



EL37/2003 Fen Creek/Little Henty

**ANNUAL REPORT
FOR THE PERIOD ENDING 6th February 2012**

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1. SUMMARY

The Fen Creek EL37/2003 is located to the south of the Little Henty River and has no access infrastructure. The Exploration Licence lies immediately southwest of ML 3M/2003 which hosts the Avebury Nickel Sulphide deposit. The Avebury Nickel Sulphide deposit is hosted in Cambrian Ultramafic Rocks which have been demonstrated to extend onto the surrounding EL's. Geophysical surveys have identified a strong ESE trending aeromagnetic high extending from outcropping ultramafic in the Trial Harbour region through the centre of EL37/2003. Subsequent diamond drilling at the Burbank prospect on adjacent EL 22/1997 and EL 28/1988 has confirmed the presence of the host ultramafic.

MMG consider its entire portfolio of nickel prospective tenements surrounding the Avebury nickel mine as highly prospective for similar styles of mineralisation. MMG take a holistic approach to exploring for nickel mineralization within western Tasmania and are actively engaged in numerous broad scale targeting strategies in line with its overall program of resource expansion through near mine exploration.

Exploration completed during 2011/12 includes:

- Aerial LIDAR survey
- Target generation through interpretation of VTEM data

Exploration planned for 2012/13 includes

- Follow up results and litho geochemistry of TRL001
- Possible retesting of the aeromagnetic anomaly within EL37/2003 with additional drilling.

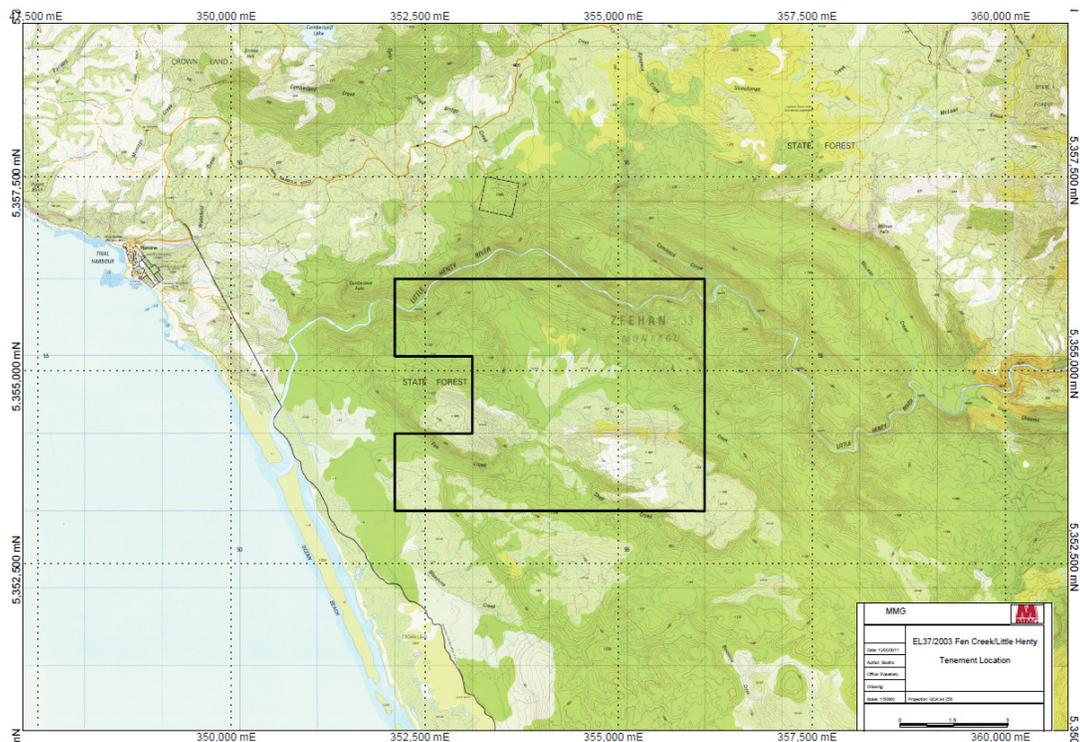


Figure 1: EL37/2003 Location Map

2. INTRODUCTION

EL37/2003 Fen Creek was granted to Allegiance Mining in 2003. Allegiance Mining is 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 was ramped up to full production of 7,000tpa of Ni in high grade concentrates from 900,000tpa. In February 2009 the operation was placed on care and maintenance due to a drastic fall in Nickel price and debt service difficulties of the parent company due to the 2008 Financial Crisis.

A restructuring of OZ Minerals resulted in the sale of the Avebury Mine and surrounding tenements to MMG in mid 2009. An exploration budget for the tenements was approved by MMG management in late 2009. The Avebury operation remains on care and maintenance pending improved financial conditions.

In 2010/11 MMG completed 12 holes (7319m) with the aim to increase the resource base at Avebury. This was successfully achieved with a 21.5% resource increase (contained metal). The latest resource figure for the deposit was calculated in June 2011 (Table 1). A large metallurgical study was also completed during 2010 to assess techniques to remove arsenic from the concentrate.

The Avebury mineralization was also subject to various geophysical studies including closed loop EM and down hole EM on selected sections. Down hole petrophysics was performed on selected drill holes within the East Avebury resource area including the capture of conductivity, gamma and magnetic susceptibility data sets.

MMG are also engaged in sponsoring academic studies on the Avebury mine through funding an ongoing PhD at University of Tasmania (CODES) and multiple honours projects through the Monash University School of Geosciences in 2011.

The main focus in the district has been to add to the Avebury resource base. Exploration has continually extended the Avebury Resource with an additional Mine Lease granted (6M/2007) on extensions into former EL28/1988. Further resource additions from the ML and surrounding EL's are anticipated.

Avebury Mineral Resources			
		Contained Metal	
	Tonnes (Mt)	Nickel grade (% Ni)	Nickel ('000 t)
0.4% Ni cut-off grade			
Measured	3.8	1.1	42.5
Indicated	4.9	0.9	45.7
Inferred	20.7	0.8	171.3
Total Resources	29.3	0.9	259.4

Significant figures do not imply precision. Figures are rounded according to JORC Code guidelines.

Mineral Resource stated as total Ni, which includes sulphide and silicate phases.

Competent Person:
Peter Carolan (Member of AusIMM, employee of MMG)

Table 1: Avebury Mineral Resources

3. LAND TENURE

EL37/2003 is 11Km² and is wholly covered by State Forest and lies within the King-Henty Catchment. It is cut by the Little Henty River in the NE and NW corners.

The Southwest Corner of the lease contains Geoconservation Sites including the Macquarie Harbour Graben and Little Henty River Raised Last Interglacial Beaches. Western Tasmanian Blanket Bogs extend throughout the southern half of the lease.

The Northern boundary of the lease also lies within the Deeply Entrenched River Gorges on the Henty Surface, coincident with the Little Henty River.

mineralisation too has a strong magnetic signature due to the pentlandite-pyrrhotite-magnetite relationship. High resolution aeromagnetics is a key early exploration tool.

EL 37/2003 covers an area immediately south-west of the Avebury deposits. Aeromagnetic surveys completed previously by Allegiance (MMG) and MRT are interpreted as suggesting the Avebury altered ultramafic host rocks may extend into the licence area, largely beneath thick formations of upper Paleozoic sediments from the Wurawina Supergroup and Crimson Creek Formation.

5. CURRENT EXPLORATION

Work Completed in the 2011-2012 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 4 and Table 1 contain the relevant information of the survey.

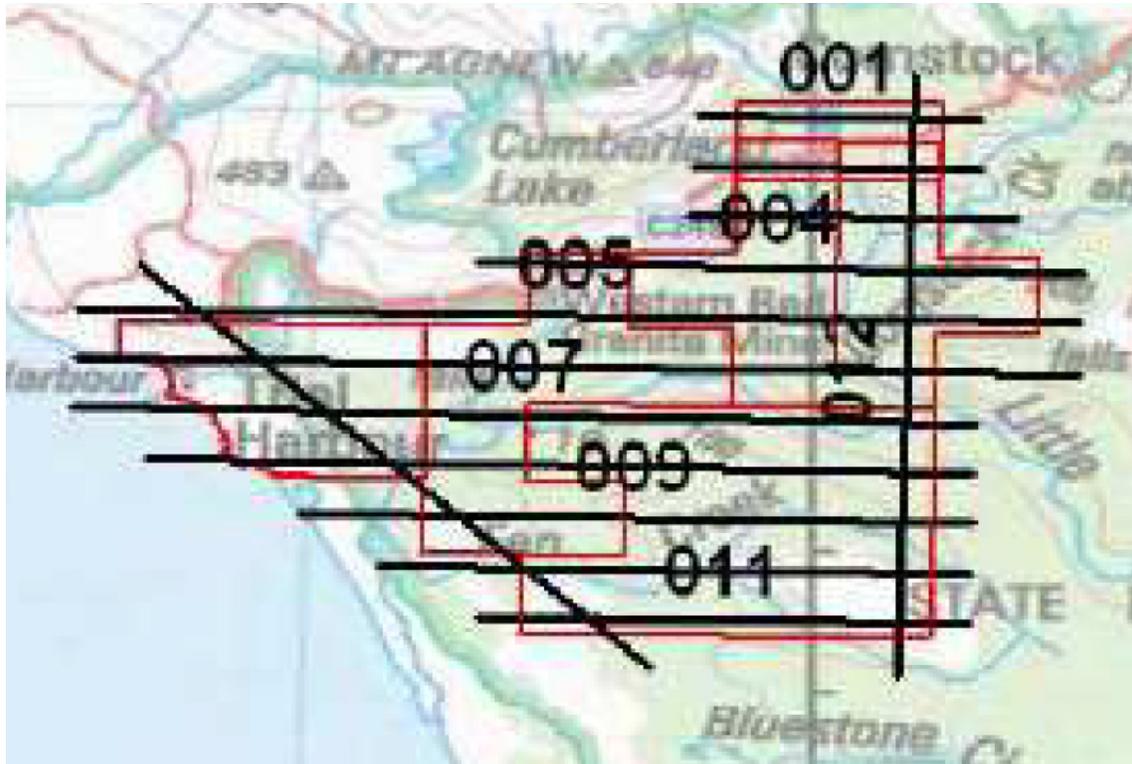


Figure 3: LIDAR Survey flight lines over EL28/1988 and surrounding leases

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 2: Key parameters and outputs for LIDAR survey over EL37/2003

Initial Target generation through the 2010 VTEM was completed in April 2011 with six high priority targets identified. These targets were all located in adjoining leases. 2 of these targets were flagged for work in 2011, both on EL28/1998 Zeehan. Due to environmental constraints only one of these anomalies was followed up with a 200m diamond drill hole (TRL001). Trace NiS was observed in altered ultramafic dykes. (See the 2011/12 report for detailed information)

6. PREVIOUS EXPLORATION

Exploration completed during 2010/11 includes:

- Drilling of a helicopter supported diamond drill hole, FC1, to a total depth of 428m. FC1 was targeted to intersect the ultra-mafic within EL37/2003. The drill hole failed to intersect the target indicating Ni sulphide mineralisation was more likely to occur on EL22/1997 to the north.
- Versatile Time Domain Electro-magnetic (VTEM) data acquisition over all of MMG's nickel prospective tenements in western Tasmania

7. ENVIRONMENTAL

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

8. CONCLUSIONS AND RECOMMENDATIONS

A desktop assessment to concatenate the data from recent drill holes, geological mapping and geophysics.

Follow-up work on TRL001 results (EL28/1998) including pending lithogeochem results will determine the ongoing work programs on the MMG Avebury Ni portfolio for the coming 2012/13 reporting year.

9. EXPENDITURE

Costs incurred during the reporting period are primarily due to the support activities.

Fen Creek Expenditure 01/02/2011 to 31/01/2012

		Fen Creek EL37/2003
TOTAL COSTS	AUD	19,704.29
PERSONNEL	AUD	12,229.19
CONTRACT FIELD SUPPORT	AUD	
GEOSCIENCE CONSULTANTS	AUD	
TRACK CUTTING & GRIDDING	AUD	
GEOCHEMICAL & ASSAYING	AUD	
DRILLING	AUD	
GEOPHYSICS	AUD	944.53
OTHER CONTRACTORS	AUD	4,362.50
STORES & SUPPLIES	AUD	
VEHICLES, PLANT & MAINTENANCE	AUD	
LAND & ENVIRONMENT	AUD	819.71
EQUIPMENT HIRE	AUD	
DEPRECIATION, OFFICE & SUNDRY	AUD	1,348.36

10. KEYWORDS & LOCALITY

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