



Melba Siding RL 5/2009

**ANNUAL REPORT
FOR THE PERIOD ENDING 28th OCTOBER 2012**

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CONTENTS

1. SUMMARY.....3
2. INTRODUCTION3
3. LAND TENURE.....4
4. ENVIRONMENTAL.....4
5. EXPENDITURE.....4

LIST OF FIGURES

Figure No.	Title	Scale
<i>Figure 1</i>	Tenement Location Diagram	1:20,000

1. SUMMARY

Rehabilitation of historic drillholes was undertaken on RL 5/2009 Melba Siding over the 12 month reporting period to the 28th October 2012. Previously delineated resources at Melba Siding are at shallow depths and considered amenable to open cut mining techniques. Due to the limited tonnage of currently delineated resources at Melba Siding, a standalone mining operation is not considered viable, where the commercial development of the Melba Siding resources is linked closely to the recommencement of mining activities at the Avebury deposit; MMG are currently engaged in programs to reassess the economic viability of the Avebury mine.

MMG exploration is currently undertaking multidisciplinary regional and prospect-scale reviews and data compilations across the area to increase the Company's understanding of the Avebury and similar mineralising systems. These on-going programs are focused on the identification of additional upside including the generation of other proximal target areas prospective for nickel sulphide. To this end collaborative research projects sponsored by MMG through CODES at University of Tasmania, including a PhD study, are being undertaken to resolve regional context and stratigraphic issues, alteration zonation and develop more effective targeting mechanisms for nickel sulphide systems within western Tasmania.

2. INTRODUCTION

The Melba Siding retention license area RL 5 / 2009 is a ~ 3 km² block within the Melba Flats exploration licence EL 43 / 1993 exploration license located to west of the Murchison Highway immediately to the south of the Renison Bell tin mine, between the towns of Rosebery to the north and Zeehan to the south (Figure 1).

The Melba Flats area has had a long exploration history as indicated by numerous small scale historical workings and adits. It is thought that copper and nickel mineralization was first discovered in the Melba Creek Area as early as 1893. Recent exploration efforts by Allegiance Mining and later Oz Minerals resulted in the delineation of small scale, high grade nickel resources.

The Melba Flats area is underlain by Cambrian sediments intruded by a number of Cambrian gabbro dikes, genetically associated with the Serpentine Hill and Razorback Ultramafic bodies east of the tenements. The sediments dip to the east and generally strike north-south. Variations in these trends are caused by district folding and common small-scale faulting. The gabbro dikes are intrusive, often with chilled and brecciated margins, and are both concordant and discordant with the enclosing sediments. The dikes, sediments and ultramafics are pervasively altered. Carbonate and carbonate-talc alteration of the gabbro dikes is typically accompanied by late stage carbonate veining. Nickel-copper mineralisation is widespread in the altered gabbros and accumulates in small high grade pods on the footwall of one (?) of these dikes. The mineralisation is accompanied by Au, Pt, Pd, Co mineralisation in broad correlation with the Ni-Cu contents. The late-stage carbonate alteration and veining is also accompanied by significant coarse galena-sphalerite-chalcocopyrite. Exploration to date by Allegiance has shown the Ni-Cu mineralisation to be more widespread and persistent to greater depths than previously thought. Drilling by Allegiance, complemented by surface exposure and former mine workings has identified modest shallow resources at Nickel Reward and North Cuni-Genets. The district is regarded as highly prospective for extensions of these resources and for more substantial bodies at depth associated with larger gabbro and ultramafic intrusives.

The overall strategy of Allegiance and later OZ Minerals at Melba Siding was to commence production from several small pits and to access deeper resources by way of appropriately-sized declines from within these pits. The resources to be extracted from the Melba Flats area were planned to complement and be processed with the ore from Avebury at the Avebury Mine Site.

Exploration activities were disrupted and hindered by economic conditions and subsequent major corporate activities. Prior to its takeover by Zinifex in 2008 (and the subsequent merger etc to create MMG) Allegiance Mining had been exploring and evaluating the Melba area since 1997 with expenditure in excess of \$2,500,000. This work culminated in the identification of modest shallow resources within the Melba Flats area at Nickel Reward and North Cuni-Genets.

3. LAND TENURE

In October 2007 a 10 year mining lease 2M/2007 was granted. Subsequently, OZ Minerals applied for and was granted the conversion of Mining Lease 2M/2007 to a Retention Licence RL 5 / 2009 under the provisions of Section 53(2) of the Mineral Resources Development Act, 1995. The application was made on the grounds of economic reasons not to mine the small scale resources. The same economic conditions resulted in the Avebury nickel mine being placed on care and maintenance.

RL5/2009 was granted on 30/11/2009 for a four year period to the 1/12/2013.

4. ENVIRONMENTAL

During the period 50 old drill holes were rehabilitated at Melba Flats. Drill casing has been cut to ground level and capped. All holes have been documented with photographs and G.P.S .

5. EXPENDITURE

\$21,153

Figure 1: Location RL5/2009 Melba Siding

