

ALLEGIANCE MINING NL

ANNUAL REPORT

EL 37/2003 - FEN CREEK AREA

Year Ending January 2007

Prepared for:

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MAP: Location Plan and Aeromagnetic Image

1. EXPLORATION PHILOSOPHY and STRATEGY

Allegiance Mining NL regards the EL 37/2003 area as prospective for extensions of the Avebury resource base.

This view is based on the following fundamentals:

- Surface geological mapping shows the outcropping Trial Harbour ultramafic extending south-east from Trial Harbour, through the Burbank area towards EL 37/2003. These ultramafics could represent both Ni source rocks and deposit host rocks.
- Aeromagnetic surveys by Allegiance suggest the Trial Harbour ultramafic plunges to the south-east beneath cover rocks into EL 37/2003. This would mean the important top and shallow flanks of the ultramafic were preserved.
- Core drilling by Allegiance at Burbank supports this south-east plunging interpretation.
- Petrological and analytical data from this Burbank drilling confirms that the ultramafic is intensely and extensively hydrothermally altered, probably by the underlying Heemskirk granite.
- The interpreted concealed ultramafic underlying EL 37/2003 lies adjacent to the regional Firewood Siding Fault, which may have acted as an ample conduit for hydrothermal activity and circulation of mineralising fluids.
- The area is remote and difficult and contains not one drill hole.

The major exploration programs currently being undertaken by Allegiance in the Avebury district are resulting in a steady accumulation of knowledge on the geological systems controlling the now substantial Avebury resource.

The possibility that the Trial Harbour ultramafic is a part of the Avebury ultramafic, faulted west along the Little Henty Fault, elevates the longer term prospectivity of the Trial Harbour ultramafic and its south-east plunging extension into EL 37/2003.

Drilling programs are currently either planned or under way on the eastern margin of the Trial Harbour ultramafic, and it is envisaged that knowledge and encouragement gained from this work will result in drilling on EL 37/2003 to the south-east of Burbank.

2. WORK COMPLETED 2006-07

No active field work was undertaken in the 2006-07 year of tenure.

3. WORK PLANNED 2007-08

Should drilling on the eastern flanks of the Trial Harbour ultramafic heighten the prospectivity assessment of that area for Avebury style deposits, drilling south-east of Burbank may be justified.

It is likely any such drilling in 2007-08 would be on EL 22/1997, with the possibility of further drilling along strike in EL 37/2003 early in the 2008-09 year.

