

EL 43 / 1992

MELBA PROJECT

ANNUAL REPORT

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Prepared For:

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1. SUMMARY

A five (5) hole core drilling program totalling 660 m was completed during the year to further test the massive sulfide lenses at the Nickel Reward prospect.

Three of these holes intersected significant nickel sulfide mineralisation as extensions of previously defined mineralisation in the central section of the Nickel Reward prospect.

The remaining two holes tested the gabbro dike host rock extensions to the south but failed to intersect significant sulfide mineralisation.

Nickel Reward is currently interpreted as one or more high grade massive sulfide deposits hosted by a gabbro dike swarm which strikes generally north-east and dips south-east. The deposit(s) has a strike length near surface of 50 m and has only been drill tested to a vertical depth of 70 m.

Potential exists for extensions of Nickel Reward mineralisation to the north and at depth from the currently defined mineralisation.

A drilling program to further test the Genets-North Cuni area was planned but not implemented.

2. EXPLORATION OBJECTIVES and STRATEGY

The Melba Flats area is regarded as prospective for two styles of nickel sulfide deposits:

- Shallow high grade massive sulfide lenses hosted by a swarm of narrow gabbro dikes occurring within a sequence of unaltered Cambrian sediments distal to both the ultramafic parent body and the later intruding granitic ridge.

Mineralisation is dominantly pentlandite-millerite-chalcopyrite-pyrrhotite with elevated and significant platinum group metals and gold.

Individually, these lenses are thought to be relatively small (approximately 50,000 t) and possibly occur in clusters within structurally prepared areas along 3 km of strike length of known dikes.

- Deeper, larger deposits formed either within the gabbro dikes or the parent ultramafic body where these formations have been intruded and altered by the underlying granitic ridge or cupola interpreted as underlying this area.

To date, all work by Allegiance Mining NL and other explorers in this area has focused on the first of these two styles of deposits.

Whilst the individual size of the shallow high grade lenses is small, the exploration strategy has been to define a number of these lenses which collectively may support a modest sized mining and treatment operation processing small tonnages of high grade ore rich in PGMs and gold.

Extensive drilling and research by Allegiance to date suggests the two most promising areas within EL 43/1992 which might support such a strategy are Nickel Reward and Genets-North Cuni.

Drilling so far has focused on Nickel Reward.

Expenditure to date by Allegiance on the 8 sq km EL 43/1992 is \$810,000; ie, \$100,000 per square kilometre.

3. WORK COMPLETED

During the year, a five (5) hole core drilling program totalling 660 m was completed at Nickel Reward.

Significant results from that program are tabulated below. Drill logs and assay results are presented in Appendices A and B respectively. Drill sections, and an interpretative plan and longitudinal projection of Nickel Reward mineralisation are attached.

Drilling was undertaken by Almac Drilling Pty Limited. All core is currently stored at the Newnham Exploration & Mining Services facilities in Zeehan. Core for assay was split in half, with half remaining in storage and the other half assayed by Analabs.

Drill hole collars were surveyed by licenced surveyor Ian Green of GJ Walkem & Co, and down hole surveys were by single shot camera.

Drill hole MF 22 was designed to test the southern extension of the main mineralised lens of massive sulfides at Nickel Reward. It intersected two gabbro dikes. The eastern dike was weathered and unmineralised. The main central dike was 11 m thick and generally carried only minor disseminated sulfides apart from a narrow massive sulfide zone on the footwall of the dike which assayed:

0.2 m 6.6% Ni, 8.1% Cu, 13.6% S, 0.7 g/t Pt, 1.3 g/t Pd, 0.2 g/t Au

This intersection was 30 m vertically beneath surface and is interpreted as an extension of the massive sulfide zone intersected in adjacent holes (see longitudinal projection).

Drill hole MF 23 was designed to test the main central gabbro dike midway between the massive sulfide intersections in MF 22 and MF 13. The main dike was 10 m true width and carried several 'blocks' of sediments. Within the dike were three intervals of massive sulfides:

On the HW 1.5 m 6.1% Ni, 2.0% Cu

In the centre 0.5 m 4.0% Ni, 1.0% Cu

On the FW 0.7 m 6.1% Ni, 4.7% Cu

Overall, the dike averaged 1.45% Ni, 0.67% Cu.

Two additional dikes were intersected higher in the hole but were unmineralised.

Collectively, these dikes are interpreted as a 50 m wide gabbro dike zone, which was also intersected in MF 13, approximately 20 m below MF 23.

In MF 13 the upper dikes contained more mineralisation than in MF 23, suggesting there may be an increase in amount of mineralisation with depth.

Drill hole MF 24 was designed to test the gabbro dikes south of MF 23 and MF 13. The eastern and western gabbros were largely unmineralised. In the position where the main central gabbro was anticipated, a zone of brecciated sediments and gabbroic rocks was intersected, carrying only minor mineralisation. This interval is interpreted as the southern fault. The central gabbro dike zone north of this fault appears to strike north-east whilst south of the fault it is interpreted as striking south-east.

Drill hole MF 25 was designed to test the main central gabbro along strike to the north-east of MF 11 (3.6 m 4.36% Ni, 2.8% Cu) and MF 19 (2m 4.6% Ni, 1.8% Cu), close to the Northern Fault contact.

The hole intersected an unmineralised eastern dike and a narrow, weakly mineralised central dike from which the best intersection was 0.7 m 1.7% Ni, 1.2% Cu.

Drill hole MF 26 was designed to test the gabbro host rocks south-east along strike of Southern Fault, and down dip of MF 20 (2m 0.74% Ni, 0.58% Cu) and MF 21 (2.1 m 0.4% Ni, 0.4% Cu).

The hole intersected several gabbro dikes which are interpreted as equating to the eastern, central and western dikes. However, the dikes were poorly mineralised, with the exception of several narrow dikes in the interval 100-115 m. These dikes carried significant sulfides (pyrrhotite) and zinc (sphalerite). Intersections of this type are reported historically from workings in the area around the extremities of massive sulfide, high nickel, lenses.

Interpretation of Results:

The Nickel Reward area is interpreted as underlain by a swarm of narrow east dipping gabbro dikes which have been disrupted by two westerly trending faults - Northern Fault and Southern Fault. North of Northern Fault, the dikes strike grid N-S. Between the faults they strike south-west and south of Southern Fault they strike south-east.

The central dikes between the two faults contain significant nickeliferous massive sulfides in one or more lenses. This mineralisation has been drill tested from near surface to a vertical depth of 90 m and remains open at depth.

The dikes north of Northern Fault remain untested by drilling. South of Southern fault the dikes where tested carry minor mineralisation but remain untested below 70 m.

Hole	Collar Details	Intersection (depth - m)	Width (m)	Estm. True Width (m)	Assays
MF22	366,425.6 E (GDA) 5,365,955.9 N 2200.3 RL -45° dip 291° bearing 80.5 m length	44.0 - 44.2	0.2	0.2	6.65% Ni 8.1% Cu 0.1% Co 0.76 g/t Pt 1.36 g/t Pd 0.2 g/t Au
MF 23	366,426.8 E 5,365,955.4 N 2200.3 RL -65° dip 242° bearing 112.5 m length	64.1 - 65.6	1.5	1.3	6.10% Ni 2.0% Cu 0.1% Co 0.47 g/t Pt 0.71 g/t Pd 0.44 g/t Au
		69.0 - 69.5	0.5	0.4	4.01% Ni 1.0% Cu 0.1% Co 0.45 g/t Pt 1.0 g/t Pd
		74.5 - 75.2	0.7	0.6	0.33 g/t Au 6.16% Ni 4.76% Cu 0.14% Co 0.48 g/t Pt 0.71 g/t Pd 0.28 g/t Au
MF 24	366,424.1 E 5,365,942.8 N 2200.2 RL -70° dip 242.5° bearing 166.5 m length	no significant intersection			
MF 25	366,435.9 E 5,365,963.5 N 2200.6 RL -70° dip 334° bearing 100.5 m length	39.7 - 40.4	0.7	0.6	1.70% Ni 1.25% Cu 5.2% S
MF 26	366,404.5 E 5,365,891.7 N 2208.3 RL -80° dip 304° bearing 199.5 m length	no significant intersection			

**Table 2: MELBA FLATS
2002 drilling Program Results**

4. FUTURE PLANS

Current knowledge of the Melba project suggests that the high grade massive sulfide mineralisation is best developed where the gabbro dike swarm has been fractured (conditioned) by folding and faulting. In particular, in the north at Genets-North Cuni, the dike swarm abruptly changes strike from N-S to the north-east and this hinge zone is accompanied by one or more faults. In the south at Nickel Reward, the dike swarm changes strike from N-S to south-east and again this hinge zone is accompanied by at least 2 faults.

Drilling to date by Allegiance and previously by CRA has highlighted these two hinge zone areas as the most prospective zones for further discovery of shallow, modest sized deposits of high grade nickel-copper mineralisation with PGM-gold credits.

Recognising this potential, Allegiance has planned further shallow drilling at Genets-North cuni.

It is, however, important to recognise that neither the Nickel Reward or Genets-North Cuni areas have been drill tested below 100 m vertical depth. Clearly deeper testing is warranted in the future.

APPENDIX A
DRILL LOGS MF22-MF26

APPENDIX B
ASSAY RESULTS MF22-MF26

