shown below.

5 EXPLORATION PLANNED 2011

Exploration planned for 2011 will include:

- Undertake a heli-borne VTEM survey to locate bedrock conductors that might represent higher sulphide content Avebury style Ni sulphide deposits which are more likely to be conductive.
- Follow up any VTEM anomalies identified by the survey with geological mapping and sampling, and possible drill testing.
- Reappraise the additional drill testing targeted on the magnetic anomaly.

5.1 DRILLING

FC1 failed to intersect the targeted lithology. Following reinterpretation, an additional drill hole may be warranted to target the linear ESE linear aeromagnetic anomaly.

Any drilling on EL37/2003 will be helicopter supported to minimise environmental impacts.

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

EL37/2003 FEN CREEK

	2011 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Activity	Airborne EM	EM Interp	Ground EM, mapping	Drilling 1 X 400m									
Budget $K	45	15	15	80									155

Appendix 1 Diamond Drill Hole FC01 Collar Location, Downhole Surveys and Geological Log

Hole_ID	Coordsys	Planned_Surveyed	Survey_Method	Ranking	Easting	Northing	RL	Survey_Date	Surveyor	Survey
FC01	AMG55 (AGD66)	DRILLED	Handheld GPS	1	353520	5354544	64.3	09/02/2010		

Project	Prospect	Hole ID	RevisedBy	Type	Proposed_ID	Tenement	Geo_Proposed	Priority	Prospectivity	Logging	Status	Purpose	Target	Interpretation
AVB	ATA	FC-01		DD		EL37/2003	JAW					FC01 was drilled to test a magnetic anomaly south west of the Avebury deposit, the targeted magnetic anomaly was not resolved by this drilling with no ultramafic lithologies identified		

Hole_ID	DEPTH	Azim_Mag	Azim_AMG	Azim_Local	Dip	Instrument	Ranking	AcceptorReject	Comments
FC-01	15	161.6			-49.6	REFLX	1		
FC-01	50	163.2			-49.4	REFLX	1		
FC-01	100	164.3			-48.8	REFLX	1		
FC-01	150	165.8			-47.8	REFLX	1		
FC-01	200	166.5			-47	REFLX	1		
FC-01	250	168.4			-45.5	REFLX	1		
FC-01	350	170			-42.8	REFLX	1		
FC-01	401	170			-42.8	REFLX	1		

Hole_ID	m	o	d	Unit	Lith Qualifier	Code	Shade	1	2	g	1	Description
FC-01	0	0.7	P			LOSS						No core recovery; drilled with HQ installation of collar pipe;
FC-01	0.7	5.7	P	Og		SLM	PALE	BLK			CB	Heavily carbonate veined, burrowed stylolitic micrite, core quite broken mid section
FC-01	5.7	9.3	P	Og		SLM	PALE	BLK			CB	Massive bioclastic micrite with heavy carbonate veining, core moderately competent
FC-01	9.3	14.4	P	Og		SLM	PALE	BLK			CB	Massive stylotised micrite with nodular fine grained calcarinite, burrows increasing down hole, intermediate carbonate veining, competent core
FC-01	14.4	18.2	P	Og		SLM	PALE	BLK			CB	Massive styolised, burrowed, bioclastic medium grained calcarinite, intermediate carbonate veining, Competant core, large 3.5cm thick calcite vein at 17m
FC-01	18.2	64.6	P	Og		SLM	PALE	BLK			CB	Massive bioclastic calcarinite, lighty styolitic, heavily carbonate veined, competent core, pyrite replacement of carbonate veins at 18.7m, 39.4 to 57.5m variable pyrite replacement in carbonate veins, generally in carbonate vein breccia intervals, Cerucite replacement of carbonate vein at 48.1m
FC-01	64.6	68.8	P	Og		SLM	MED	BLK			CB	68.5 change to NQ core Massive stylolitic fine grained calcarintie, minor burrows and bioclastic intervals moderate carbonate veining, pyrite with associate minor sphalerite replacement around outer edges of carbonate veining and lesser disseminated pyrite blebs
FC-01	68.8	82.1	P	Og		SLM	MED	BLK			CB	Massive laminated argillaceous micrite and fine grained calcarinite, bioclastic intervals, moderate carbonate veining, 79m to 80m carbonate vein breccia
FC-01	82.1	107.1	P	Og		SLM	MED	BLK				Interval of massive bioturbated, bioclastic micrite and stylolitic bioclastic calcarinite moderatly carbonate veined.Pyrite and sphalerite vien replacement plus trace galena from 103.2m to 107m
FC-01	107.1	130	P	Og		SLM	PALE	BLK				Interval of massive bioturbated and burrowed bioclastic micrite and medium grained calcarinite interbedded with intervals of thinly bedded argilleacous micrite and bioclastic fine grained calcarinite, Pyrite cerucite and trace sphalerite replacement around stylolites and courser calcarinites from 125.8m to 130m
FC-01	130	131	P	Og		SLM	MED	BLK				Fenestral micrite, minor carbonate veining, becoming more bioclastic downhole.
FC-01	131	143	P	Og		SLM	MED	BLK				Massive burrowed, biclastic argillaceous micrite, minor carbonate veining, interbedded with bioclastic wispy textured micrite
FC-01	143	143.9	P	Og		SLM	MED	BLK				Fine grained stylotised bioclastic calcarinite with micrite filled burrows minor carbonate veining
FC-01	143.9	153.8	P	Og		SLM	MED	BLK				Burrowed and styloltised fine grained bioclastic calcarinite interbedded with bioclastic micrite beds from wispy texture up to 3cm thick, some intervals bioturbated, carbonate veining decreases down hole from thick 10cm veins to fine veinlets.
FC-01	153.8	156.9	P	Og		SLM	PALE	BLK				Bioclastic, stylolitic and burrowed fine grained calcarinite with carbonate veining
FC-01	156.9	164.3	P	Og		SLM	MED	BLK				Sequence of interbedded stylolitised bioclastic micrite with bioclastic stylotised fine grained calcarinite, micrite intervals very thin to wispy texture increasing down hole
FC-01	164.3	200	P	Og		SLM	PALE	BLK				Sequence of bioturbated bioclastic fine to medium grained calcarinite with intervals of bioclastic micrite that decrease in with down hole to wispy texture stylolitasion increasing down hole, very fine grained disseminated pyrite throughout carbonate veining from veinlets to occasional 5cm thick veins
FC-01	200	219	P	Og		SLM	PALE	BLK				Stylolitiesed bioclastic fine grained calcarinite with moderate carbonate veining with a bioturbated base
FC-01	219	251.2	P	Og		SLM	PALE	BLK				Sequence of styloltiesed micrite with bioclastic micrite intervals and small up to 10cm bioclastic fine grained calcarinite beds with minor pyrite. Stylolites increasing in intensity down hole with minor pyrite also associated with carbonate veining
FC-01	251.2	276	P	Og		SLM	PALE	BLK				Fine to medium grained bioclastic calcarinite with intervals of burrowing and thin micrite beds. Intervals of intense carbonate vein breccia, remainder moderate carbonate veining, stylolites with very fine pyrite decreasing downhole
FC-01	276	285	P	Og		SLM	PALE	BLK				Sequence of fine grained calcarinite with thin micrite, stylolitesed throughout some bioclastic intervals, Stomatopoiroids at 284m indicating close to base of GL
FC-01	285	292.9	P	Og		SLM	PALE	BLK				Interval of fine grained some bioclastic calcarinite with burrows filled with micrite and interbeds of micrite up to 3cm, light carbonate veining
FC-01	292.9	298.15	P	Og		SLM	PALE	BLK				bioturbated, bioclastic and burrowed fine grained calcarinite and micrite stylolitic and carbonate veins increasing in intensity down hole
FC-01	298.15	311.5	P	Og		SLM	PALE	BLK				Fine grained stylolitic calcarinite with minor bioclastic intervals and carbonate veins
FC-01	311.5	313.55	P	Oc		SCG	PALE	RED				Owen Conglomerate: clast supported, poorly sorted pebble conglomerate, vein brecciated, clasts consist of sub angular to sub rounded qtz, pink siltstone and chert in a fine grained matrix, disseminated pyrite and broken up core
FC-01	313.55	404	P	Oc		SCG	MED	RED				Owen Conglomerate: Clast supported, poorly sorted cobble conglomerate with medium to course sandy matrix. Sub-rouned to rounded clast of qtz, pink slt chert and qtzite. Disseminated py+cpy (316.6m) randomly throughout and on fractures, green chlorite? Alteration on edges of some qtz veins, 372.8m large soft green clast serpentinite?, qtz with magnetite clast at 331.65 and local magnetite alteration of matrix in same zone
FC-01	404	404.75	P	Oc		SCG	DK	TAN				Owen Conglomerate: Clast supported, poorly sorted cobble conglomerate with medium to course sandy matrix. Sub-rounded to rounded clast of qtz, pink slt magnetite alteration of matrix in same zone chert with chlorite and carbonate alteration. Thick 4cm carbonate vein in interval
FC-01	404.75	428	P	Oc		SCG	MED	RED				Owen Conglomerate: Clast supported, poorly sorted cobble conglomerate with medium to course sandy matrix. Sub-rouned to rounded clast of qtz, pink slt chert and qtzite. Disseminated py randomly throughout and on fractures magnetite alteration of matrix in same zone and odd magnetite clasts 412.2 & 417.6