



TRIAL HARBOUR EL 22/1997
ANNUAL REPORT
FOR THE PERIOD ENDING 30th JUNE 2011

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1. SUMMARY

Exploration Licence EL22/1997 (Figure 2) is adjacent to Avebury 3M/2003 and East Avebury 6M/2007 which contain the Avebury Nickel Sulphide deposit. MMG's administration of EL22/1997 is strategic in the assessment and development of further potential to the Avebury Mine.

EL22/1997 is considered highly prospective for similar occurrences of mineralisation as can be seen at the Avebury Mine. 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.

A LIDAR survey was conducted in 2010/2011 to accurately position the land surface in relation to VTEM and Magnetic anomalism. Whilst this year's activities have been limited, a drill program is designed for the following year of tenure to continue assessment of the potential of Ni Sulphide mineralisation.

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 northeast and bordering MMG held EL28/1998 Zeehan in the west (Figure 2). The EL covers an area that is highly prospective for Avebury style nickel sulphide deposits and forms an important part of MMG's long term exploration program aimed at nickel resource expansion in the region. The Avebury deposit is hosted in serpentinitised dunite or strongly metasomatised, tremolite-diopside ultramafic skarn intruded into Mid Cambrian basaltic volcanoclastics, equivalent to the Crimson Creek Formation. The altered ultramafics contain a significant quantity of magnetite which is why high resolution aeromagnetics has to date been an effective geophysical exploration tool for identifying the extension of this lithology from known occurrences at the Avebury Mine.

Allegiance Metals have been actively exploring ML's 3M/2003 and 6M/2007, and the surrounding tenements 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 mineralising 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. LAND TENURE

Exploration Licence 22/1997, Trial Harbour, is coincident with the Trial Harbour Road in the north, and the Little Henty River in the central portion. The EL is located 4km east of the Trial Harbour village and has a holding area of 8km². The land covered by EL 22/1997 is gazetted as a State Forest Informal Reserve.

4. GEOLOGY

The Avebury deposits are hosted in serpentinitised Cambrian dunite (Figure 2) or strongly metasomatised, tremolite-diopside ultramafic skarn obducted onto Mid Cambrian basaltic volcanoclastics. The ultramafic rocks demonstrably extend onto the surrounding EL's including EL 22/1997. EL 22/1997 is therefore considered highly prospective for Avebury style nickel sulphide mineralisation.

Variable metasomatism of the serpentinitised host ultramafics, thought to have occurred during intrusion of the Heemskirk Granite, has formed two distinctly different mineral assemblages, each of which may host ore grade nickel sulphide mineralisation:

- **Essentially unmetasomatised serpentinitised ultramafic:** a fine grained black rock composed predominantly of antigorite with minor disseminated chromite, magnetite and sulphides
- **Metasomatised serpentinitised ultramafics:** pale grey or green, coarsely crystalline tremolite/actinolite and diopside with minor magnetite, chromite and sulphides.

Sulphide mineralisation in both serpentinitised ultramafic and ultramafic skarn generally consists of pentlandite and pyrrhotite and is associated with magnetite in the form of crystalline intergrowths and veins within massive granular magnetite-chromite. Pentlandite occurs as coarse disseminations and stringer veins associated with secondary magnetite. Sulphide contents are generally low with mineralised ultramafic comprising between 0.5 to 3% sulphides although massive pentlandite does occur in some drill intersections.

Nickel sulphide mineralization is largely concentrated within the ultramafic immediately adjacent to its margins with nickel grades diminishing toward the interior of the intrusions. Some internal zones of nickel sulphide mineralisation are present.

The serpentinitised ultramafics have a strong magnetic signature due to their high concentrations of magnetite, and their presence can be interpreted from magnetic images (Figure 3). The nickel sulphide mineralisation too has a strong magnetic signature due to the pentlandite-pyrrhotite-magnetite relationship. High resolution aeromagnetics is a key early exploration tool.

5. CURRENT EXPLORATION

No on-ground exploration was carried out on EL 28/1997 during the reporting period.

An aerial LIDAR (Light Detection and Ranging) survey was conducted by Fugro Spatial Solutions Pty. Ltd. over the total area of the licence during the reporting period. Flight lines were 1km apart with additional tie lines at the border of the relevant lease. Figure 1 and Table 1 contain the relevant information of the survey.

Most other work carried out with supporting expenditure has been of an administrative, data management and review nature.

The main reason for the lack of activity is the transitional period between Managing Geologists. MMG has placed considerable importance on rectifying any ongoing concerns.

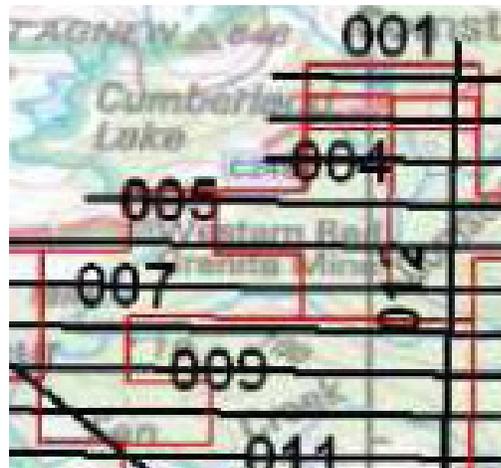


Figure 1: LIDAR Survey flight lines over EL22/1997

Product	Item	Format	Media	Projection
LIDAR				
Digital Terrain Model	Lidar ground model key points	ASCII	DVD	MGA94/55+AHD
Digital Elevation Model	2m Gridded DEM	ASCII	DVD	MGA94/55+AHD
Vertical Accuracy	+/- 0.20m at 1 σ			
Horizontal Accuracy	+/- 0.40m at 1 σ			
Contours	0.5m	DGN		MGA94/55+AHD
Report	Metadata	PDF		
IMAGERY option				
Orthoimage	0.25m GSD RGB	ECW	DVD	

Table 1: Key parameters and outputs for LIDAR survey over EL22/1997

6. PREVIOUS EXPLORATION

Work Completed in the 2009-2010 Period

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.

7. ENVIRONMENTAL

There were no surface disturbance or rehabilitation activities undertaken during the reporting period.

A Flora and Fauna Survey was conducted early in July to assess two potential drill sites for the coming Trial Harbour Drill Program. Expenditure will be reported in the coming year due to a delay in invoicing

8. CONCLUSIONS AND RECOMMENDATIONS

Drilling in the previous year on EL37/2003 Fen Creek, which was based on a significant EM anomaly, showed that the possibility of Ni sulphide mineralisation was more likely to occur on EL22/1997 to the north. Remodelling of the VTEM data and magnetic data, in conjunction with a more accurate elevation model, has showed that there is a significant anomaly worth testing in the southern portion of the EL. One drillhole has been planned at the time of this report, and is intended to drill within the next few months at this site.

A Flora and Fauna survey was conducted this month, (June 2011), to optimally position the drill pad and reduce any possible conflict with the local community, which precedes the drill program scheduled for September of 2011.

Drill results will help decide on the ongoing potential of ultramafic hosted Ni Sulphides leading into the Trial Harbour area.

9. EXPENDITURE

Direct expenditure on EL 22/1997 Trial Harbour for the year ending 31st July 2011 was **\$50,394** mainly relating to geophysics, staff salaries and administrative costs. Near Mine Exploration costs for Avebury Mine Leases 3M/2003 and 6M/2007 as amalgamated with EL22/1997 was **\$1,046,138**.

Cost Element	AUD
TOTAL COSTS	50,393.81
OPERATING COSTS	50,393.81
PERSONNEL	14,231.24
CONTRACT FIELD SUPPORT	
GEOSCIENCE CONSULTANTS	1,700.00
TRACK CUTTING & GRIDDING	
GEOPHYSICS	23,241.83
GEOCHEMICAL & ASSAYING	
DRILLING	
OTHER CONTRACTORS	4,584.95
STORES/SUPPLIES	
VEHICLES, PLANT & MAINTENANCE	
LAND & ENVIRONMENT	697.31
EQUIPMENT HIRE	
DEPRECIATION, OFFICE & SUNDRY	5,938.48

Cost allocation per activity between 1st August 2010 to 31st July 2011

10. KEYWORDS

MMG, AVEBURY, TRIAL HARBOUR, ULTRAMAFIC, CRIMSON CREEK FORMATION, LIDAR, DIGITAL ELEVATION MODEL, SERPENTINITE.

11. REFERENCES

Stewart, L. F., 2009. EL28/1988 Zeehan – Annual Report to November 2009. Unpub. MMG Exploration Report.

Wighton, K., 2010. EL22/1997 Trial Harbour – Annual Report for Period Ending July 2010. Unpub. MMG Exploration Report.

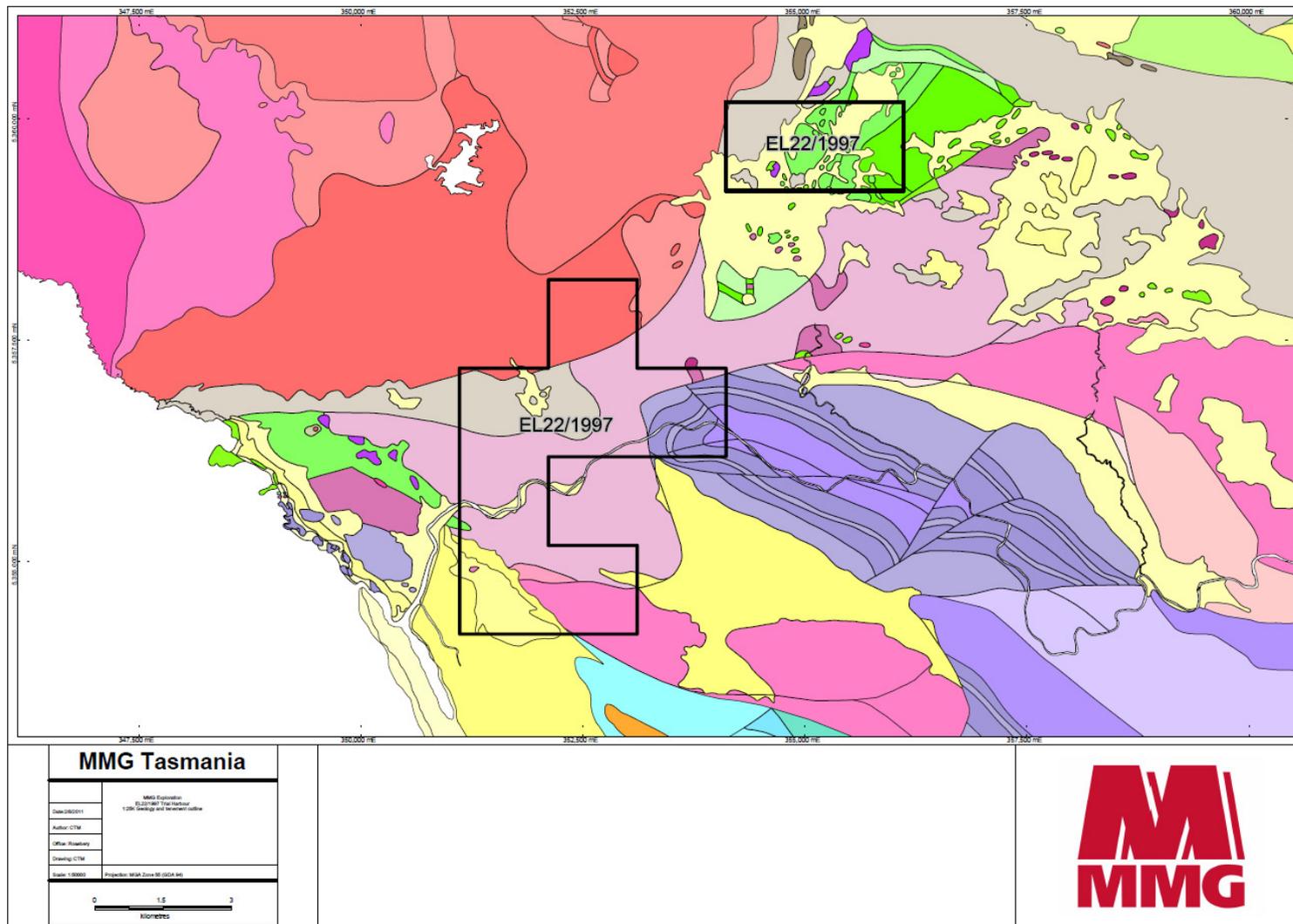


Figure 2. Location of EL22/1997 Trial Harbour