



Allegiance Metals Pty Limited

ACN 073 192 337 ABN 36 073 192 337

PO Box 62
Zeehan Tasmania 7469
Telephone: (03) 6471 6555 Fax: (03) 6471 6577
Email: general@avebury.com.au

Memorandum

To: Dennis Burgess, Tony Brown
From: Tim Callaghan, Lindsay Newnham
CC: David Deitz, Tony Howland Rose, Ian Levy, Paul Richardson
Date: 7/5/2007
Subject: East Avebury ML Application

Introduction

Allegiance Mining wish to apply for a Mining Lease over the Eastern portion of EL28/88 (3.5km²) and a small part of EL 22/97 (0.5km²). The area lies immediately east of the existing Avebury Mine Lease ML 3M/2003 (Figure 1).

Allegiance Metals are currently constructing a 900,000tpa underground mine and processing facility for the Avebury Nickel Sulphide Deposit. Mining is well underway and construction is due for completion towards the end of 2007.

Exploration on the Mine Lease and adjacent Exploration Leases' has continued at a high level over the past few years culminating in the recent delineation of additional resources on the East Avebury EL.

Nickel Sulphide Resources

Nickel Sulphide Resources on the application area include the East Avebury and Saxon Inferred Resources (Table 1) and extensions of the North Avebury Resource (Table 2). The North Avebury contains a total Indicated and Inferred resource of 4.73Mt @ 0.97% Ni, the vast majority of which is located on the Avebury ML.

Conceptual Mine Plan

It is likely that the North Avebury Extension and East Avebury and Saxon Deposits will be mined and treated using the existing Avebury Mine Infrastructure. The deposits can be accessed via a 1km long level drive on the 1975 level and then a decline situated in the northern hanging wall of the East Avebury deposit. The only surface infrastructure required will be a vent rise, fan and associated power supply.

An all weather road capable accessing the Vent Rise will be required to allow excavation of the ventilation shaft.

Table 1. East Avebury - Saxon Inferred Resources						
Cut Off Ni %		Tonnes	Ni %	As ppm	Co ppm	Tonnes Ni
0.85	East Avebury Nth	390,000	1.07	314	411	4,000
	East Avebury Sth	80,000	1.12	591	593	1,000
	Saxon	20,000	0.88	488	288	
	Total	490,000	1.07	365	436	5,000
0.70	East Avebury Nth	650,000	0.95	264	337	6,000
	East Avebury Sth	370,000	0.83	398	333	3,000
	Saxon	410,000	0.77	458	262	3,000
	Total	1,430,000	0.87	354	315	12,000
0.40	East Avebury Nth	950,000	0.85	291	292	8,000
	East Avebury Sth	610,000	0.73	428	274	4,000
	Saxon	760,000	0.64	384	246	5,000
	Total	2,320,000	0.75	357	272	17,000

Table 2. Nth Avebury Inferred Resources EL28/1988						
Cut Off Ni %		Tonnes	Ni %	As ppm	Co ppm	Tonnes Ni
0.40	Nth Avebury	79,141	0.65		214	500

Exploration

The Avebury, East Avebury and Saxon deposits remain open to the east west and down dip. Significant infrastructure is required to allow infill and extension drilling of these deposits prior to reserve calculation.

In addition several other mineralised intersections not yet included in resources require follow up drilling. Significant magnetic anomalies exist to the east and north of the East Avebury deposit requiring exploration drilling. Resource extensions are likely.

Appendices

- Appendix 1 Avebury Nickel Sulphide Mineral Resource Report, March 2007.
- Appendix 2 East Avebury and Saxon Nickel Sulphide Mineral Resource Report, March 2007.