



ABN 23 004 074 962

MMG Limited
Level 23, 28 Freshwater Place,
Southbank Victoria 3006
Australia Telephone: +61 3 9288 0888
Facsimile: +61 3 9288 0800
www.mmg.com

MMG AUSTRALIA LIMITED

ABN 23 004 074 962

**MELBA FLATS, TAS:
EL43/1992**

ANNUAL EXPLORATION REPORT (Reporting Period 17th April 2016 to 16th April 2017)

Grant Date: 17 April 1993
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Authority Holder: Allegiance Mining Pty Ltd
Project Operator: MMG Australia Limited

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Author : D Wallace

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Author contact details and verification signature:

David Wallace: David.Wallace@mmg.com
Tel: 0409 116 450

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SUMMARY

This annual report covers exploration completed on the “Melba Flats” Tenement (EL43/1992) for the year ending 16th April 2017. Melba Flats is a 6km² Exploration Licence surrounding the former mining lease ML2/2007, now RL05/2009 with an area of 3km². These licences were acquired to facilitate the development of identified resources at Melba Flats. Minerals and Metals Group Limited (MMG) is the operator of both licences which are held by Allegiance Mining Pty Ltd (Allegiance).

ML2/2007 was granted on 22 August 2007 for a 10 year period. Due to the prevailing economic conditions in 2009 and the current size of the resource at Melba Flats, MMG gained approval in 2009 for the conversion of the ML into a Retention Licence; RL5/2009.

Allegiance was exploring and evaluating the Melba Flats area from 1997, prior to its takeover by Zinifex in 2008 (and the subsequent Zinifex/Oxiana transaction that resulted in the formation of OZ Minerals in 2008). From 1993 to 1997, Rio Tinto Exploration (CRA Exploration) explored the area.

An application for exemption from the tenement conditions for the period was applied for and no exploration was completed.

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1 INTRODUCTION

This annual report covers exploration completed on the “Melba Flats” Tenement EL43/1992, for the year ending 16th April 2017. The Melba Flats EL surrounds the former mining lease ML2/2007, now RL05/2009. These areas were acquired to facilitate the development of identified resources at Melba Flats. Minerals and Metals Group Limited (MMG) is the operator of both licences, which are held by Allegiance Mining Pty Ltd (Allegiance). No exploration was completed during the reporting year and an exemption from the tenement and expenditure conditions was applied for.

1.1 LOCATION AND ACCESS

The Melba Flats Tenement is located ~17km WSW of Rosebery Township and ~9km NE of Zeehan Township in Western Tasmania (**Figure 1**). Access to the project area is from the Murchison Highway via tracks established by Forestry Tasmania roads.

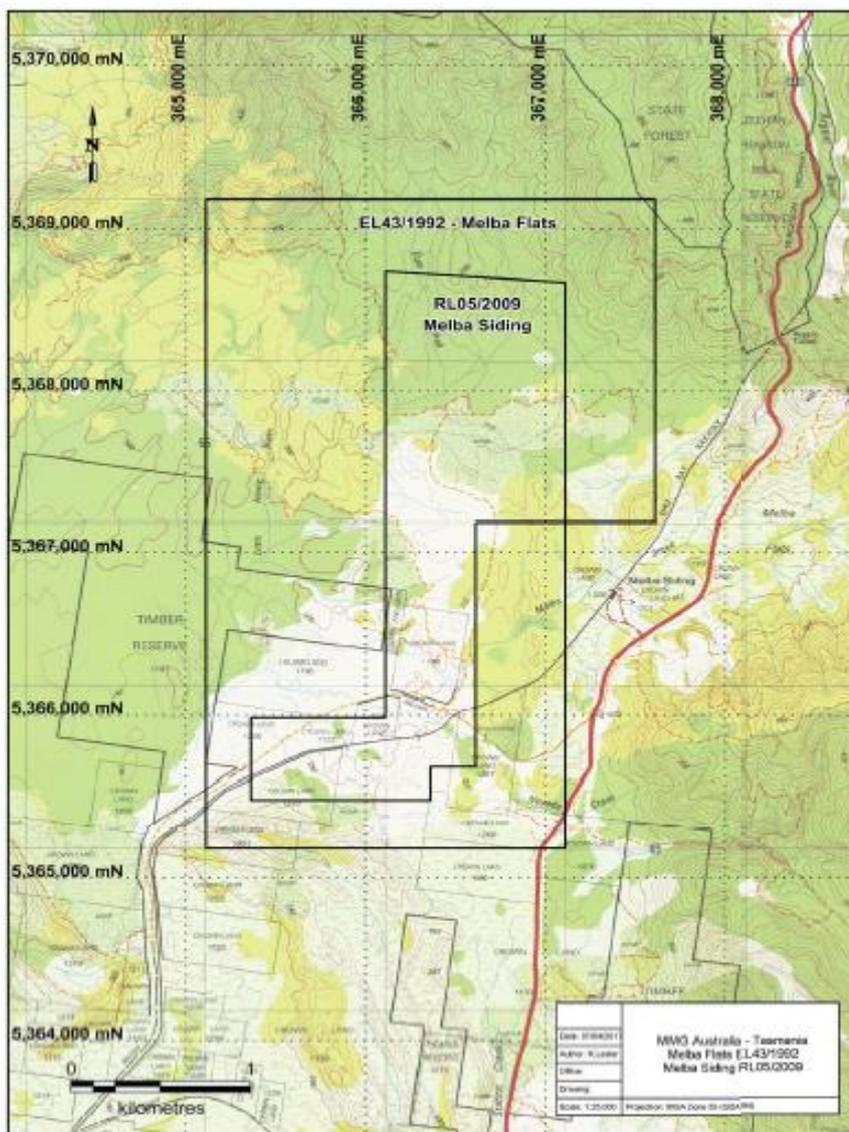


Figure 1: EL43/1992 location on 1:25K topographic map

1.2 REGIONAL GEOLOGY

The Melba Flats area consists of Cambrian Crimson Creek Formation sediments intruded by a number of gabbro dykes of unknown age. The dykes are considered genetically associated with the Serpentine Hill and Razorback Ultramafic bodies east of the area of interest. It is possible the dykes are alternatively associated

with the Henty Dyke Swarm. Turbiditic sediments dip to the east and generally strike north-south. District folding and common small-scale faulting commonly cause local variations to this trend.

The gabbro dykes are intrusive, often with chilled, brecciated margins, and are both concordant and discordant to sediments. The dykes, proximal sediments and ultramafics are pervasively carbonate and carbonate-talc altered with ubiquitous late stage carbonate veining.

1.3 LOCAL GEOLOGY AND MINERALISATION

The Melba Flats Ni-Cu mineralisation is typically disseminated throughout the gabbro dyke host rock, and more concentrated on footwall contact positions. Mineralisation is principally pentlandite-millerite-chalcopyrite-pyrite. Significant cobalt, gold and PGE's are associated with either (or both) nickel and copper sulphides. Late-stage carbonate alteration and veining is also accompanied by coarse galena-sphalerite-chalcopyrite occurrences. The body of existing petrologic data suggests the Melba Flats sulphides are hydrothermal replacement deposits, derived from a larger magmatic source.

A series of gabbroic sills that host magmatic Ni-Cu-PGE sulphides at Melba Flats were discovered in 1893 and worked intermittently until 1948. Although total production was small (~6050t) the ore was high grade, averaging 9.7% Ni and 4.7% Cu. The gabbroic sills are narrow and occur in clastic sedimentary rocks.

Historical production of 10,000t @ 9.5% Ni and 3.5% Cu to a maximum depth of 50m has been estimated for the Melba Flats field. 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.

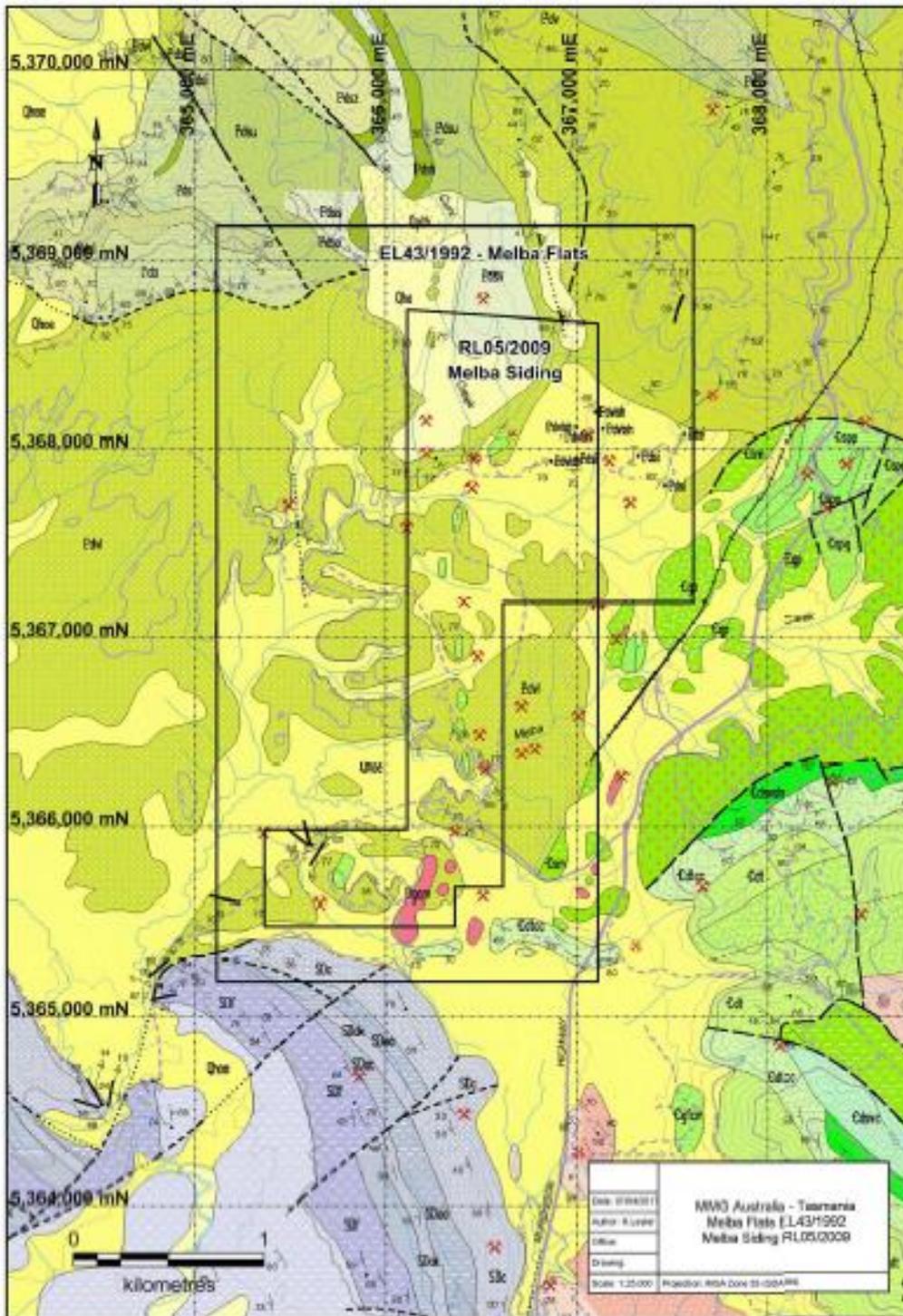


Figure 2. MRT geology with tenement locations (1:25,000).

1.4 TENEMENT HISTORY

Melba Flats is a 6km² Exploration Licence surrounding the former mining lease ML2/2007, now RL05/2009 with an area of 3km². These areas were acquired to facilitate the development of identified resources at Melba Flats. Minerals and Metals Group Limited (MMG) is the operator of both licences, which are held by Allegiance Mining Pty Ltd (Allegiance).

ML2/2007 was granted on 22 August 2007 for a 10-year period. Due to the prevailing economic conditions in 2009 and the current size of the resource at Melba Flats, MMG gained approval in 2009 for the conversion of the ML into a Retention Licence; RL5/2009.

Allegiance was exploring and evaluating the Melba Flats area from 1997, prior to its takeover by Zinifex in 2008 (and the subsequent Zinifex/Oxiana transaction that resulted in the formation of OZ Minerals in 2008). From 1993 to 1997, Rio Tinto Exploration (CRA Exploration) was exploring the area.

On 28 September 2016, MMG entered into a share sale agreement with Dundas Mining for the purchase of its Avebury nickel mine including the Melba Flats Exploration Licence 43/1992.

Dundas Mining is a privately owned exploration and mining development company based in Tasmania.

Dundas Mining plans to bring the Avebury operation back into production as soon as possible once the sale is completed.

Dundas is due to make the final payment to MMG by 9 June 2017, after which Dundas will be the owner of the Avebury mine and related tenements.

2 EXPLORATION COMPLETED DURING THE REPORTING PERIOD

No exploration work was completed during the reporting year as this licence formed part of the tenement package of the proposed sale of Avebury assets. An exemption from the tenement and expenditure conditions was applied for on 19 August 2016.

2.1 MASTERS PROJECT

On 3rd March 2014, a Masters Project conducted by Marcus Phua from Melbourne University commenced, and was completed in late 2015. The project was entitled the "Petrogenesis of the gabbroic sills hosting magmatic Ni-Cu-PGE sulphides at Melba Flats". An electronic copy of this thesis has been submitted to MRT.

Aims

The aims of the project were to establish the tectonic setting, magmatic affiliations and age of the Ni-Cu-PGE sulphide hosting gabbroic sills. The research included diamond drill core logging, petrographic investigations and whole rock geochemical studies. The ages of the sills were establishing using U-Pb dating of accessory minerals such as zircon, baddeleyite and rutile.

Other outcomes of the research were to provide:

- A structural study of sill orientations with the aim of producing a 3D model of the sills.
- Whole rock geochemistry of the sills to determine if there are compositional differences between the barren and mineralised host rocks. Previous geochemical data and the examination of Melba Flats drill core indicate the mineralised rocks are more primitive than the non-mineralised rocks.
- Whole rock geochemical analyses together with PGE, Cu, Ni, S and Se on samples from the gabbroic sill intersected in A254 which lies below and appears to intrude the Avebury serpentinite. Sections of the sill carry magmatic Ni-Cu sulphides and a xenolith.

Outcomes/Conclusions

Preliminary investigations suggest that the host rocks at Avebury and Melba Flats are the same age and are potentially similarly aged deposits. This is in contrast to current geological maps which show the Melba Flats deposits to be hosted in Rosebery Group sediments and Avebury in Crimson Creek sediments.

The ore-grade Ni-Cu-PGE sulphides at Melba Flats were formed at depth due to interaction of a PGE-undepleted high MgO magma with S-bearing crustal rocks. Some of these sulphides were then picked up as liquid sulphide droplets and transported by later batches of the same magma type. During transport, some of the sulphides were resorbed by the sulphide-undersaturated magma. As a result some of the Fe and the S in the sulphides were taken back into the magma, leaving residual sulphides that were enriched in Cu, Ni, PGE and Se.

As it is highly probable that only a small proportion of the Ni-Cu-PGE sulphides formed at depth were transported to their current sites, there is considerable potential for significant amounts of additional sulphides at depth. If present, these sulphides would have somewhat lower tenors than the Melba Flats high grade sulphides. However, the tenors of these sulphides are likely to be quite economically attractive as the tenors of the Melba Flats sulphides (~10% Ni and ~5% Cu) are significantly higher than many Ni-Cu sulphide deposits.

2.2 PROPOSED EXPLORATION IN NEXT REPORTING PERIOD

Due to the imminent sale of the Avebury assets including this licence an exploration program and expenditure budget will be proposed by the new owners for the next reporting period.

3 ENVIRONMENT

No rehabilitation work was required during the period.

4 EXPENDITURE STATEMENT

No exploration expenditure was incurred during the current reporting period. An exemption from the tenement conditions was applied for.

5 REFERENCES

Denwer, K., 2015. Annual report for Melba Flats, EL43/1992, ending 16th March 2016. *MMG Australia Limited*.