

ZEEHAN NICKEL PROJECT

EL 28/1988

ANNUAL REPORT

**For Period Ending
December 2003**

Prepared for:

Allegiance Mining NL
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1. SUMMARY

During the 12-month period ending 30 November 2003, the following work was completed on EL 28/1988:

- preparation of a Development Proposal and Environment Management Plan (DPEMP) for Stage 1 Viking Decline Development
- submission of a Development Application for Stage 1 Viking Decline Development to both the State Government and West Coast Council
- preparation of a Business Plan for the Viking Decline Development
- drilling of a core geotechnical drill hole along the path of the first leg of the Viking Decline
- preparation of an Indicative Feasibility Study on Avebury Mining and Processing Options
- lengthy negotiations with both Western Metals and Murchison United re toll treatment of Avebury ore in the Hellyer and Renison Mills respectively
- application and grant of a Mining Lease to facilitate Stage 1 development and evaluation of Avebury
- commencement of definition and extension drilling on Viking deposit

A total of \$511,658 was expended on this work during the 12-month period, bringing total expenditure on EL 28/1988 to \$5.24M.

During the coming 12 months, it is planned to undertake the following work:

- further drill testing of East Avebury
- helicopter supported drilling of Burbank
- ground assessment of the Bismark and Bison anomalies

Expenditure on this work is anticipated to cost \$100,000-\$150,000.

2. EXPLORATION OBJECTIVES

Exploration by Allegiance on EL 28/1988 since 1997 has achieved the following:

- identified a mineral resource at Avebury estimated to contain 4 Mt 1.5% Ni
- drill identified mineralisation at East Avebury and Burbank which is considered closely analagous to Avebury
- completed airborne and ground geophysical surveys, geochemical soil and rock surveys and geological mapping, which has identified anomalous areas at Bison and Bismark which are interpreted as being highly prospective for Avebury style mineralisation
- demonstrated opportunities for extensions of the Avebury identified resource

Based on these achievements, Allegiance has two principal objectives in this area:

- develop the Avebury deposit as a 400,000 tpa underground mine
- accelerate exploration in the immediate vicinity of Avebury to identify additional resources which could be used to support a larger, longer life Avebury operation

In response to these objectives, Allegiance has initiated the following:

- acquisition of a Mining Lease over Avebury
- program of underground development and technical assessment on Avebury which will culminate in a Bankable Feasibility Study
- accelerated exploration evaluation within EL 28/1988 of Burbank, East Avebury, Bismark, Bison, and Viking West.

3. WORK COMPLETED THIS YEAR

3.1 Development Proposal and Environment Management Plan:

Allegiance plans to evaluate the Avebury deposit to a Bankable Feasibility Study level by development of a decline access into the top section of the Viking and North Avebury deposits and completion of detailed technical studies from that decline. This program is known as the Stage 1 Viking Decline Development.

A DPEMP to address this work was prepared by NSR Environmental Consultants Pty Ltd. A copy of the DPEMP is attached.

3.2 Development Application:

A Development Application, accompanied by the DPEMP, was submitted to the West Coast Council in May 2003 and is currently being processed by the West Coast Council and DPIWE.

3.3 Stage 1 Business Plan:

A Business Plan for the Stage 1 Viking Decline Development was prepared for Allegiance by BFP Consultants Pty Limited. It estimated Stage 1 would cost \$7.5M to complete over a 12-month period.

A copy of the Business Plan is attached.

3.4 Geotechnical Drill Hole A 043:

To assist with planning of the Viking Decline, a 300 m cored drill hole, A 043, was completed along the planned path of the first leg of the decline.

Broken sediments were encountered in the first 50 m, followed by competent Cambrian volcanics and sediments. It was, therefore, decided to locate the decline 25 m to the east of the drill hole and to excavate the broken sediments in a portal box-cut.

Detailed logging and reporting of this drill hole is still in progress.

3.5 Indicative Feasibility Study:

Allegiance engaged BFP Consultants to prepare an Indicative Feasibility Study on the development of Avebury, with special attention to various milling options.

This study, completed in September 2003, indicated the Avebury resource was

capable of supporting a 400,000 tpa underground mine, feeding either a purpose-built mill at Avebury or a toll treatment operation at Renison.

In both cases, the development would be commercially robust in the current strong nickel market.

A copy of the IFS is attached.

3.6 Treatment negotiations:

During the year, Allegiance entered into extended negotiations with Western Metals (owners of the Hellyer Mill) and Murchison United (owners of the Renison Mill), with respect to the possible toll treatment of Avebury ores.

These negotiations were complicated by the fact that both these operations were on care-and-maintenance and the beneficial owners in administration. Negotiations with both organisations were terminated until various corporate issues associated with these companies become clearer.

3.7 Mining Lease:

Application was made for a 300 ha Mining Lease to cover the Avebury deposit, the Viking Decline development and supporting infrastructure. The lease was granted in October 2003.

3.8 Surface Drilling:

Late in October surface drilling recommenced on the Viking deposit, initially testing for western extensions of the current indicated resource.

4. WORK PLANNED NEXT YEAR

4.1 East Avebury:

Drilling completed to date by Allegiance encountered nickel sulfide mineralisation interpreted as closely analagous to Avebury.

Further drilling is planned to follow up these intersections.

4.2 Burbank:

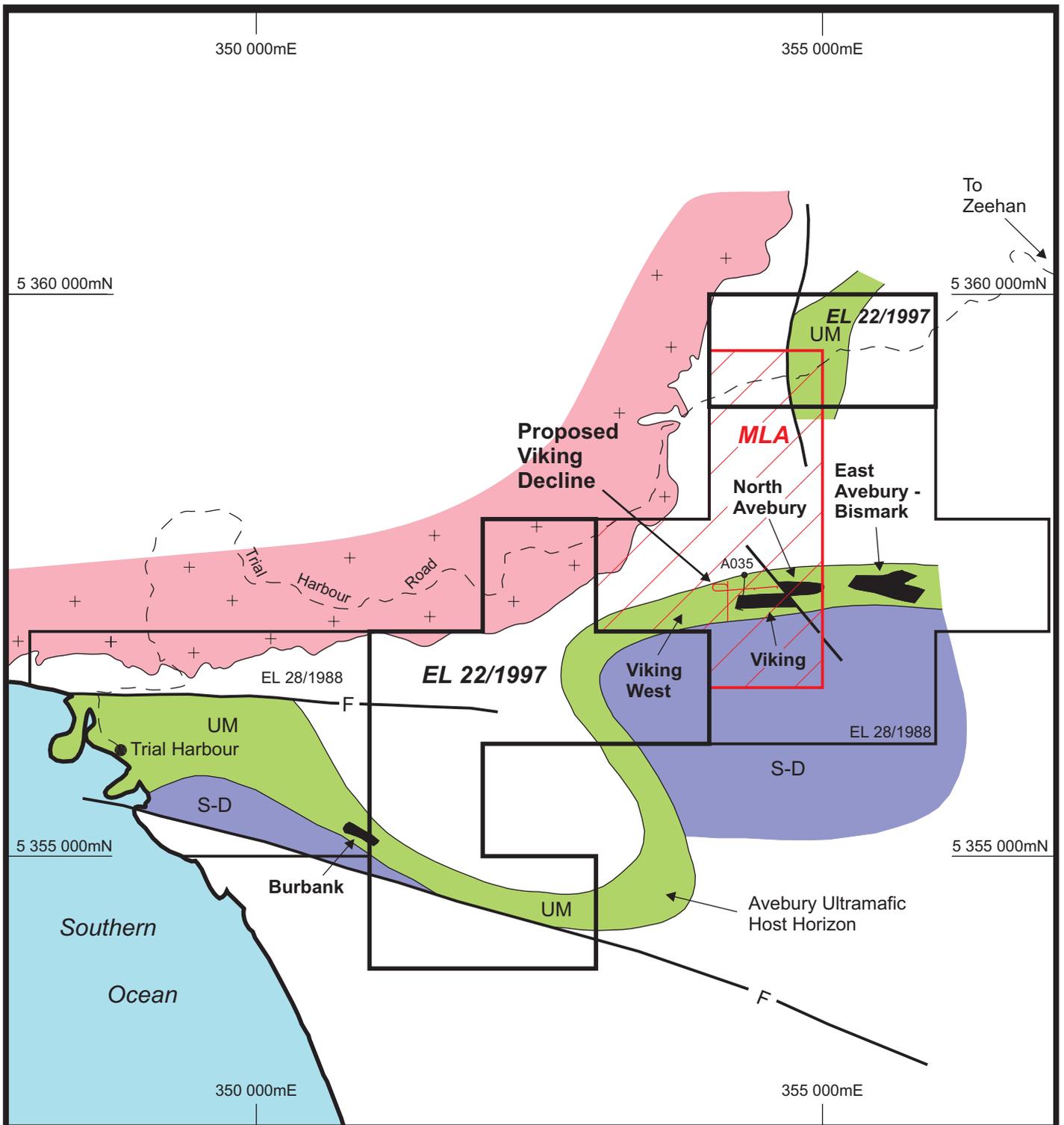
Geological mapping, lithogeochemical sampling surveys and shallow drilling completed by Allegiance during the past 3 years has identified a sizeable deposit of nickel rich weathered ultramafics at Burbank, 4 km south-west of Avebury.

Deeper helicopter-supported drilling is planned for the area in January 2004. Two holes, each 300-400 m long, are envisaged and permitting is currently in progress.

4.3 Bismark and Bison Anomalies:

The Bismark and Bison anomalies are substantial soil geochemical and airmag anomalies co-incident with mapped ultramafic units east and south-east of Avebury.

To date, with the focus of work on Avebury, they have not been vigorously investigated on the ground, as a precursor to possible drilling. This work is planned for the coming year.



SCALE : 1:5000



LEGEND

- ++ Granite
- UM Ultramafics
- S-D Silurian-Devonian Sediments
- Mineralised zones



**EL 22/1997 - TRIAL HARBOUR
SCHEMATIC GEOLOGY
HIGHLIGHTING
NICKEL POTENTIAL**

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