

Allegiance Mining NL

EL 22/1997 - TRIAL HARBOUR ANNUAL REPORT to JULY 2003

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1. EXPLORATION PHILOSOPHY and OBJECTIVES

EL 22/1997 of nine (9) square kilometres in two parts, lies west of Zeehan near Trial Harbour (Fig 1). The Licence is held 100% by Allegiance Mining NL.

The area is regarded as having high exploration potential for the discovery of nickel-bearing skarn deposits of the Avebury-Burbank type.

The Avebury deposit, which has an identified resource of 4 Mt 1.5% Ni, lies immediately adjacent to the eastern boundary of EL 22/1997.

The Burbank prospect, where shallow drilling and surface sampling has identified a substantial nickel occurrence, lies immediately adjacent to the western boundary of EL 22/1997.

Results from geological mapping and aeromagnetic surveys completed by Allegiance between Avebury and Burbank are interpreted as suggesting these two deposits lie within the same geological unit and that this host rock unit extends between the two deposits through EL 22/1997 (Figs 2, 3).

Lithochemical sampling programs previously completed by Allegiance over this host rock unit within EL 22/1997 identified areas anomalous in nickel, zinc and arsenic which are all regarded as signature or pathfinder elements above Avebury style deposits.

2. WORK COMPLETED and PROPOSED

No active field work was undertaken on EL 22/1997 during the year ending July 2003.

However, additional drilling was undertaken on the Avebury host rock horizon immediately east of the eastern boundary of EL 22/1997.

On section 354,300mE, ie, 300mE of EL 22/1997, drill hole A 035 intersected a 100 m wide zone of sulfidic mineralisation within an altered ultramafic body. This zone contained an interval of 49.2 m 1.3% Ni including 17.3 m 2.1% Ni, 300 m beneath surface (Fig 4). This intersection is interpreted as the western extension of the Viking deposit and remains untested to the west, ie, towards EL 22/1997.

Allegiance is currently in the detailed planning and permitting phases of a \$7.5M underground development into the Avebury deposits. The objectives of this development are, firstly, to facilitate completion of a definitive/bankable feasibility study on Avebury and, secondly, to provide a platform for early stage mine production from Avebury.

The location of this development is shown on Fig 6. The decline portal is only 150 m NE of EL 22/1997.

Current plans envisage additional surface drilling of the Avebury host horizon west of A 035 being undertaken in the second half of 2003 ahead of the decline development. Initially, drilling will be undertaken on section 354,200mE, ie, 200 m east of EL 22/1997 (Fig 5). If drilling on that section intersects extensions of Avebury, it is proposed to drill further west along strike, possibly into EL 22/1997.

No work was undertaken at Burbank during the year because of Allegiance's requirement to focus all efforts on development of Avebury. However, two deeper drill-holes are proposed to further test Burbank .

These holes would be sited within EL 28/1988 very close to the EL 22/1997 boundary and would require helicopter support (Fig 7). Given encouraging results from these holes, further drilling along strike in EL 22/1997 would be justified.

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