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EL37/2003 FEN CREEK

ANNUAL REPORT TO

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Volume 1 of 1.

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CONTENTS

1 Summary
2 Introduction
3 Geology
4 Exploration Completed 2006 - 07
5 Exploration Planned 2007 -08
5.1 Griding
5.2 Geological mapping and sampling
5.3 B/C Horizon Soil Sampling
5.4 Diamond Drilling
6 Schedule and budget

LIST OF FIGURES

Figure 1 Fen Creek Location Plan
Figure 2 Fen Creek district TMI image
Figure 3. Fen Creek TMI image and proposed grid

All figures and coordinates in this report are in Geodetic Datum AGD66.

1 SUMMARY

Exploration Licence 37/2003 lies immediately southwest of ML3M/2003 which hosts the Avebury Nickel Sulphide deposit. The EL is highly prospective for similar styles of mineralisation. The Avebury Nickel Sulphide deposit is hosted in Cambrian Ultramafic Rocks which have been demonstrated to extend onto the surrounding EL's. Geophysical surveys have identified a strong ESE trending aeromagnetic high extending from outcropping ultramafic in the Trial Harbour region through the centre of the EL. Subsequent diamond drilling at the Burbank prospect on adjacent EL 22/1997 and EL 28/1988 has confirmed the presence of the host ultramafic.

The Fen Creek EL is located to the south of the Little Henty River and has no access infrastructure.

Exploration planned for 2008 includes:

- 10km of track cutting
- Reconnaissance mapping and rock chip sampling
- Soil sampling
- Diamond Drilling.

The minimum estimated expenditure for the program is $250,000, with total estimated expenditure for the Avebury Exploration Leases in excess of $1.5M.

2 INTRODUCTION

EL37/2003 Fen Creek was granted to Allegiance Mining in 2003.

The EL is located immediately south and southwest of the Avebury Mine Lease 3M/2003 (Figure 1). The EL covers areas that are highly prospective for Avebury style nickel sulphide deposits.

Allegiance Metals are actively exploring ML 3M/2003 and surrounding EL28/1988, EL22/1997 and EL37/2003. Simultaneously Allegiance commenced development of the Avebury Mine and Mill due for commissioning in late 2007. The current mine is designed to produce 7,000tpa of Ni in high grade concentrates from 900,000tpa of ore. The current resource is tabulated in Tables 1 - 3.

Avebury Mineral Resources, January 2008.

Table 1. Mineral Resources 0.4% Ni Cut Off				**Contained Ni t**	
Clasification	**Tonnes**	**Ni %**	**As ppm**	**Ni t**	Previous
Inferred	9,760,000	0.88	381		
Indicated	6,050,000	1.01	338		
Measured	2,370,000	1.03	346		
Total	**18,180,000**	**0.95**	**362**	**172,000**	158,000

Table 2. Mineral Resources 0.7% Ni Cut Off				**Contained Ni t**	
Clasification	**Tonnes**	**Ni %**	**As ppm**	**Current**	Previous
Inferred	6,880,000	0.99	465		
Indicated	4,900,000	1.09	390		
Measured	2,220,000	1.06	294		
Total	**14,000,000**	**1.04**	**412**	**145,000**	131,000

Table 3. Mineral Resources 0.85% Ni Cut Off				**Contained Ni t**	
Clasification	**Tonnes**	**Ni %**	**As ppm**	**Current**	Previous
Inferred	3,720,000	1.18	672		
Indicated	3,370,000	1.24	355		
Measured	1,730,000	1.14	345		
Total	**8,820,000**	**1.20**	**488**	**105,000**	102,000

Exploration has continually extended the Avebury Resource which now extends onto adjacent EL 28/1988. An ML application is currently being processed. Further resource additions from the ML and surrounding EL's are anticipated.

On April 4 2007 a request for amalgamation of exploration expenditure on the near Mine Exploration was granted. Exploration for the past year focused on the EL28/1988 with resource definition drilling of the East Avebury and Saxon Resources. Minor exploration was completed on EL22/1997. Total exploration expenditure on EL's surrounding the Avebury ML for 2006 was **$1,541,249.90**. Although no exploration has been completed during the past year, EL37/2003 is strategically important to the Avebury Project and will be the focus of exploration and resource in the near to mid term.

3 GEOLOGY

The Avebury deposits are hosted in serpentinised dunite or strongly metasomatised, tremolite-diopside ultramafic skarn intruded into Mid Cambrian basaltic volcaniclastics. The altered ultramafics have a strong magnetic signature due to high

concentrations of magnetite. High resolution aeromagnetics is a key early exploration tool. Much of the ultramafic is not outcropping and time consuming and expensive diamond drilling in often rugged terrain is a required for effective exploration.

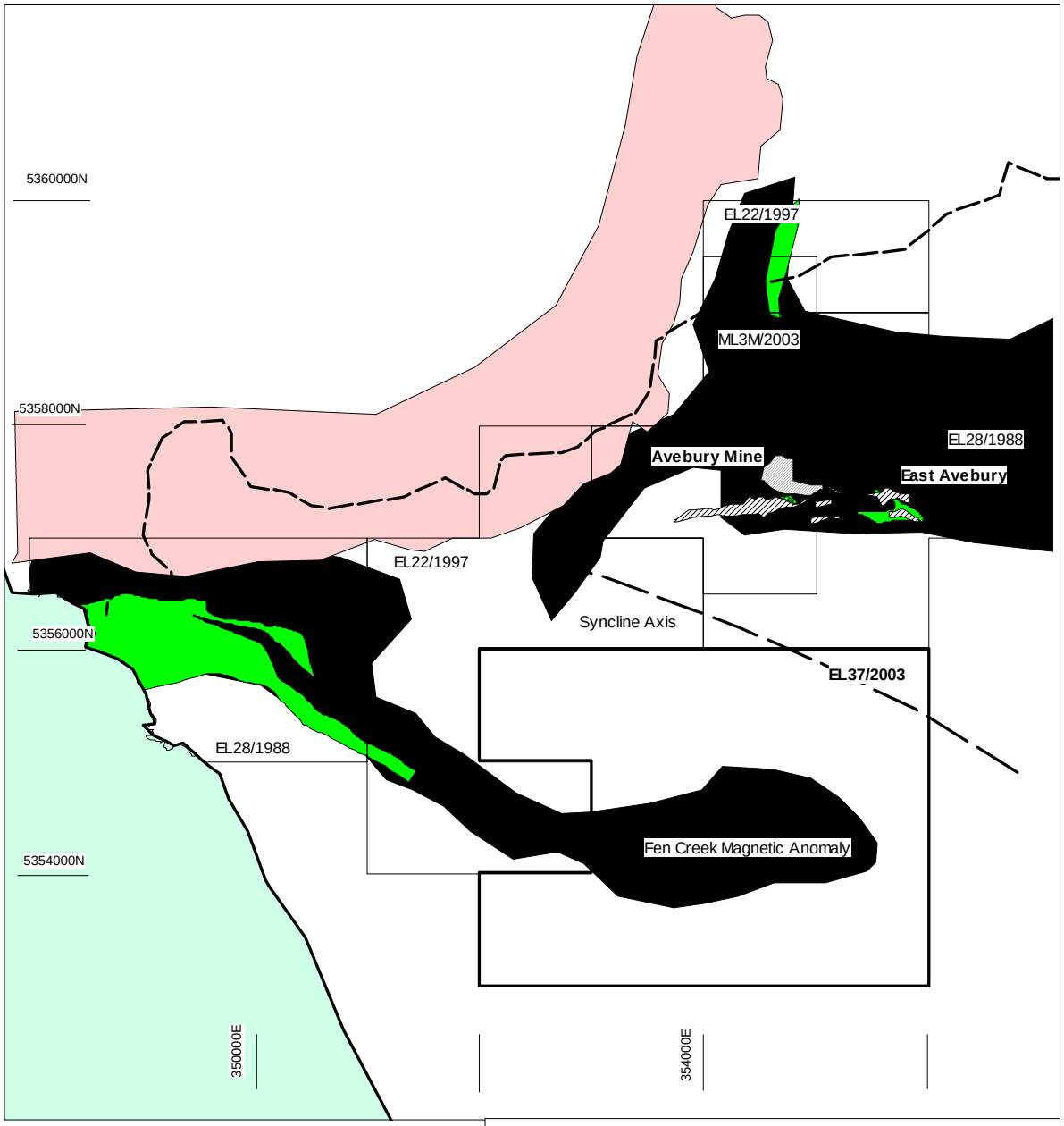
An intense aeromagnetic high is located under EL37/2003 on the southern limb of a major east-west trending syncline (Figure 2). The stratigraphic and structural setting of the anomaly approximately mirrors the Avebury Deposit which is located on the northern limb of the syncline.

The magnetic anomaly on EL37/2003 is less intense than the Avebury anomaly suggesting the ultramafic may be smaller or deeper. It is important to determine the host sequence of the area. Due to the remote terrain there is some ambiguity to the mapping in the district. At this stage the anomaly may be associated with either:

- an ultramafic hosted in Cambrian volcaniclastics (Crimson Creek equivalent)

- a magnetic anomaly hosted in the Ordovician Limestone.

Either of these is a valid exploration target, not unlike the initial target at Avebury drilled by CRA in 1996.



Granite

Ultramafic

TMI anomaly

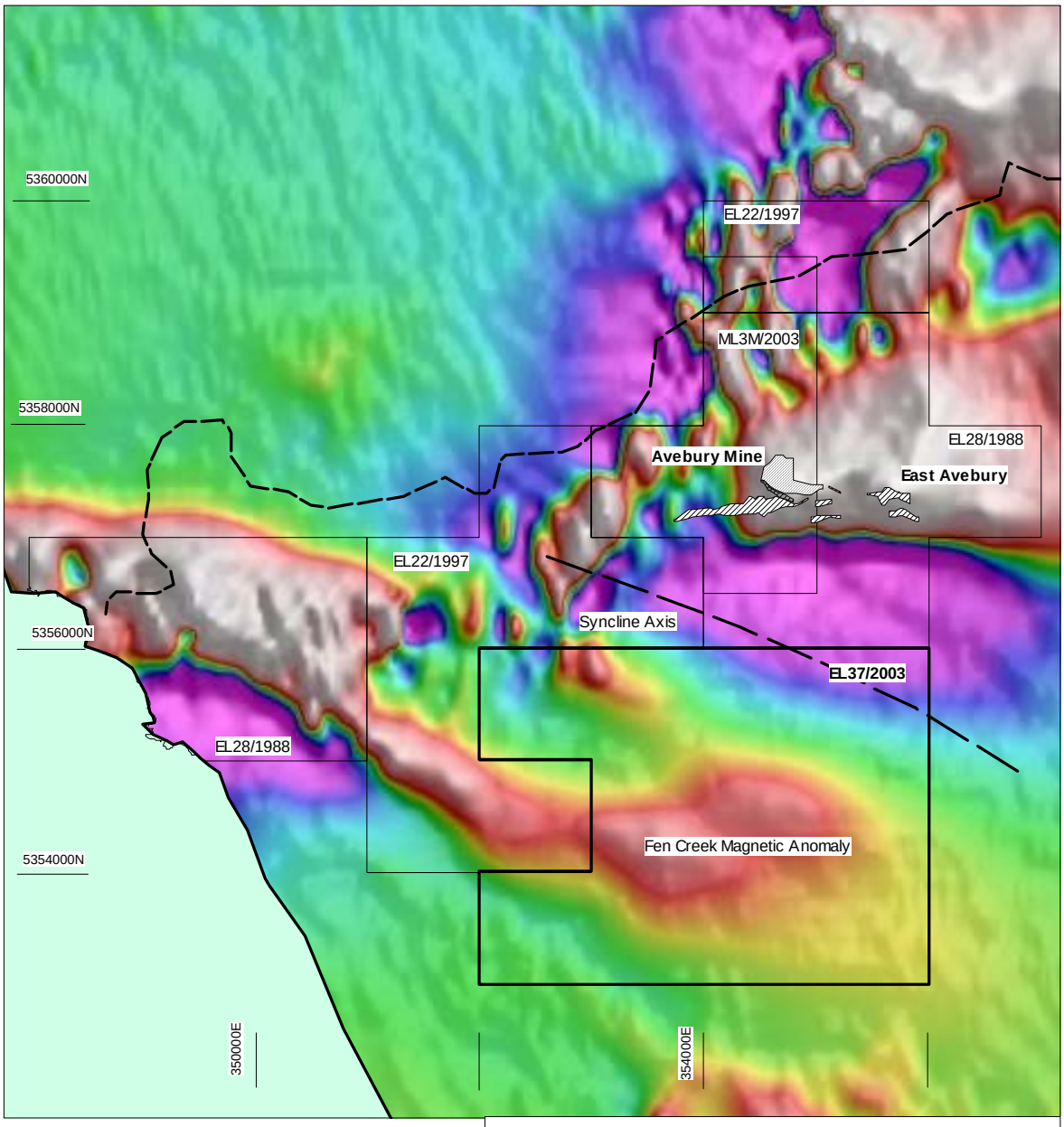
Allegiance Mining N.L.

ZEEHAN NICKEL PROJECT

EL37/2003
FEN CREEK
Location Diagram

COMPILED : T. Callaghan	
DATE :24/6/2007	
DRAWN :	
REVISIONS :	

Figure 1. **Scale 1 :5000** Figure No.



Granite

Ultramafic

TMI anomaly

Allegiance Mining N.L.

ZEEHAN NICKEL PROJECT

EL37/2003
FEN CREEK
TMI Image

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DRAWN :
REVISIONS :

Figure 2.

Scale 1 :5000

Figure No.

4 EXPLORATION COMPLETED 2007

The only work completed on EL37/2003 during the last year was:

Reconnaissance helicopter flight

Minor rock chip sampling

Planning of a broad spaced grid and emergency access track from the Little Henty River.

5 EXPLORATION PLANNED 2008

Exploration planned for 2008 will include:

- 10km of grid cutting
- Geological mapping and sampling
- soil sampling.
- Drilling of aeromagnetic anomaly in the NE corner of the EL.

5.1 Griding

A broad spaced grid, base line and emergency access track have been proposed for the coming year. Ian Rogers Track Cutting will be contracted to complete the work in March 2008. The track will consist of a 2.5km access track cut from the Burbank Prospect on the Little Henty River to allow foot access to the region (see Figure 3). A 2.5km base line is proposed running E_W on 354250N. Grid lines will be cut north-south on 500m spaced lines to allow reconnaissance mapping and rock chip sampling. Infill lines may be cut if considered necessary.

5.2 Geological Mapping and sampling.

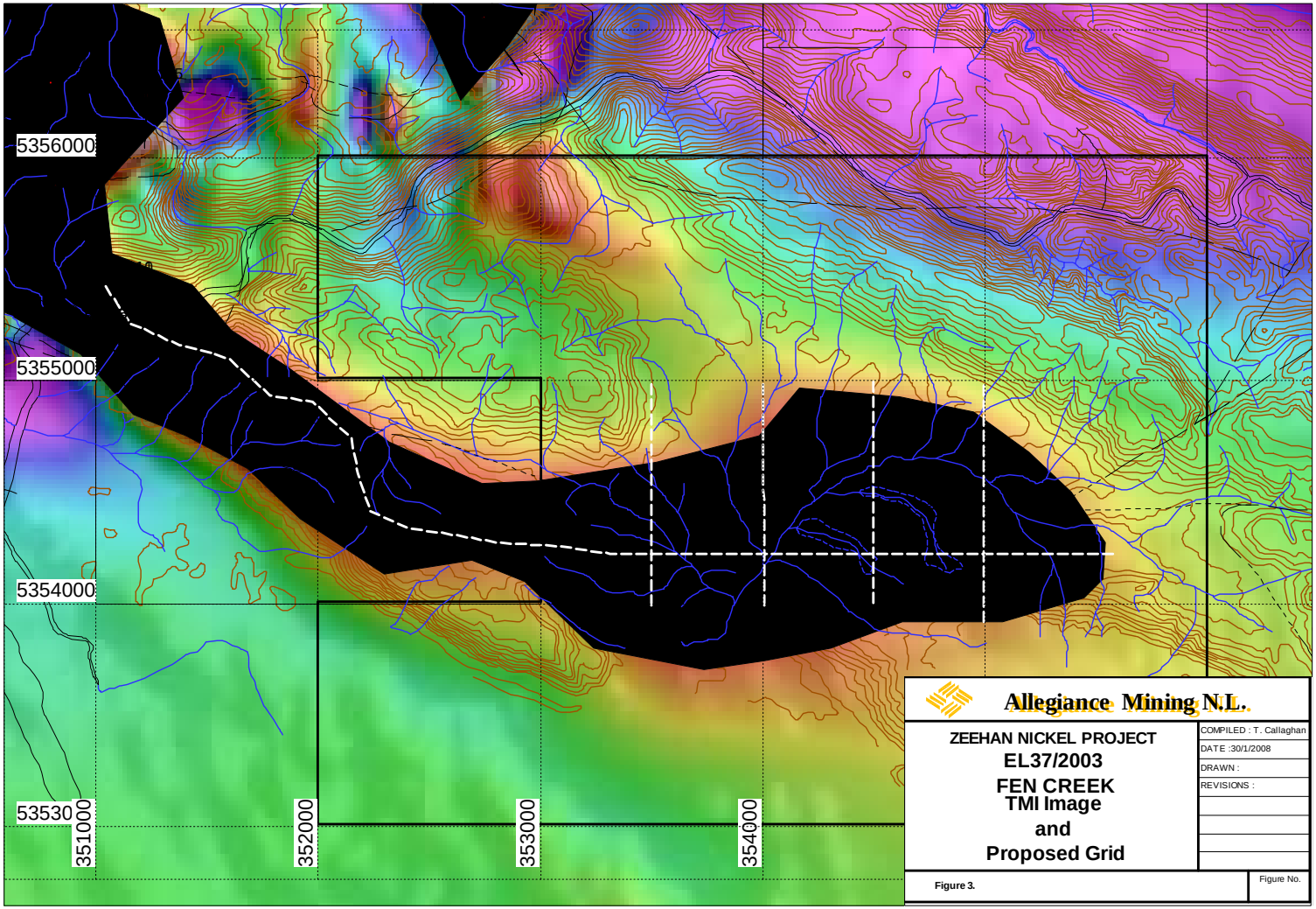
The 1:25000 Mineral Resources Tasmania mapping suggests much of the area gridded is covered by Quaternary alluvial sediments overlying either Cambrian Sediments or Ordovician Gordon limestone. Reconnaissance mapping and rock chip sampling will be completed to determine the depth of the Quaternary overburden and as well as identifying the underlying bedrock.

5.3 B/C-Horizon Soil Sampling

If areas of outcrop/subcrop are identified, follow up B/C-horizon soil sampling will be completed.

5.4 Drilling

If the preliminary test work is encouraging, at least one helicopter supported drill hole will be designed to test the magnetic anomaly.



Allegiance Mining N.L.

ZEEHAN NICKEL PROJECT
EL37/2003
FEN CREEK
TMI Image
and
Proposed Grid

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Figure 3.

Figure No.

6 SCHEDULE AND BUDGET

The program is likely to commence in March 2008 and be completed by late December.

The gridding program is expected to cost $40,000 with follow up mapping and soil sampling an additional $20,000. If drilling is completed the total work program is expected to cost a minimum of $250 000.