

Allegiance Mining NL

EL 5/2002

ANNUAL REPORT

Year Ending March 2004

Prepared for:

**Allegiance Mining NL
Level 11, Shaw House
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05 April 2004



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1. EXPLORATION PHILOSOPHY and STRATEGY

The area covered by EL 5/2002 is regarded as prospective for 'Avebury Style' nickel sulfide mineralisation; ie, nickel sulfide skarn deposits formed by the metasomatic alteration of nickeliferous ultramafic rocks by intruding granites and the subsequent entrapment of the remobilised nickel sulfides in structural and stratigraphic sites.

In this genetic model the nickel sulfides are commonly accompanied by formation of magnetite and an association of characteristic alteration minerals derived either from the ultramafic or hydrothermal fluids from the granite.

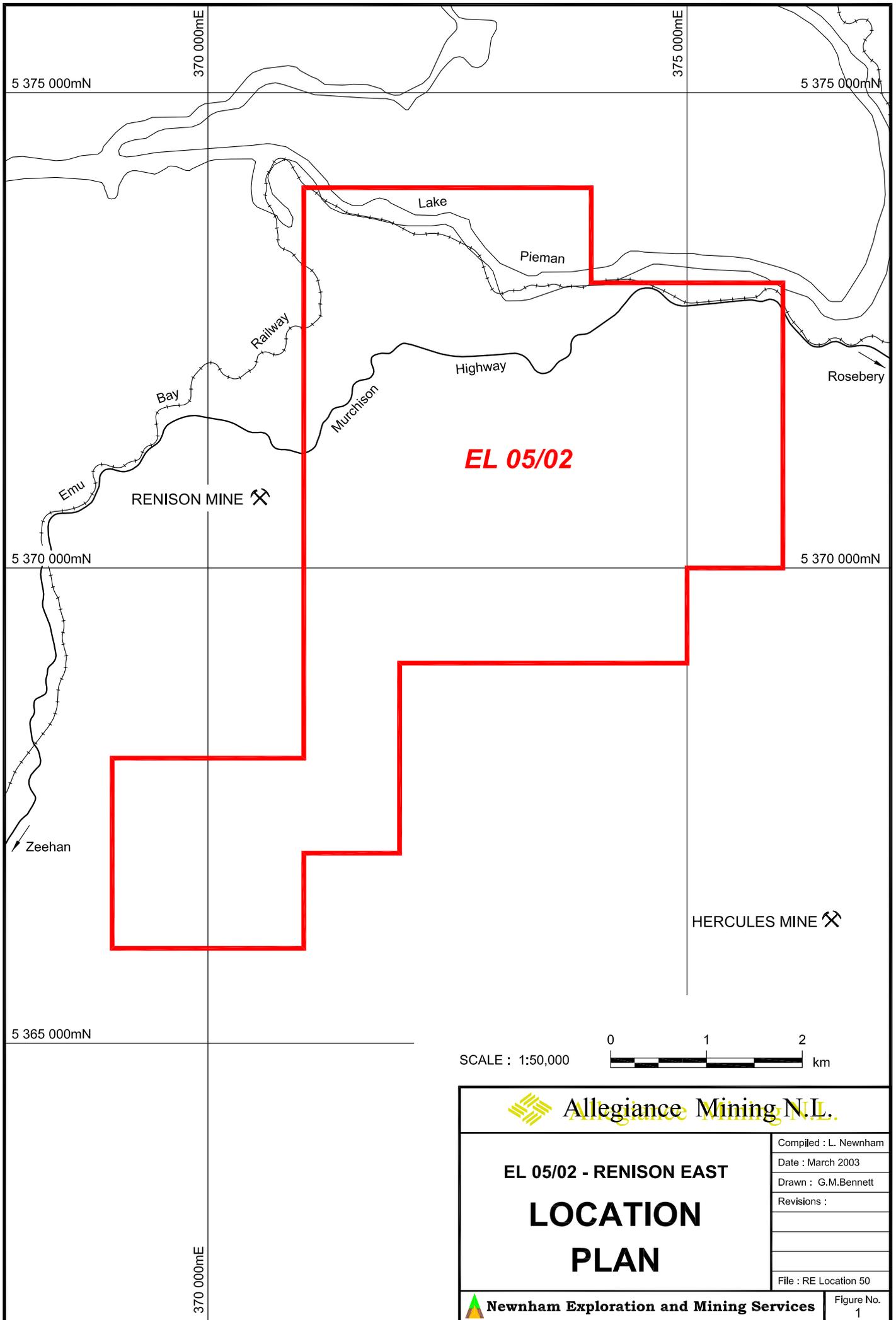
EL 5/2002 is known to be underlain by a number of mafic and ultramafic bodies, intruded at shallow depth by an ENE trending spine of Carboniferous granite. Various styles of mineralisation are known to occur throughout the area.

Past exploration has been primarily directed to the search for tin deposits and Cu-Pb-Zn deposits. Only minor exploration has been aimed at nickel mineralisation.

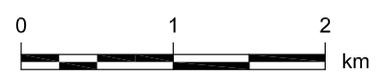
Alliance's exploration strategy in this area is based upon:

- high resolution aeromagnetic surveying to define areas of prime interest
- ground mapping and lithogeochemical sampling in these areas of prime interest
- possible electrical geophysical surveying
- core drilling selected targets

This strategy was implemented in 2003-04 and will be further pursued in 2004-05.



SCALE : 1:50,000



 Allegiance Mining N.L.

EL 05/02 - RENISON EAST
LOCATION PLAN

Compiled : L. Newnham
Date : March 2003
Drawn : G.M.Bennett
Revisions :
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2. WORK COMPLETED 2003-04

Work in 2003-04 focused on two projects:

- (a) detailed aeromagnetic survey
- (b) collation of previous exploration data

(a) Aeromagnetic Survey:

A high resolution aeromagnetic survey was completed over the whole licence area by Fugro in January 2004.

Data from this survey was interpreted by Steve Webster Pty Limited, and his report is attached as Appendix 1 and is titled:

'Allegiance Metals Pty Ltd, Helimag Survey in Western Tasmania by Fugro Airborne Surveys. Quality Control Report and Preliminary Interpretation' by Steve Webster Pty Ltd, February 2004

In summary, this survey identified and defined several mafic-ultramafic bodies, interpreted as having been intruded at shallow depth by Carboniferous granite.

(b) Collation of Previous Exploration Data:

A substantial quantity of exploration data has been acquired over the past 40 years on the area now covered by EL 5/2002. A summary of that data, collated by Michael McKeown, is presented as Appendix 2 and titled:

'Allegiance Metals Pty Ltd. Exploration Licence 5/2002 East Renison Progress Report' by Michael V McKeown, April 2004

Because this area lies between the Renison and Rosebery mines, the focus of this former exploration effort was tin of the Renison type and copper-lead-zinc of the Rosebery type.

Apart from some historical small scale mining which noted the presence of nickel, no exploration has been specifically aimed at nickel.

The data review highlighted several key features of the licence area which are important to the Avebury (nickel skarn) model:

- presence of several large, tectonically disrupted, ultramafic bodies

- presence of a granite at relatively shallow depths beneath these ultramafics
- extensive alteration of the ultramafics and their enclosing sediments, related to the granite intrusion
- widespread mineralisation associated with this alteration event

3. WORK PROPOSED 2004-05

The following work is planned for the 2004-05 year of tenure:

- | | | |
|-------|--|------------|
| (i) | detailed assessment of the combined aeromagnetic data and collation of previous exploration data | (\$10,000) |
| (ii) | development of detailed base maps on which to conduct further evaluation work | (\$10,000) |
| (iii) | inspection and re-assaying of existing drill cores stored at Hobart and Renison Bell | (\$20,000) |
| (iv) | ground mapping and sampling of selected areas | (\$20,000) |
| (v) | possible ground electrical geophysical surveys | (\$20,000) |
| (vi) | initial core drilling of selected targets | (\$70,000) |

The total estimate for this work is \$150,000.

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