

Allegiance Mining NL

EL 22/1997 - TRIAL HARBOUR

ANNUAL REPORT TO JULY 2002

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1. EXPLORATION OBJECTIVES

EL 22/1997 west of Zeehan (Map 1) is considered highly prospective for Carboniferous nickel skarn deposits of the "Avebury type", which are developed near the tops of altered ultramafic bodies within the hydrothermal aureole surrounding the southern flank of the Heemskirk Granite.

Support for this prospectivity assessment is derived from deposit discoveries immediately adjacent to EL 22/1997 at Avebury and Burbank.

2. PREVIOUS EXPLORATION

Allegiance has completed the following exploration programs on EL 22/1997 at a cost of \$106,000:

- high resolution aeromagnetic survey
- detailed ground geological mapping
- lithogeochemical sampling

The detailed results of these programs are contained in the reports referenced below:

The results can be summarised as:

- (i) Ultramafic/mafic formation which hosts the Avebury nickel sulfide discovery extends west into EL 22/1997 and has not been drill tested to date within EL 22/1997.
- (ii) Ultramafic formation which hosts the Burbank nickel mineralisation extends south-east into EL 22/1997 and has not been drill tested to date within EL 22/1997.
- (iii) Ultramafic formations similar to those which host the Avebury deposit outcrop in the Pontiac area north of Avebury, within the Heemskirk Granite aureole. This target has not yet been drill tested.
- (iv) The strong aeromagnetic anomalies in the northern section of the northern portion of EL 22/1997 are probably due to iron-rich skarned calcareous sediments and not ultramafics. These skarns are considered more prospective for zinc than nickel.
- (v) The absence of both aeromagnetic anomalies and altered ultramafic rocks in several areas of EL 22/1997 suggests these areas have lower prospectivity for Avebury style deposits.

3. EXPLORATION COMPLETED 2001-2002

3.1 Within EL 22/1997:

No active field work was undertaken within the licence area during the year.

3.2 Adjacent to EL 22/1997:

Significant exploration programs were completed by Allegiance on EL 28/1988 immediately adjacent to EL 22/1997 in the Burbank and South Avebury areas.

Drilling in both these areas intersected significant nickel mineralisation close to the boundary of EL 22/1997 within host formations which strike directly into EL 22/1997.

Burbank:

(Figs. 4,5,6)

The Burbank prospect lies immediately south of the Little Henty River south-east of Trial Harbour. Mapping and rock chip sampling by Allegiance in 2000-2001 located a south-east trending ridge of altered ultramafics, which consistently assayed 1.0-1.5% Ni over a strike length in excess of 200 m and a width >50 m.

The ridge, which supports several outcrops of massive limonite-hematite "gossan", is interpreted as plunging to the south-east beneath younger sediments and bounded to the north-east and south-west by substantial fault (?) structures.

The nickel anomalous outcrop straddles the EL 28/1988 and EL 22/1997 boundary.

In January 2002 Allegiance completed a series of shallow cored holes into a relatively small area of the ridge as a first subsurface test of the nickeliferous ridge.

Six (6) drill holes totalling 130 m were completed, and all holes intersected significant nickel mineralisation. All cores sampled (41 discontinuous samples totalling 92 m) were strongly nickel anomalous, generally in the range 1.1-1.5% Ni, with a highest value of 1.78% Ni and a lowest value of 0.5% Ni.

Zinc values were also anomalous in the range 0.2-0.4% Zn, which is closely analogous to surface sampling over the Avebury and East Avebury deposits.

Petrological studies suggest the nickel and zinc are present in clays and iron oxides, possibly developed from oxidised sulfides within an altered ultramafic host.

South Avebury:

The South Avebury nickel sulfide deposit contains an identified inferred resource of 1.9 Mt 1.5% Ni. It is formed around the upper margins of an E-W trending anticline of altered ultramafic rocks enclosed within hornfelsed sediments. The top of the anticline plunges west.

A 3,500 m drilling program, commenced in May 2002 and in progress at the time of writing, was designed to further test the strike extensions of South Avebury both to the east and west.

The first drill hole in this program, A035, was designed to test the western extension of South Avebury. It intersected 120 m of mineralised altered ultramafics containing 6% sulfides, and including the following significant intersections:

Hole	Intersection Depth (m)	Drill Hole Width (m)	Estm True Width (m)	% Ni	% S
A 035	411.6 - 460.8	49.2	32.0	1.3	2.3
	including 411.6 - 428.9	17.3	13.0	2.1	2.5
	including 422.3 - 423.4	1.1	0.9	14.7	11.4

This A035 intersection is only 600 m from the eastern boundary of EL 22/1997.

Detailed mapping by Allegiance on EL 22/1997, combined with Allegiance high resolution aeromagnetic data suggests the South Avebury ultramafic host rocks intersected in A035 strike south-west directly into EL 22/1997 (Figs 2,3,7).

Drilling by RGC for tin in the 1980s in this general area tested magnetite bearing skarns (altered carbonates?) north of this ultramafic formation.

No drilling has ever been completed on the South Avebury ultramafic host rock extension within EL 22/1997.

The potential to discover nickel sulfide deposits in the ultramafic formation extension into EL 22/1997 is rated as extremely high. This opportunity has not been previously recognised and has only emerged as a result of current drilling on the adjacent South Avebury deposit in EL 28/1988.

4. DISCOVERY IMPLICATIONS and FUTURE EXPLORATION

The recent discoveries of, firstly, the Burbank deposit straddling the EL 28/1988-22/1997 boundary, secondly, the extension of South Avebury mineralisation only 600 m from the EL 22/1997 boundary and, thirdly, the presence of altered ultramafic formations in the Pontiac area immediately north of Avebury, combine to highlight the very high potential for nickel sulfide discovery within EL 22/1997.

4.1 Burbank:

Deeper helicopter-supported drilling is planned on the Burbank deposit within EL 28/1988 in the 2002-2003 summer. If this confirms the presence of nickel sulfide mineralisation beneath the recently completed shallow drilling, clearly drilling should extend south-east along strike into EL 22/1997.

4.2 West Avebury:

The A035 South Avebury intersection will be followed up with further drilling along strike, closer to EL 22/1997, an area now referred to as West Avebury. If this drilling identifies South Avebury extensions into West Avebury, the Avebury deposit will be developing into a discovery of very major proportions.

Extensions of the West Avebury host horizon within EL 22/1997 are possible, either to the south-west towards the general Burbank area, or west towards Trial Harbour along the southern side of a major E-W fault mapped by Allegiance.

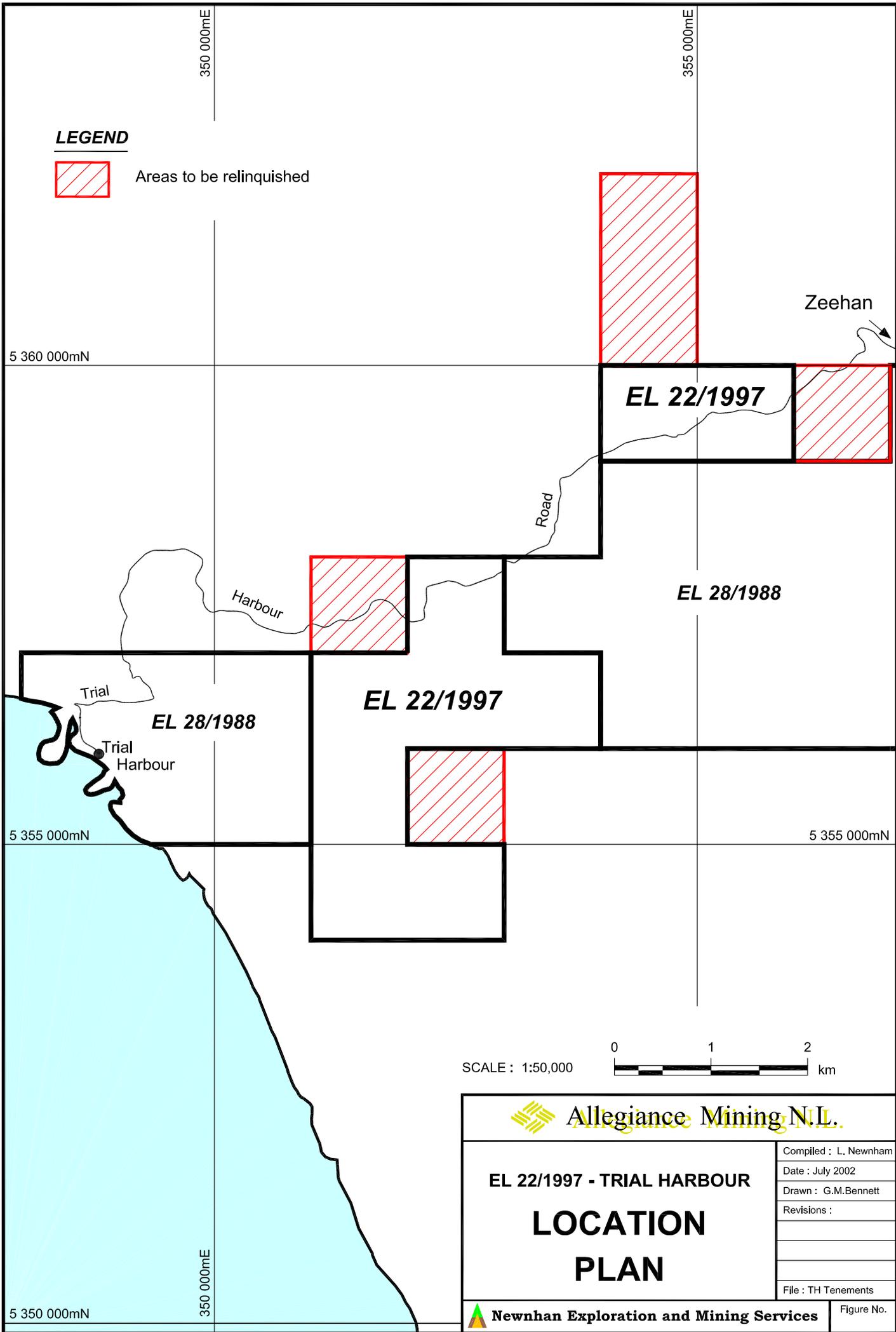
Whichever option is favoured, the South Avebury drilling effort should extend west into the West Avebury area within EL 22/1997.

4.3 Pontiac:

The Pontiac Area north of Avebury is now recognised as both underlain by altered ultramafics, associated with major faults, and within the Heemskirk Granite aureole. As such it is a highly prospective area for Avebury style deposits. Work to date has been focussed on detailed mapping, lithochemical sampling and airborne magnetic. To progress exploration to the drilling stage, grid controlled ground EM and geochemical surveys are required.

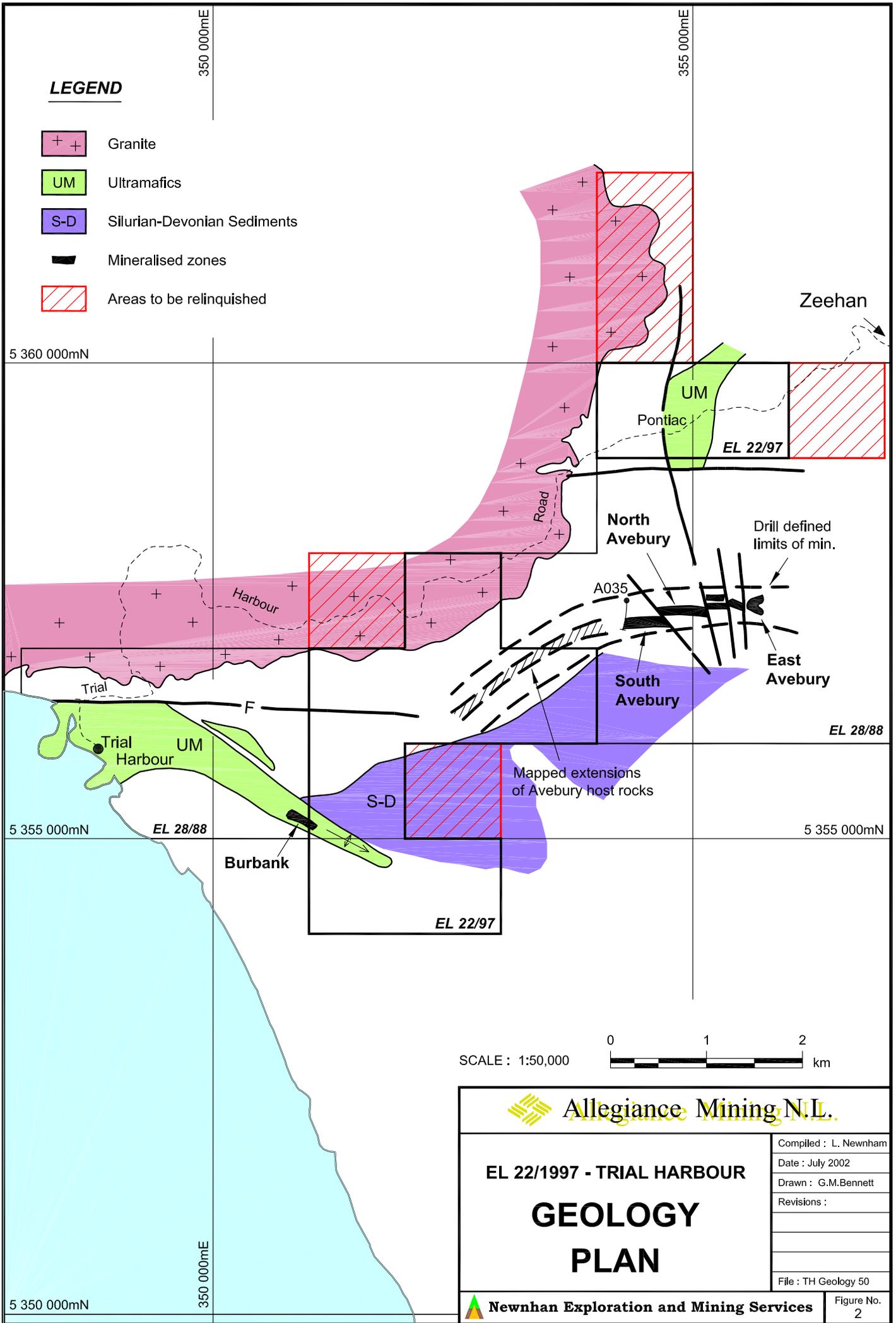
5. REFERENCES

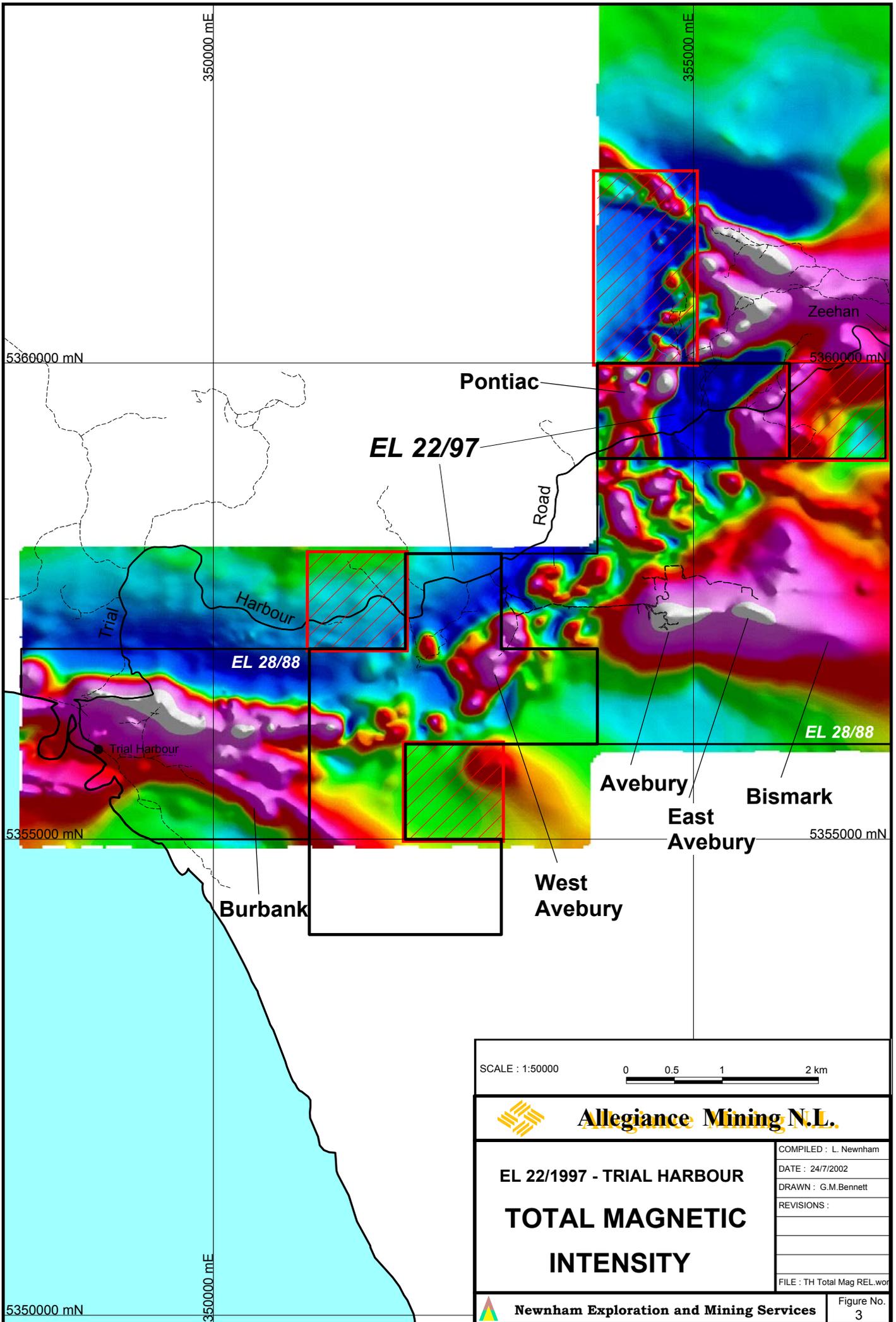
- (a) "EL 22/97 Trial Harbour Area 1997-1998 Annual Report" prepared for Allegiance Mining NL, by LA Newnham, 29 July 1998
- (b) "EL 22/97 Trial harbour Area 1998-1999 Annual Report" prepared for Allegiance Mining NL, by LA Newnham, 29 July 1999
- (c) "EL 22/1997 - Trial Harbour Area Annual Report to August 2000", prepared for Allegiance Mining NL, by LA Newnham, 07 August 2000
- (d) "EL 22/1997 - Trial Harbour Area Annual Report to July 2001", prepared for Allegiance Mining NL, by LA Newnham, 23 July 2001

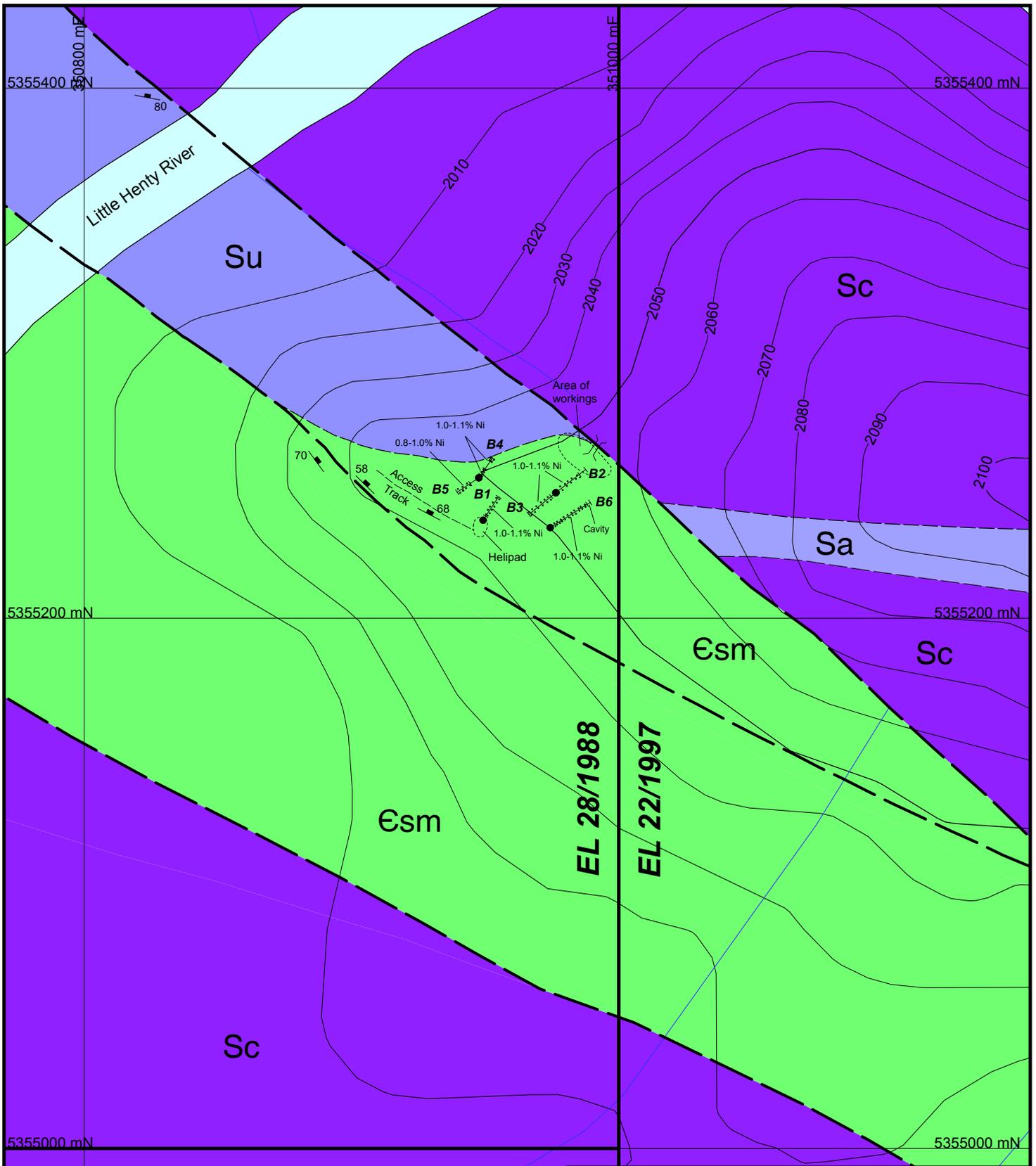


LEGEND

- ++ Granite
- UM Ultramafics
- S-D Silurian-Devonian Sediments
- Mineralised zones
- Areas to be relinquished

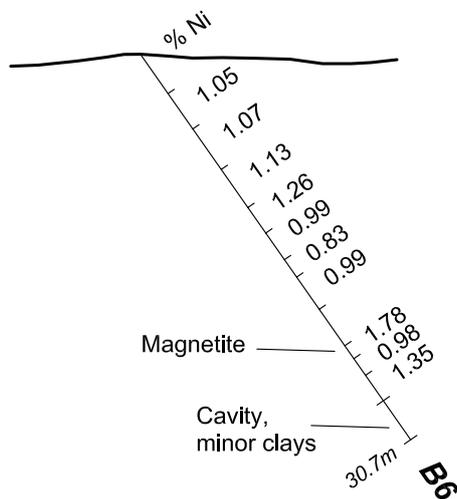
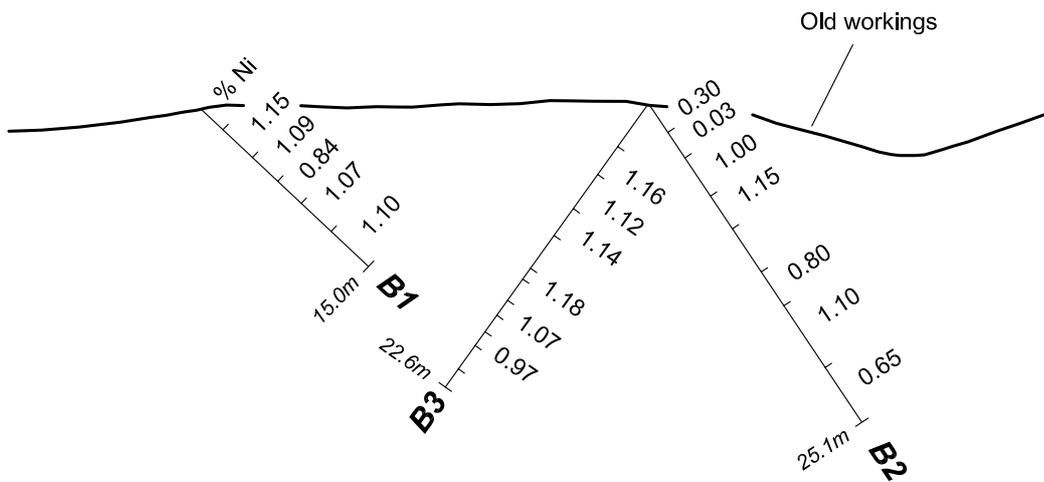
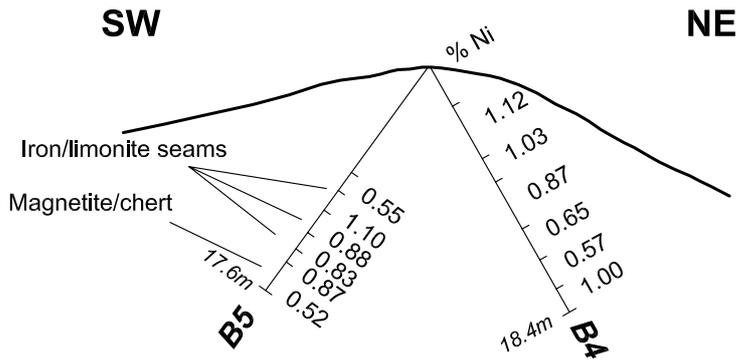




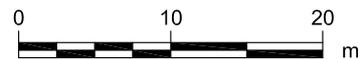


KEY	
 Esm	Serpentinite
 Sc	Silurian Sediments
 Su	Silurian Sediments
 Sa	Silurian Sediments

SCALE : 1:2000	
<h2 style="margin: 0;">BURBANK GEOLOGY AND DRILL PLAN</h2>	
<p>COMPILED : L. Newnham</p> <p>DATE : 25/7/2002</p> <p>DRAWN : G.M.Bennett</p> <p>REVISIONS :</p> <p>FILE : BB Geol and Drilling A</p>	<p>Figure No.</p>



SCALE : 1:500



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**EL 22/1988 - TRIAL HARBOUR
BURBANK PROSPECT
CORED DRILL SECTIONS
(LOOKING NORTH-WEST)**

Compiled : L. Newnham

Date : Feb 02

Drawn : G.M.Bennett

Revisions :

File : BB X-Sections

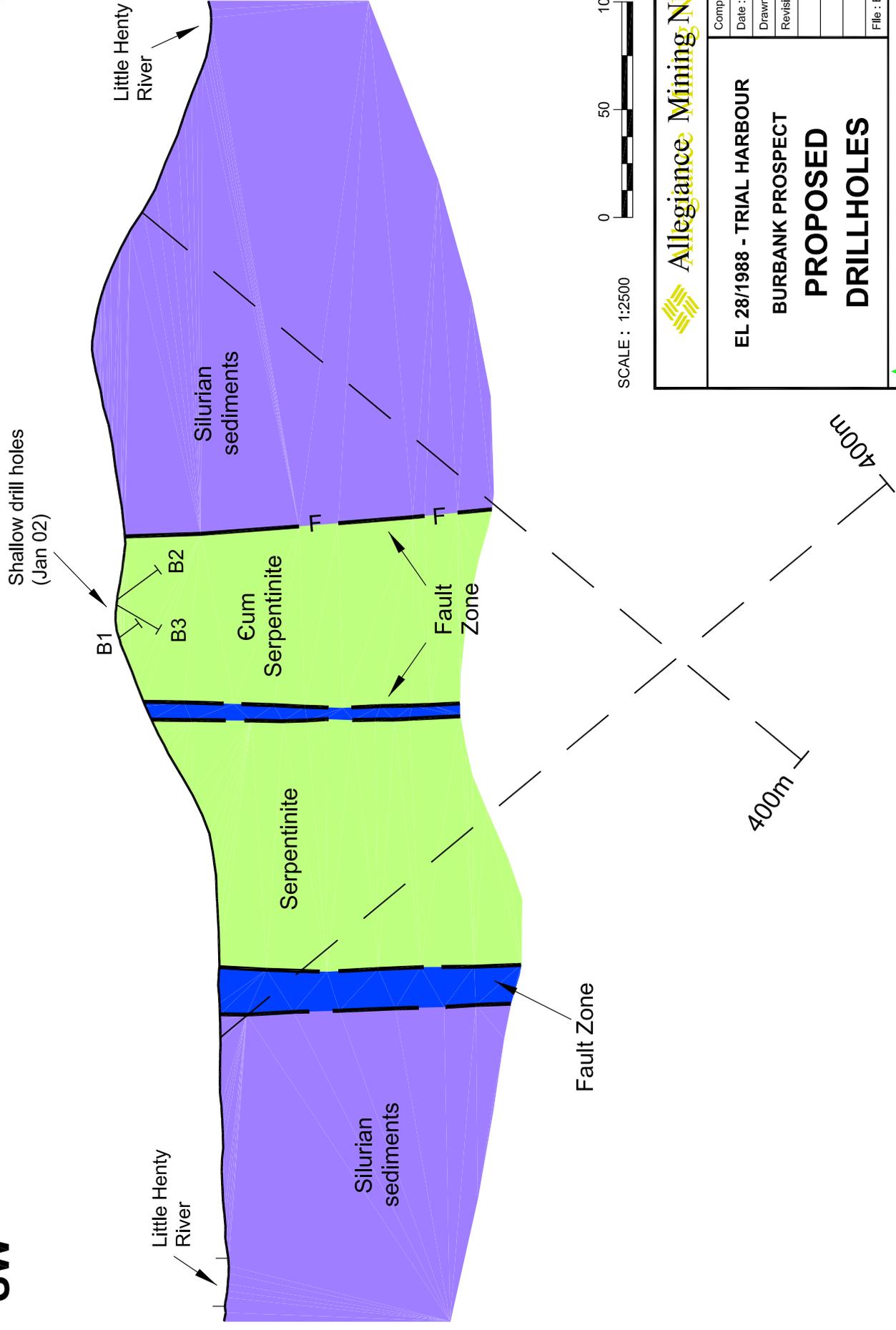


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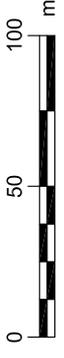
Figure No.
5

SW

NE

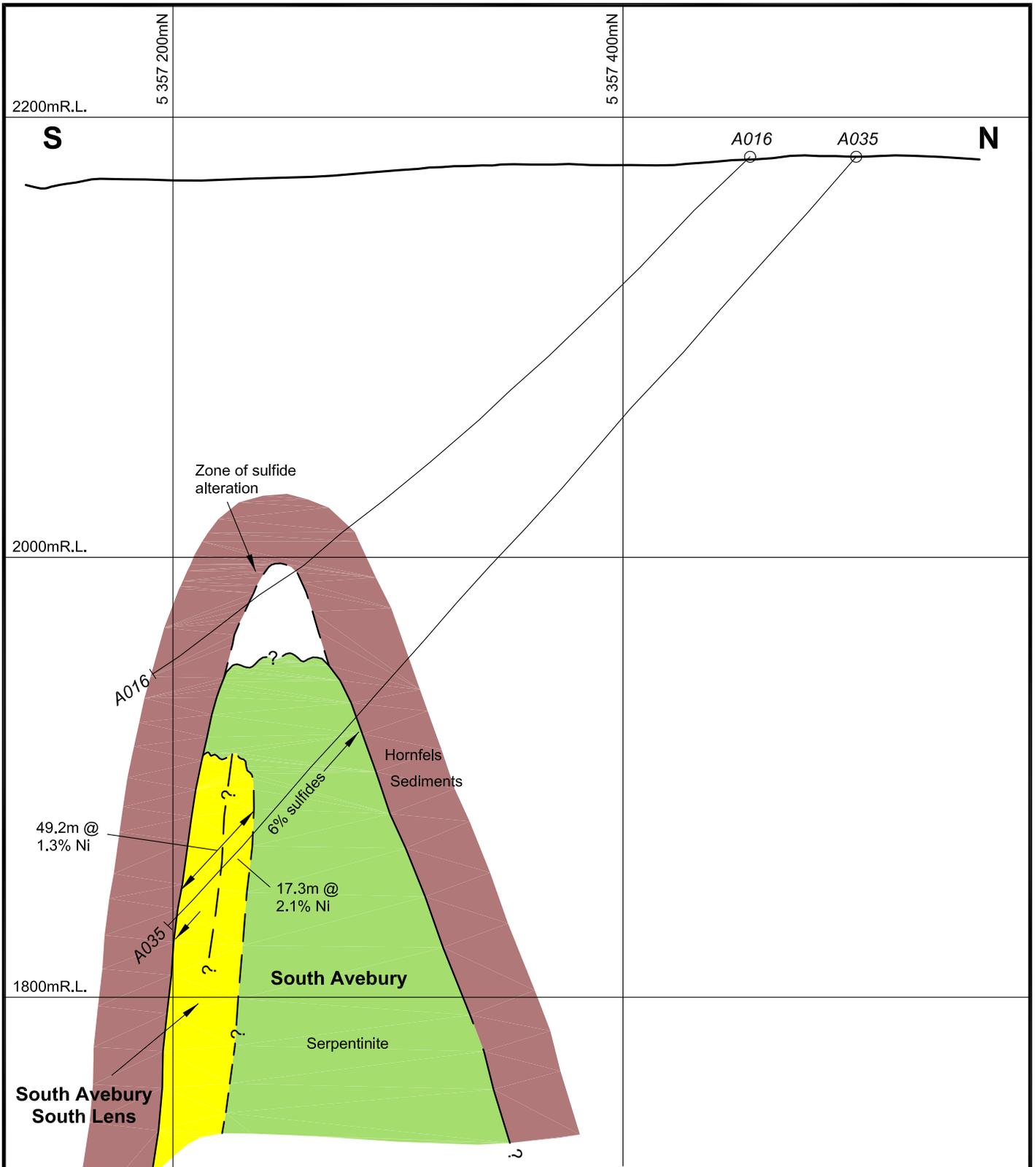


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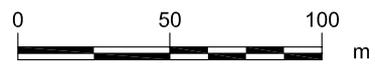


Compiled : L. Newnham
Date : March 02
Drawn : G.M.Bennett
Revisions :
File : BB P Drillholes

**EL 28/1988 - TRIAL HARBOUR
BURBANK PROSPECT
PROPOSED
DRILLHOLES**



SCALE : 1:2500



 Allegiance Mining N.L.	
EL 28/88 - AVEBURY PROJECT CROSS SECTION 354 300mE	Compiled : L. Newnham
	Date : July 2000
	Drawn : G.M.Bennett
	Revisions :
	File : X-Sect 354300E
 Newnhan Exploration and Mining Services	
Figure No. 8	