

ALLEGIANCE MINING NL

ANNUAL REPORT

EL 37/2003 - FEN CREEK AREA

Year Ending January 2006

Prepared for:

**Allegiance Mining NL
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Map: Location Plan and Aeromagnetic Image

1. EXPLORATION PHILOSOPHY and STRATEGY

EL 37/2003 is regarded as prospective for Avebury style nickel sulfide deposits, which have been formed by the alteration of Cambrian nickeliferous ultramafic formations by intrusion of the Carboniferous Heemskirk Granite. These deposits are hosted by the altered source rocks and a feature of the alteration process is the development of abundant magnetite.

Ultramafic formations within the Heemskirk Granite aureole west of Zeehan are more extensive than indicated by surface mapping, because either the intrusion did not reach surface or the area is covered by younger sedimentary formations. In these circumstances, aeromagnetic surveys are a very effective tool in identifying firstly the extent of underlying ultramafics and secondly areas of alteration accompanied by magnetite which may be prospective for nickel sulfide deposits.

EL 37/2003 covers an area immediately south-west of the Avebury deposits. Aeromagnetic surveys completed by Allegiance and MRT are interpreted as suggesting the Avebury altered ultramafic host rocks may extend into the licence area, largely beneath thick formations of upper Palaeozoic sediments.

2. WORK COMPLETED 2005-06

No active field work was undertaken during the year on EL 37/2003.

Drilling completed during the year to the west on EL 22/1997 at Burbank and to the east on the Avebury Mining Lease at West Viking confirm that the target altered ultramafic host rocks probably extend at depth into EL 37/2003.

3. WORK PLANNED 2006-07

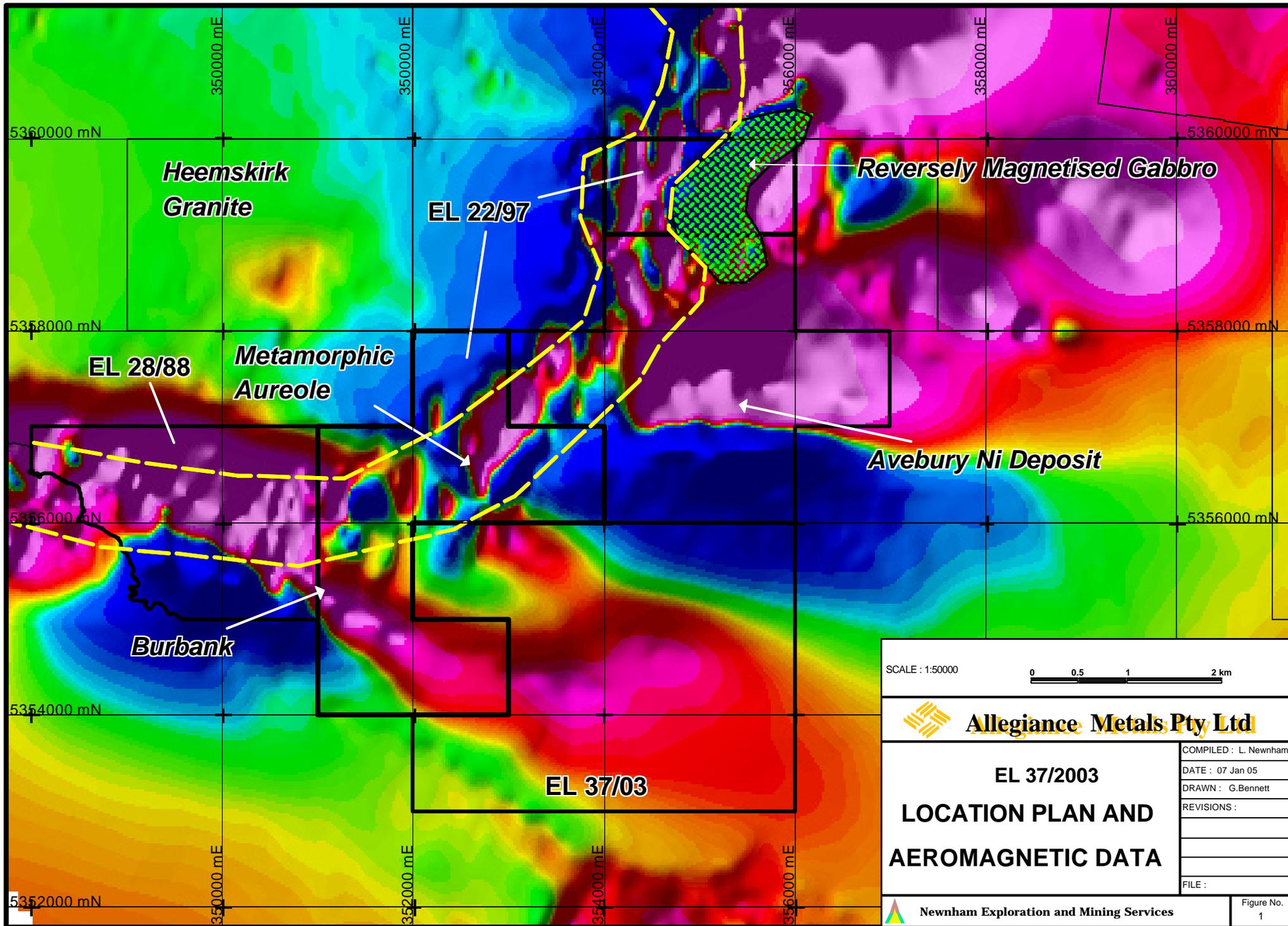
EL 37/2003 is a remote and very difficult area to access. Work in 2006-07 will be strongly influenced by major drilling programs being undertaken during 2006 west of the Viking deposit in EL 22/1997 and, to a lesser extent, by the results of recent drilling at Burbank.

If this work supports drill testing of aeromagnetic anomalies on EL 37/2003, this work will have to be helicopter supported.

The highest priority target is the aeromagnetic anomaly in the far north of the tenement adjacent to EL 22/1997. This area is underlain by Silurian and Ordovician sediments and the aeromagnetic anomaly may reflect either deeper Cambrian ultramafics or magnetic mineralisation in the younger sediments; eg, magnetite skarns in the Gordon Limestone.

Some ground mapping and lithogeochemical surveys in this area are planned and may influence the decision to drill test in summer 2006-07.

Minimum expenditure for this work is \$15,000. If drilling was undertaken, this would increase to \$100,000.



SCALE : 1:50000

0 0.5 1 2 km

 **Allegiance Metals Pty Ltd**

EL 37/2003

LOCATION PLAN AND AEROMAGNETIC DATA

COMPILED : L. Newnham
DATE : 07 Jan 05
DRAWN : G.Bennett
REVISIONS :
FILE :

 **Newnham Exploration and Mining Services**

Figure No. 1