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1. SUMMARY

EL 22/97 west of Zeehan is subject to a joint venture agreement (the Trial Harbour Agreement) between Allegiance Mining NL and Rio Tinto Exploration Pty Limited.

The principal exploration target is hydrothermally emplaced nickel sulfide deposits within altered mafic and ultramafic formations and associated structures adjacent to the Heemskirk granite.

Exploration to date has focused on, firstly, a collation of previous exploration work with special reference to work relevant to the above model, secondly the acquisition of high resolution aeromagnetic data and, thirdly, the acquisition and reassaying of existing drill cores.

In the coming year it is planned to undertake the following:

- further acquisition and reassaying of existing cores
- ground mapping and rock chip sampling of several areas highlighted as being prospective by the 1997-1998 work programs

Expenditure to end June, 1998 was \$16,875.

Budget for 1998-1999 is \$10,000.

2. TENURE, CLASSIFICATION, GEOGRAPHY (Map 1)

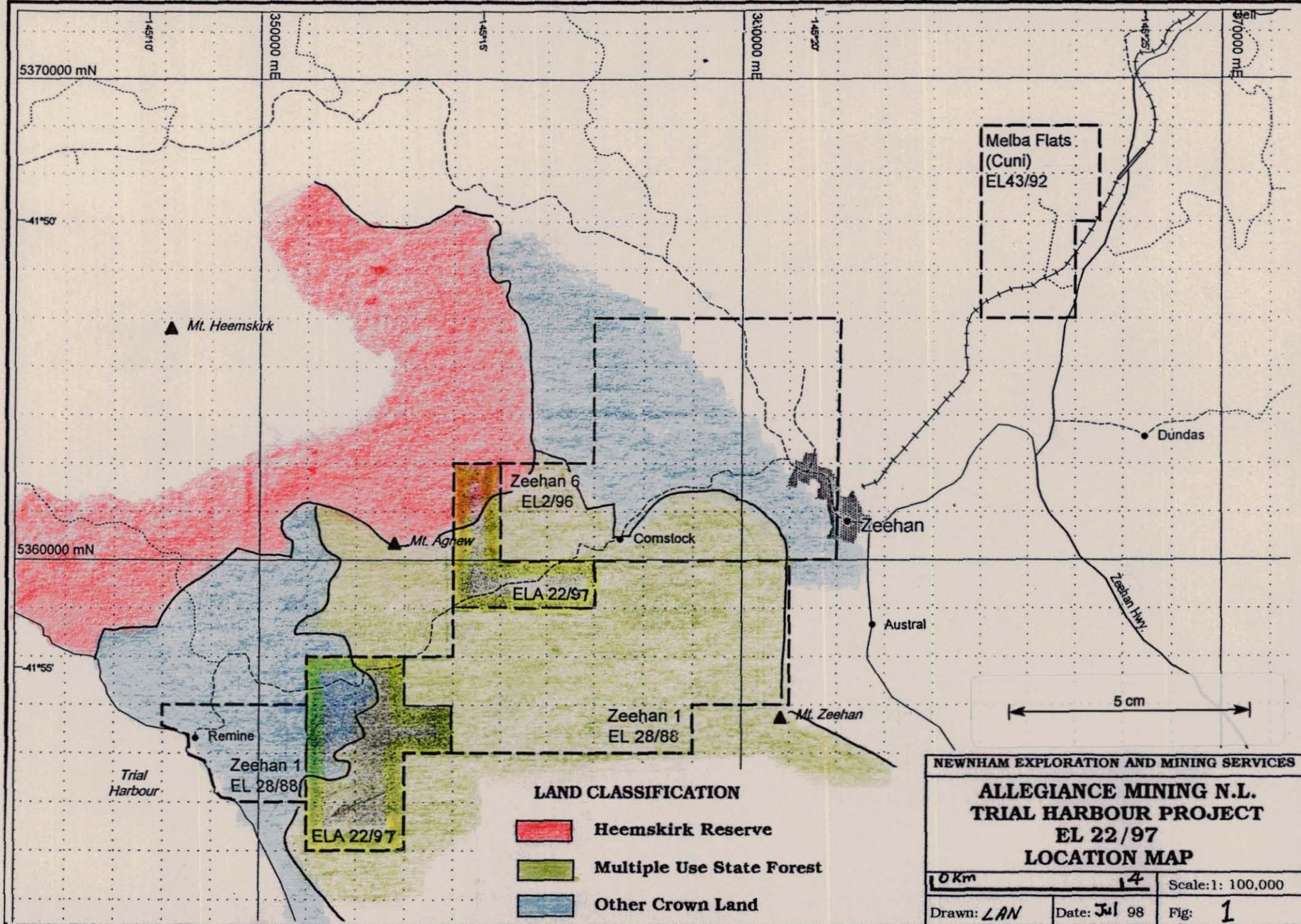
EL 22/97 of 14 sq km in two parts was granted to Allegiance Mining NL on 29 August, 1997 for a five-year period to 29 August, 2002.

It subsequently became subject of the Trial Harbour J/V agreement between Allegiance and Rio Tinto Exploration Pty Limited which also covers the contiguous ELs 28/88 and 2/96, together with EL 43/92 (Melba Flats).

Under the recently-signed *Tasmanian Regional Forest Agreement*, the area is classified as State Forest (Multiple Use), Heemskirk Reserve (subject to exploration and mining) and "other Crown Land" (subject to exploration and mining). The distribution of these classifications is shown on Map 1.

The northern block of EL 22/97 is cut by the Zeehan-Trial Harbour road and has been subjected to extensive exploration, mining and forestry activities. Patches of wet-sclerophyll are separated by open button-grass and low scrub, largely reflecting the underlying geology.

The southern block of EL 22/97 is dissected by the Little Henty River and contains a wide variety of morphological types ranging from rugged open eucalypt forests on the Heemskirk Range in the north, to dense forest in the Little Henty gorge, to open dune and Quaternary cover in the south.



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3. PREVIOUS WORK

The majority of previous work in the area covered by EL 22/97 was directed towards exploration for tin and iron in skarned or replacement formations adjacent to the Heemskirk Granite.

RGC and IMI were the principal contributors to this effort.

RGC completed a variety of electrical geophysical and geochemical surveys on grids established along the eastern and southern margins of the granite. They core drilled holes TH 3, 4, 5 and 6, aimed at following up anomalies defined by these surveys. Core was extensively assayed but not for Ni.

IMI concentrated their efforts on massive ironstone formations as a potential iron ore resource. These ironstones were developed as a result of metasomatic alteration of ultramafic intrusives and calcareous sediments close to the granite contact.

They drilled a series of cored holes in the general Tenth Legion area. Two of these - TLC 004 and 005 - occur within EL 22/97.

4. WORK COMPLETED 1997-1998

The following work was completed during the year:

- collation of previous exploration data and review of the nickel potential of the area
- aeromagnetic survey
- relogging and reassaying of TH 3

4.1 Data Collation and Review:

Consultant McKeown Mining Pty Limited was engaged to collate relevant existing exploration data on the licence area and to assess its relevance with reference to the nickel sulfide exploration targets sought.

The work was undertaken in conjunction with similar work on the contiguous EL 2/96 and EL 28/88.

Results of this work were presented in two separate reports:

"Allegiance Mining NL Zeehan Project. A New View of the Zeehan Mineral Field" by MV McKeown, May 1998.

and

"Results of Diamond Drilling on the Avebury Grid EL 28/88 By Allegiance Mining NL" by MV McKeown, May 1998.

The outcomes of previous drilling and mapping programs are essentially highlighted on the accompanying Map 3.

4.2 Aeromagnetic Survey:

A high resolution helimagnetic survey was flown over the whole licence in April, 1998 by UTS.

Principal specifications were 50 m spaced N-S lines, at 50 m altitude.

The objectives of the survey were to:

- (a) locate strong anomalous zones which may represent altered mafic-ultramafic intrusives or magnetite bearing skarns
- (b) define structural trends in Cambrian formations

The results of this survey are illustrated in this report by Map 4 (total magnetic field) and Map 5 (first vertical derivative).

Several interpreted features of the survey are worthy of note:

- (i) Shallow **granite cupola** in the southern end of the northern block of 22/97 with intense magnetic features flanking the cupola. These features, which include the Davern and Tenth Legion South mine area have been previously drilled but cores were not assayed for nickel.

The anomalies on the western and eastern flanks of this cupola have not been investigated to date.

- (ii) Apparent tight west-north-west folding of the Cambrian formations between Tenth Legion and Trial Harbour.

This could be interpreted as suggesting the units which host the Avebury Ni sulfide mineralisation are folded to the west of Avebury (within 22/97) around a tight, possibly faulted, synclinal nose.

It also suggests the Trial Harbour ultramafic body may extend at shallow depths further east-south-east into 22/97 than previously interpreted, along the faulted southern limb of a major anticline.

- (iii) There are a number of significant anomalies which appear to have been neither drilled nor sampled for nickel assaying; eg. between Tenth Legion and Tenth Legion South.

4.3 Relogging and Reassaying TH 3:

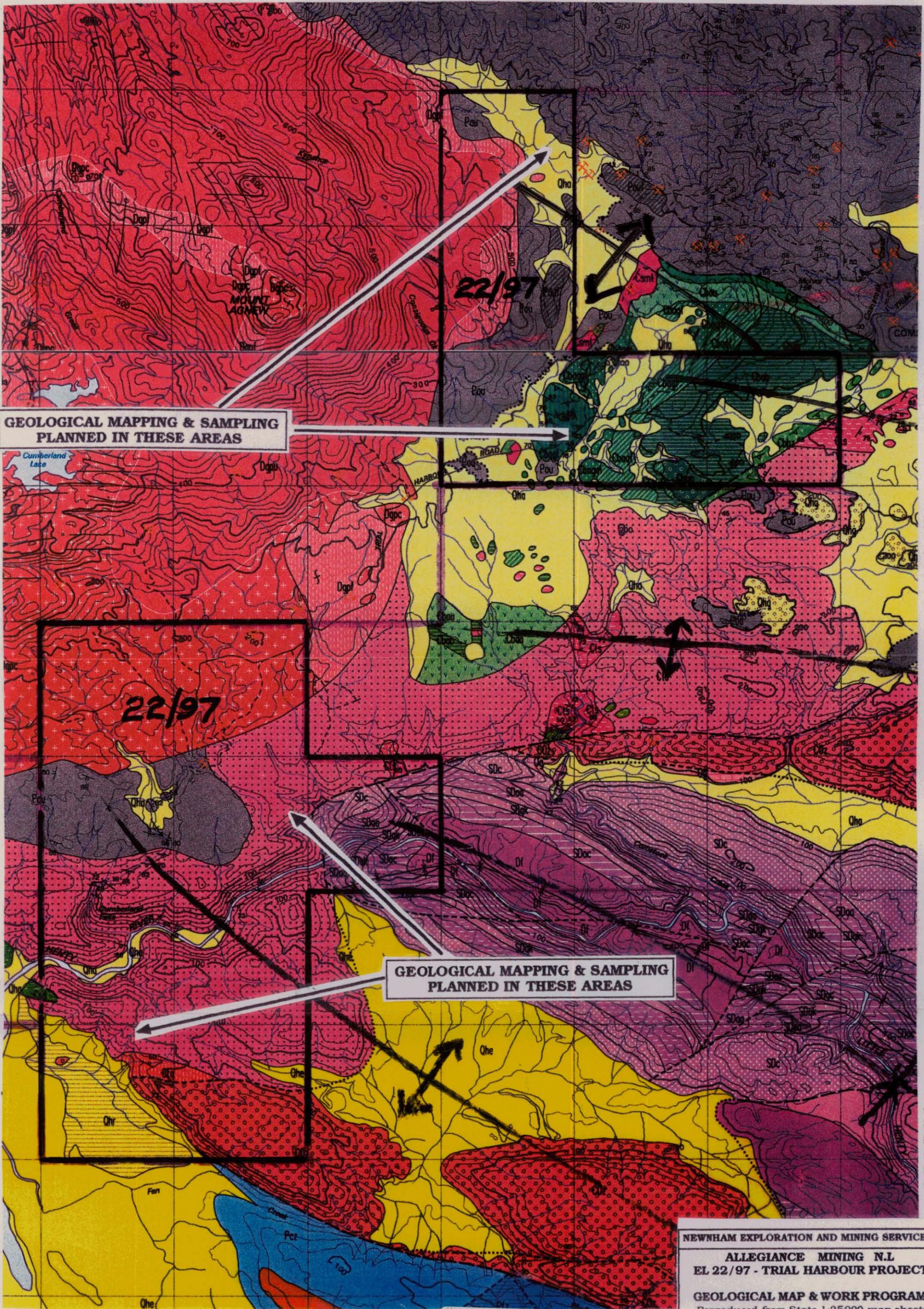
Core from TH 3, drilled by RGC in the early 1980s as part of a tin exploration program was relocated to the Zeehan core shed, relogged and selectively reassayed, with special reference to Ni sulfide mineralisation. Results were generally disappointing and are attached as an appendix.

5. WORK PLANNED 1998-1999

EL 22/97 is explored in conjunction with ELs 28/88 and 2/96. A major program of exploration for Ni sulfide deposits is planned over these ELs in 1998-99.

Principal components of this program on EL 22/97 will be:

- (a) location of additional RGC and IMI cores in the Tenth Legion area, logging and reassaying of this core
- (b) mapping and sampling of aeromagnetic anomalies around the granite cupola in the Tenth Legion-Tenth Legion South and Davern mine areas
- (c) mapping and sampling of the area west of the Avebury Ni sulfide deposits
- (d) mapping and sampling of the Little Henty River gorge area and the possible south-south-east strike extension of the Trial Harbour ultramafic complex



GEOLOGICAL MAPPING & SAMPLING
PLANNED IN THESE AREAS

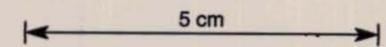
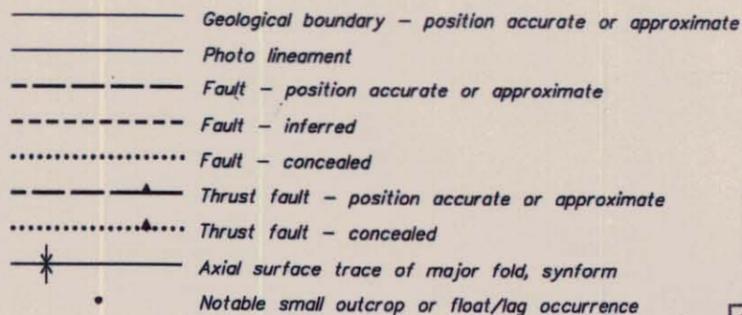
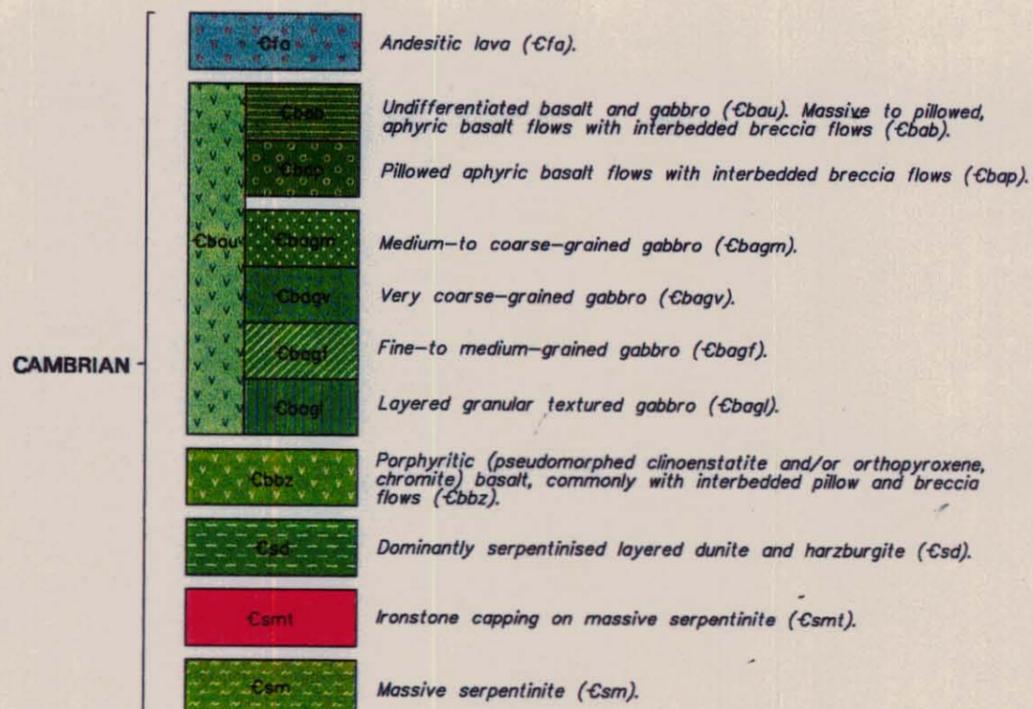
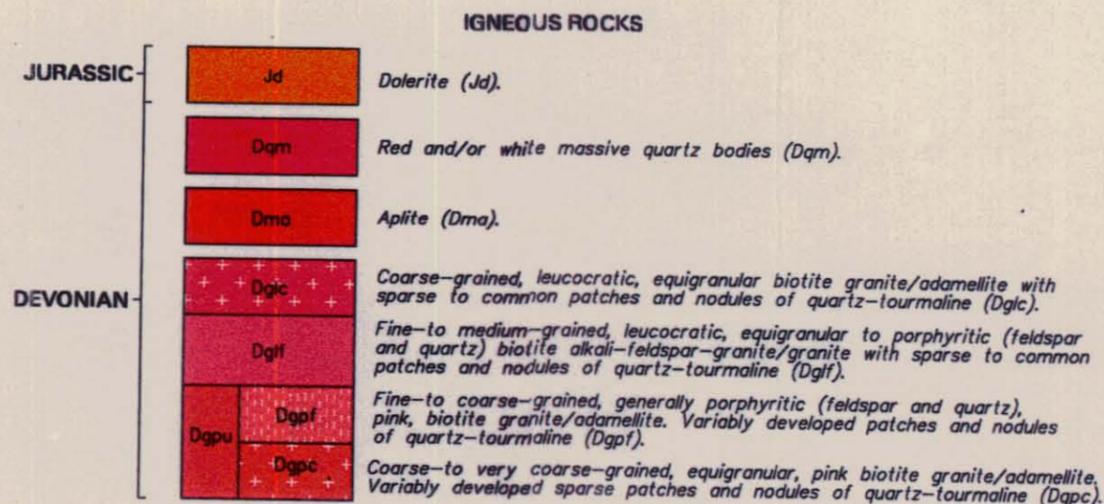
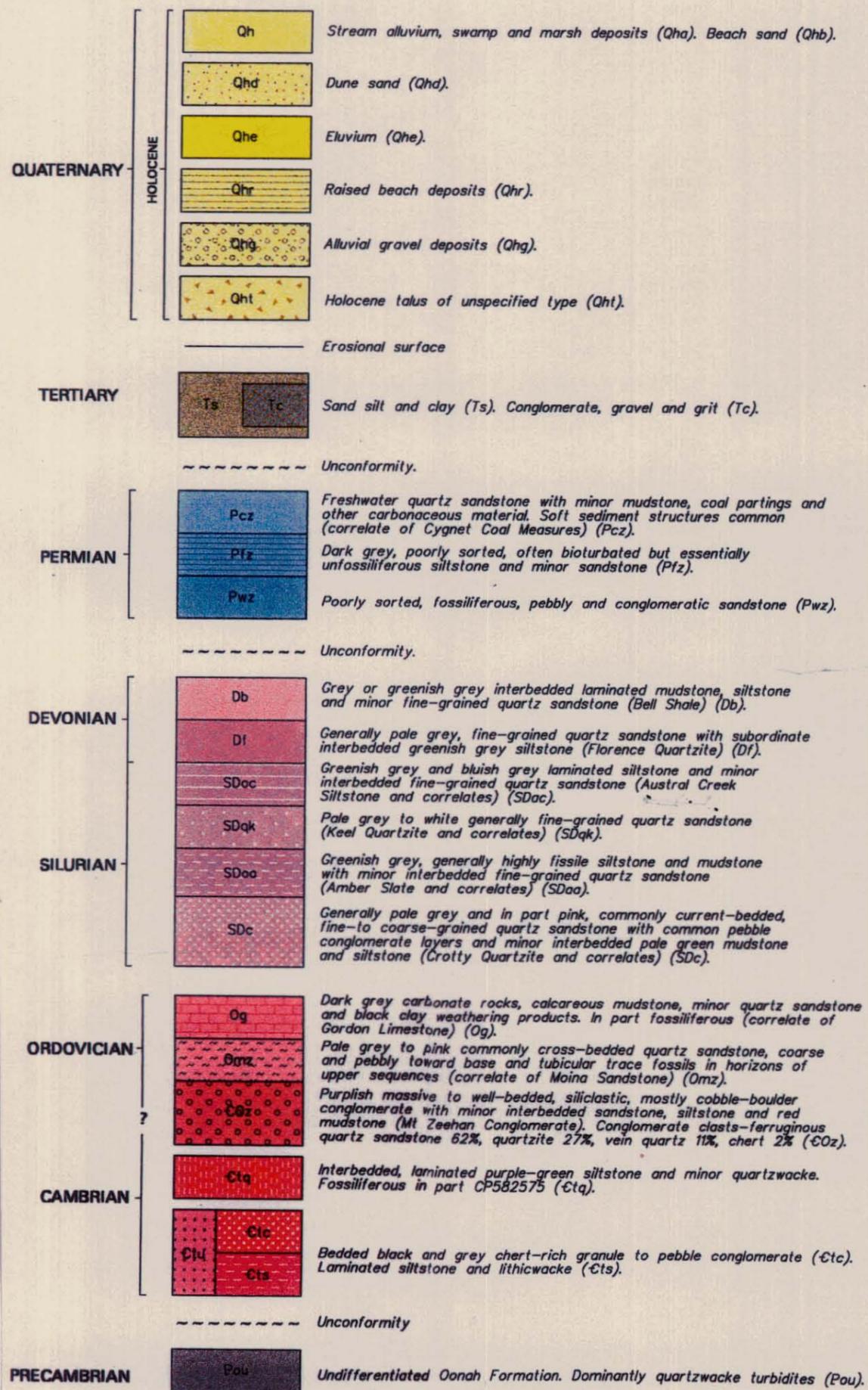
GEOLOGICAL MAPPING & SAMPLING
PLANNED IN THESE AREAS

NEWNHAM EXPLORATION AND MINING SERVICES
ALLEGIANCE MINING N.L
EL 22/97 - TRIAL HARBOUR PROJECT
GEOLOGICAL MAP & WORK PROGRAM
 Reproduced from State 1:25000 map sheets

5 cm

Scale:
 Drawn: LAN Date: Jul 98 Fig 2

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6. EXPENDITURE, BUDGETS, SCHEDULE

Expenditure for 1997-1998, which was the first year of tenure, was as follows:

	\$
Geology:	10,292
Geophysics:	4,899
Administration:	<u>1,684</u>
Total	<u>\$16,875</u>

Budget and Schedule for 1998-1999 is:

	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Totals
Relocating & Logging Core	2,000				2,000
Tenth Legion Mapping				2,000	2,000
Avebury West Mapping		1,500			1,500
Trial Harbour East Mapping			2,000		2,000
Assaying		500	500	500	1,500
Travel & Accom	250	250	500		1,000
TOTALS	2,250	2,250	3,000	2,500	10,000

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APPENDIX

SUMMARY LOG

HOLE NUMBER: TH3

from m	to m	
0.0	142.0	core not located
142.0	163.5	hornfels and chert with trace pyrrhotite
163.5	230.0	hornfels and chert, occasionally with sand size grains evident, with trace pyrrhotite and magnetite
230.0	351.5	hornfels and chert with sparse pyrrhotite

END OF HOLE AT 351.5m



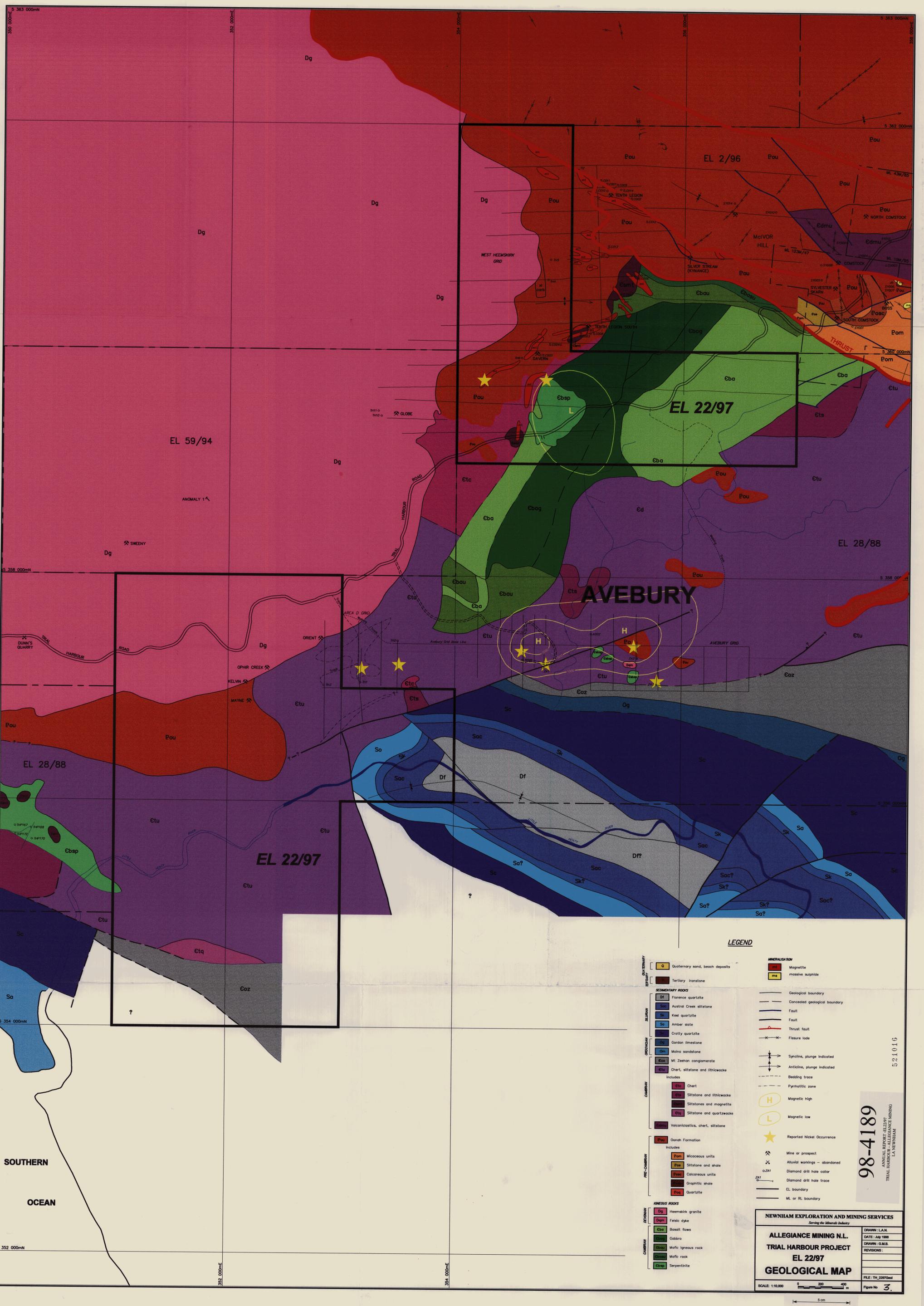
Our reference : BU014687
 Your reference : SAMPLE BATCH 1
 Project code : Drill Core
 Report date : 03/06/98
 Report status : Final
 Page : 1 of 1

Analabs Pty. Ltd.
 ACN 004 591 664
 14 Thirkell St, Burnie
 Tasmania 7320
 Telephone : (004) 31 6837
 Facsimile : (004) 31 8890

ANALYTICAL DATA

Sample	Ni	Co				
TH1 130.25 - 32.39	88	28				
TH1 32.39 - 32.85	93	20				
TH1 65.7 - 68.7	88	23				
TH1 68.7 - 69.5	98	25				
TH1 69.5 - 70.3	138	13				
TH1 88.0 - 90.93	82	18				
TH1 90.93 - 92.0	98	30				
TH1 92.0 - 94.0	128	30				
TH1 94.0 - 95.24	140	49				
TH1 95.24 - 97.0	119	17				
TH1 97.0 - 98.4	90	26				
TH1 98.4 - 100.0	60	11				
TH1 100.0 - 102.0	81	15				
TH1 102.0 - 104.0	57	9				
TH1 104.0 - 106.0	83	12				
TH1 106.0 - 108.0	68	15				
TH1 108.0 - 110.0	71	23				
TH1 110.0 - 112.0	115	30				
TH1 112.0 - 114.0	94	24				
TH1 114.0 - 116.0	116	23				
TH1 116.0 - 118.0	113	25				
TH1 118.0 - 120.0	104	27				
TH1 144.6 - 146.6	110	38				
TH1 146.6 - 148.6	126	42				
TH1 148.6 - 150.6	165	48				
TH1 212.0 - 214.0	122	45				
TH1 265.0 - 267.0	102	56				
TH2 387.0 - 389.7	93	31				
TH2 441.0 - 442.0	227	20				
TH2 451.0 - 452.0	62	6				
TH2 461.0 - 462.0	151	13				
TH2 476.0 - 477.0	495	31				
TH2 480.2 - 480.5	1730	129				
TH2 491.0 - 492.0	312	29				
TH3 251.0 - 252.0	155	37				
TH3 252.0 - 253.0	301	74				
TH3 281.0 - 282.0	137	40				
TH3 293.0 - 294.0	184	60				
TH3 294.0 - 295.0	215	47				
TH3 295.0 - 296.0	314	63				
TH3 304.0 - 305.0	243	51				
TH3 340.0 - 341.0	176	46				
TH3 341.0 - 342.0	187	48				
TH3 342.0 - 343.0	160	39				
TH3 343.0 - 344.0	155	39				
TH3 344.0 - 345.0	190	47				
TH3 345.0 - 346.0	183	41				
Method Units Detection Limit	A102 ppm 3	A102 ppm 2				

Notes: N.A. = not analysed, -- = element not determined, I.S. = insufficient sample, L.N.R. = listed not received



LEGEND

- | | | | |
|-----------------------------------|-------------------------------------|-----------------------|--------------------------------|
| QUATERNARY | SEDIMENTARY ROCKS | MINERALISATION | STRUCTURAL |
| Q Quaternary sand, beach deposits | Df Florence quartzite | mt Magnetite | Geological boundary |
| T Tertiary ironstone | As Austral Creek siltstone | ms massive sulphide | Concealed geological boundary |
| DEVONIAN | Kl Keel quartzite | | Fault |
| Df Devonian | Am Amber slate | | Fault |
| ORDOVICIAN | Ct Cratry quartzite | | Thrust fault |
| Ed Edmondstone | Gd Gordon limestone | | Fissure lode |
| Ed Edmondstone | Mn Malpas sandstone | | Syncline, plunge indicated |
| Ed Edmondstone | Mt Mt Zeeman conglomerate | | Anticline, plunge indicated |
| Ed Edmondstone | Ch Chert, siltstone and lithicwacke | | Bedding trace |
| Ed Edmondstone | Ch Chert | | Pyrrhotite zone |
| Ed Edmondstone | Ss Siltstone and lithicwacke | | Magnetic high |
| Ed Edmondstone | Mt Magnetite | | Magnetic low |
| Ed Edmondstone | Ss Siltstone and quartzite | | Reported Nickel Occurrence |
| Ed Edmondstone | V Volcaniclastics, chert, siltstone | | Mine or prospect |
| PRE-CAMBRIAN | IGNEOUS ROCKS | | Abandoned workings - abandoned |
| Pou Pou | Dg Heemskirk granite | | Diamond drill hole collar |
| Pou Pou | Dm Felsic dyke | | Diamond drill hole trace |
| Pou Pou | Bf Basalt flows | | EL boundary |
| Pou Pou | Gb Gabbro | | ML or RL boundary |
| Pou Pou | Li Mafic igneous rock | | |
| Pou Pou | Mf Mafic rock | | |
| Pou Pou | Sr Serpentine | | |

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ALLEGIANCE MINING N.L.
TRIAL HARBOUR PROJECT
EL 22/97
GEOLOGICAL MAP

SCALE: 1:10,000

0 200 400
 m

5 cm

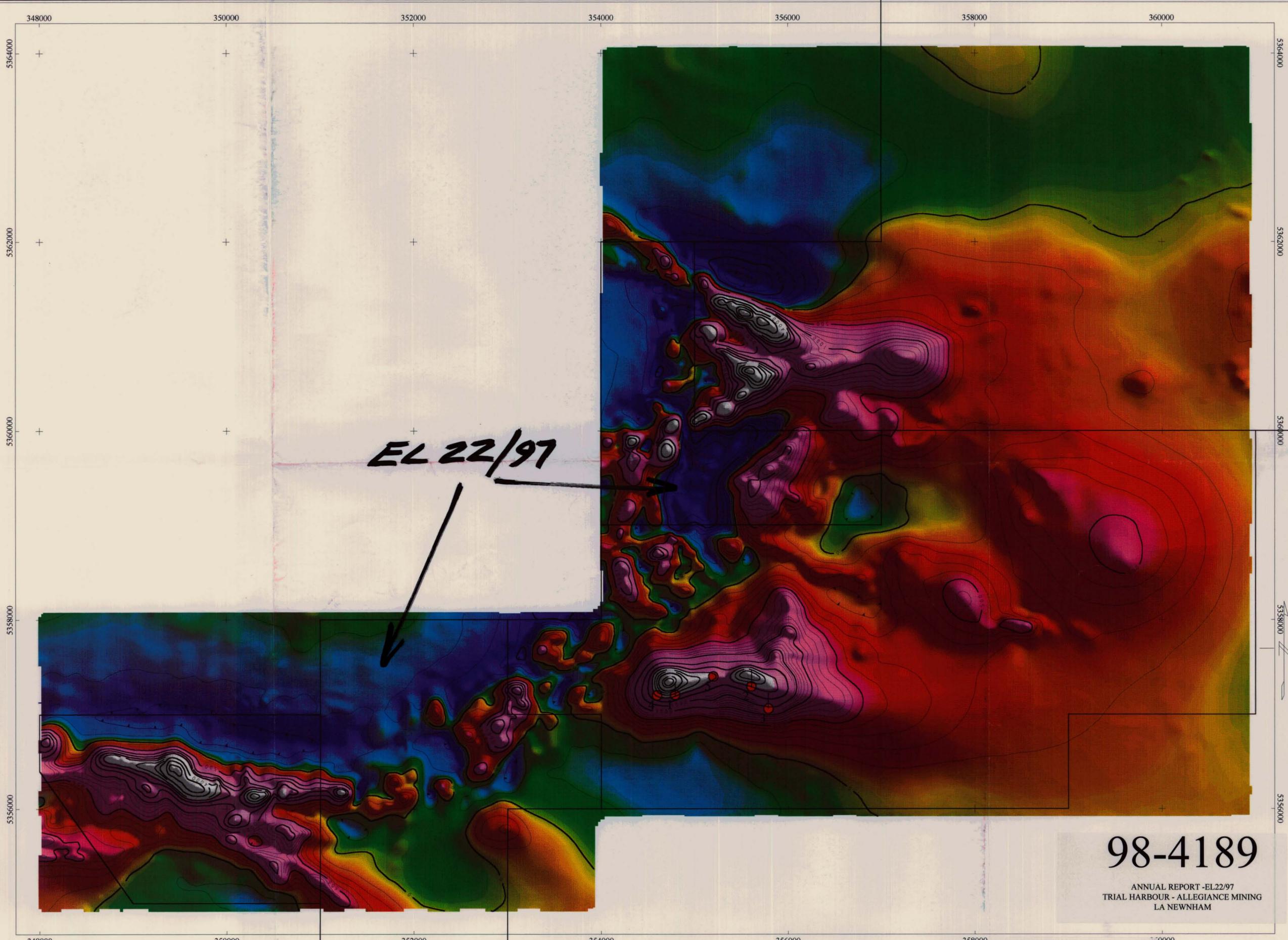
FILE: TH_2297000
 Figure No 3

DATE: July 1998
 DRAWN: G.M.B.
 REVISIONS:

DRAWN: L.A.N.

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 ANNUAL REPORT-EL2297
 TRIAL HARBOUR - ALLEGIANCE MINING
 LA NEWNHAM

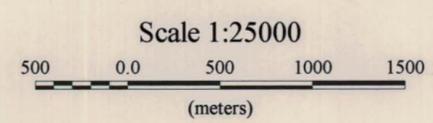


EL 22/97

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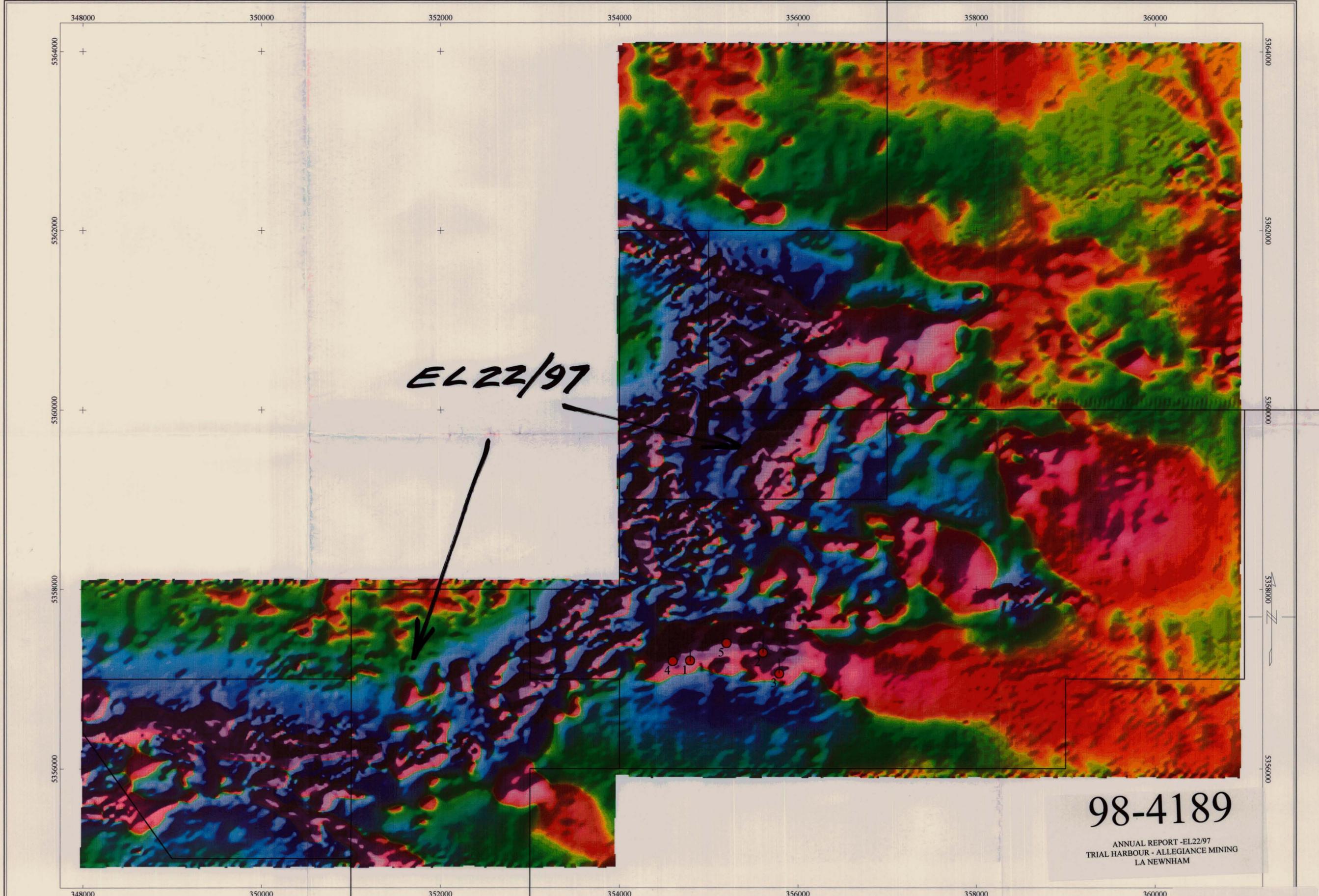
ANNUAL REPORT - EL22/97
 TRIAL HARBOUR - ALLEGIANCE MINING
 LA NEWNHAM

5 cm 521017



ALLEGIANCE
TRIAL HARBOUR, WEST TASMANIA 1998 UTS AEROMAGNETIC SURVEY
TOTAL FIELD, REDUCED TO POLE SUN FROM SOUTH LINE SPACING=50m; DIR=0-180deg; MESH=13m AMG84, ZONE 55
FLAGSTAFF, NH, 5/98



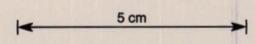


EL 22/97

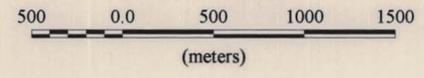
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ANNUAL REPORT - EL22/97
 TRIAL HARBOUR - ALLEGIANCE MINING
 LA NEWNHAM

52101S



Scale 1:25000



<p>ALLEGIANCE</p> <p>TRIAL HARBOUR, WEST TASMANIA</p> <p>1998 UTS AEROMAGNETIC SURVEY</p> <p>1ST VERTICAL DERIVATIVE, REDUCED TO POLE SUN FROM SOUTH-EAST LINE SPACING=50m; DIR=0-180deg; MESH=13m AMG84, ZONE 55</p> <p>FLAGSTAFF, NH, 5/98</p>
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