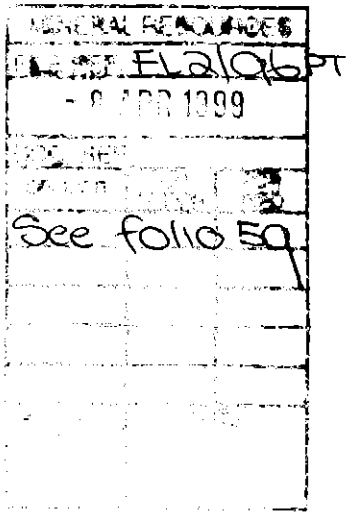
NEWNHAM EXPLORATION & MINING SERVICES

EL 2/96 - TRIAL HARBOUR AREA

ANNUAL REPORT

FOR 12 MONTHS ENDING FEBRUARY 1999



Prepared For:

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22 March, 1999

CONTENTS

MAPS:

1. SUMMARY

EL 2/96 of eight square kilometres is regarded as prospective for both Avebury nickel sulfide and Stonehenge zinc sulfide styles of deposits.

During the year, a high resolution aeromagnetic survey was completed over the Licence, which was subsequently reduced from 21 sq km to 8 sq km.

Future work on the licence will be strongly influenced by the results of drilling programs scheduled for completion during 1999 on the adjacent EL 28/88, on the Avebury and Stonehenge prospects.

2. LAND TENURE

EL 2/96 of eight square kilometres lies to the immediate north-west of Zeehan. It is currently explored under a joint venture agreement between Allegiance Mining NL, (operators) and Rio Tinto Exploration Pty Limited.

In August 1998 the Licence area was reduced from 21 sq km to 8 sq km. Contained within EL 2/96 is Retention Licence 9705 which covers part of the Queen Hill polymetallic deposit and a group of Mining Leases covering the Comstock Mine.

Land classification as recommended under the recent Regional Forest Agreement is a mixture of Multiple Use State Forest and Other Public Lands.

3. GEOLOGY

The district and local geology are shown on Figs 1 and 2. Fig 1 is a direct reproduction of section of the State Zeehan 1:50,000 sheet.

The area is underlain by a sequence of Cambrian sediment and volcanics. A package of younger Cambrian mafic and ultramafic units has been thrust (?) into these older Cambrian formations in the west of the Licence area.

A syncline of Silurian-Devonian sediments onlaps the Cambrian formations on the eastern end of the Licence area.

Precambrian sedimentary formations have been thrust over the top of the Cambrian formations along the shallow dipping Tenth Legion Fault. Because of its shallow dip, the outcrop of the Tenth Legion Fault is tortuous in this moderately rugged topography.

The Devonian-Carboniferous Heemskirk Granite outcrops to the immediate west of the Licence.

Structurally, the area is complex. Mapping and aeromagnetic data suggest the stratigraphy has been tightly folded along a series of steep dipping WNW trending axes. Two major faults, the Sylvester and Balstrup Faults broadly parallel this fold direction. A second set of north-east trending faults disrupts the stratigraphy in the Stonehenge area.

Mineralisation is both extensive and varied. Stratabound, vein and fault-hosted tin and base metal mineralisation has been extensively mined in the Queen Hill area. Base metal mineralisation is widespread in veins and replacing calcareous formations at Comstock. Iron rich mineralisation, accompanied by base metals, is widespread in replacement deposits in the Tenth Legion area.

570006

EL 2/96

RL 9705

NOTE: This plan is a direct reproduction of section of State 1:50,000 Zeehan sheet

5 cm

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ALLEGIANCE MINING N.L.

TRIAL HARBOUR PROJECT

EL 2/96

REGIONAL GEOLOGY

Scale:1:50,000

Drawn: LAN | Date: Mar 99 | Fig: /

4. EXPLORATION PHILOSOPHY

Exploration of EL 2/96 is currently directed at two target deposit styles:

(i) nickel sulfide deposits of the Avebury type, hosted by the marginal zones of altered ultramafic bodies and accompanied by substantial amounts of magnetite

(ii) zinc sulfide deposits of the Stonehenge type, hosted by Proterozoic sedimentary formations

The direction of exploration for these two deposit styles will be greatly influenced by current drilling programs at the Avebury prospect to the immediate south of the western end of EL 2/96, and a planned drilling program at Stonehenge to the south of the eastern end of the Licence.

5. EXPLORATION COMPLETED 1998-1999

In April 1998 a high resolution aeromagnetic survey was completed over EL 2/96. The purpose of this survey was twofold: firstly to assist with the definition of district geological structure and, secondly, to define magnetic anomalies of the type associated with the Avebury deposit.

Results of the survey are presented as Figs 3 and 4.

Arguably, the most interesting outcome of this survey was the definition of a large magnetic low on the south-west corner of the Licence, flanked to the north and east by a series of "folded" highs. This is interpreted as a cupola of the Heemskirk Granite within a sequence of mafic and ultramafic rocks, resulting in the mobilisation and concentration of magnetite within these units; ie, an Avebury type analogue.

6. WORK PLANNED

During 1999-2000 it is planned to complete the following work on EL 2/96:

(a) collation of all detailed previous work from the general Tenth Legion area

(b) mapping and detailed sampling of the aeromagnetic anomalies on the western end of the Licence area

(c) possible extension of geophysical and geochemical surveys from the Avebury area in the Tenth Legion area

(d) possible drilling if results from the above surveys are encouraging

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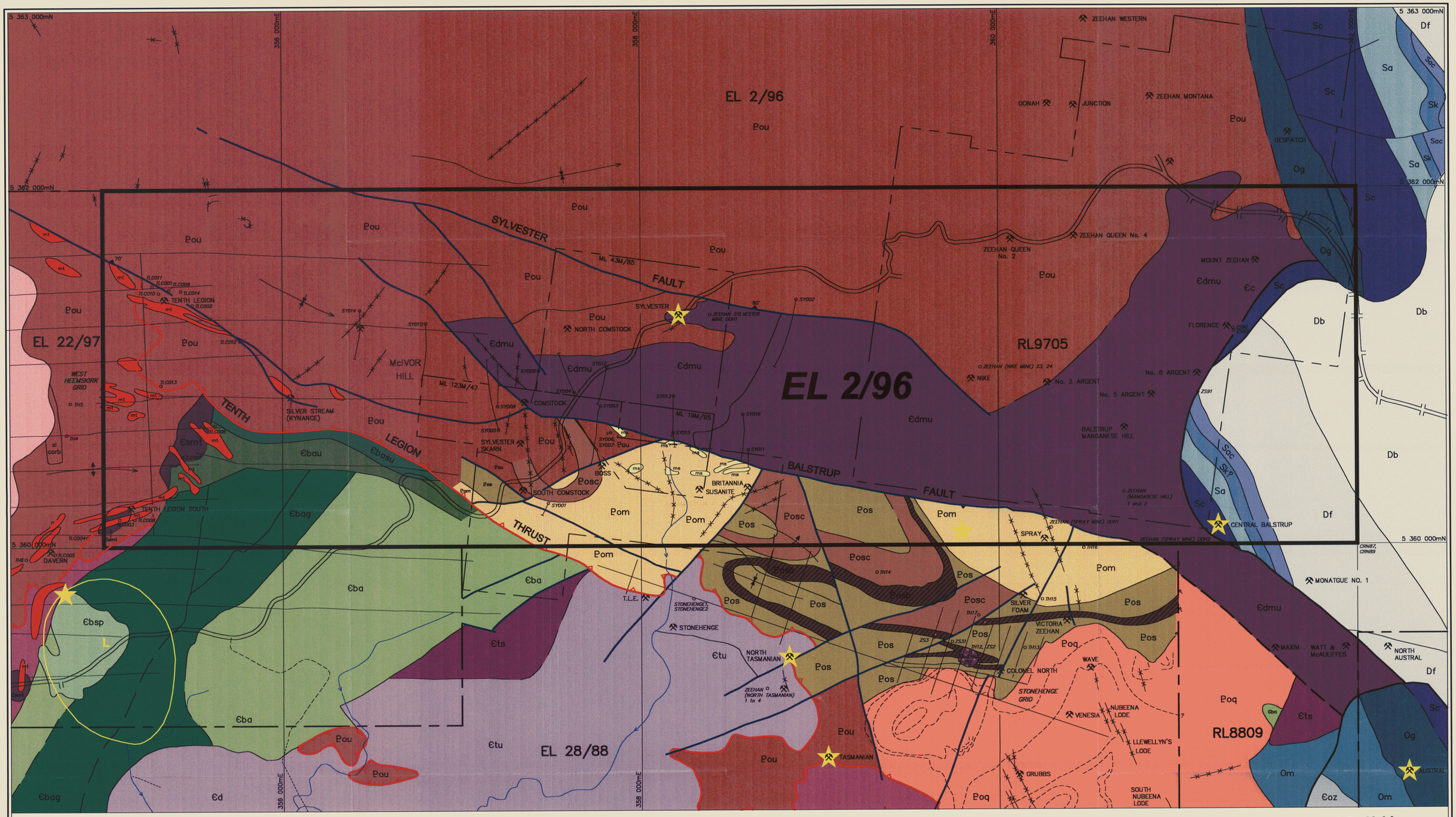

LEGEND

QUATERNARY
- Q — Quaternary sand, beach deposits

TERTIARY
- Tl — Tertiary ironstone

SEDIMENTARY ROCKS

SILURIAN
- Df — Florence quartzite
- Sac — Austral Creek siltstone
- Sk — Keel quartzite
- Sa — Amber slate
- Sc — Crotty quartzite

ORDOVICIAN
- Og — Gordon limestone
- Om — Moina sandstone

CAMBRIAN
- Eoz — Mt Zeehan conglomerate
- Etu — Chert, siltstone and lithicwacke
  - includes
  - Etc — Chert
  - Ets — Siltstone and lithicwacke
  - Esmt — Siltstones and magnetite
  - Etq — Siltstone and quartzwacke
- Edmu — Volcaniclastics, chert, siltstone

PRE-CAMBRIAN
- Pou — Oonah Formation
  - includes
  - Pom — Micaceous units
  - Pos — Siltstone and shale
  - Posc — Calcareous units
  - Graphitic shale
  - Poq — Quartzite

IGNEOUS ROCKS

DEVONIAN
- Dg — Heemskirk granite
- Dqm — Felsic dyke

CAMBRIAN
- Eba — Basalt flows
- Ebag — Gabbro
- Ebasu — Mafic igneous rock
- Ebasu — Mafic rock
- Ebsp — Serpentinite

MINERALISATION
- mt — Magnetite
- ms — massive sulphide

- Geological boundary
- Concealed geological boundary
- Fault
- Fault
- Thrust fault
- Fissure lode
- Syncline, plunge indicated
- Anticline, plunge indicated
- Bedding trace
- Pyrrhotitic zone
- H — Magnetic high
- L — Magnetic low
- Reported Nickel Occurrence
- Mine or prospect
- Alluvial workings — abandoned
- Diamond drill hole collar
- Diamond drill hole trace
- EL boundary
- ML or RL boundary

5 cm

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ALLEGIANCE MINING-TRIAL HARBOUR
L A NEWNHAM

NEWNHAM EXPLORATION AND MINING SERVICES
Serving the Minerals Industry

ALLEGIANCE MINING N.L.
TRIAL HARBOUR PROJECT
EL 2/96
DISTRICT GEOLOGY

COMPILED : L.A.N.
DATE : March 1999
DRAWN : G.M.B.
REVISIONS :
FILE : District Geology

SCALE: 1:10,000 (0 200 400 m)

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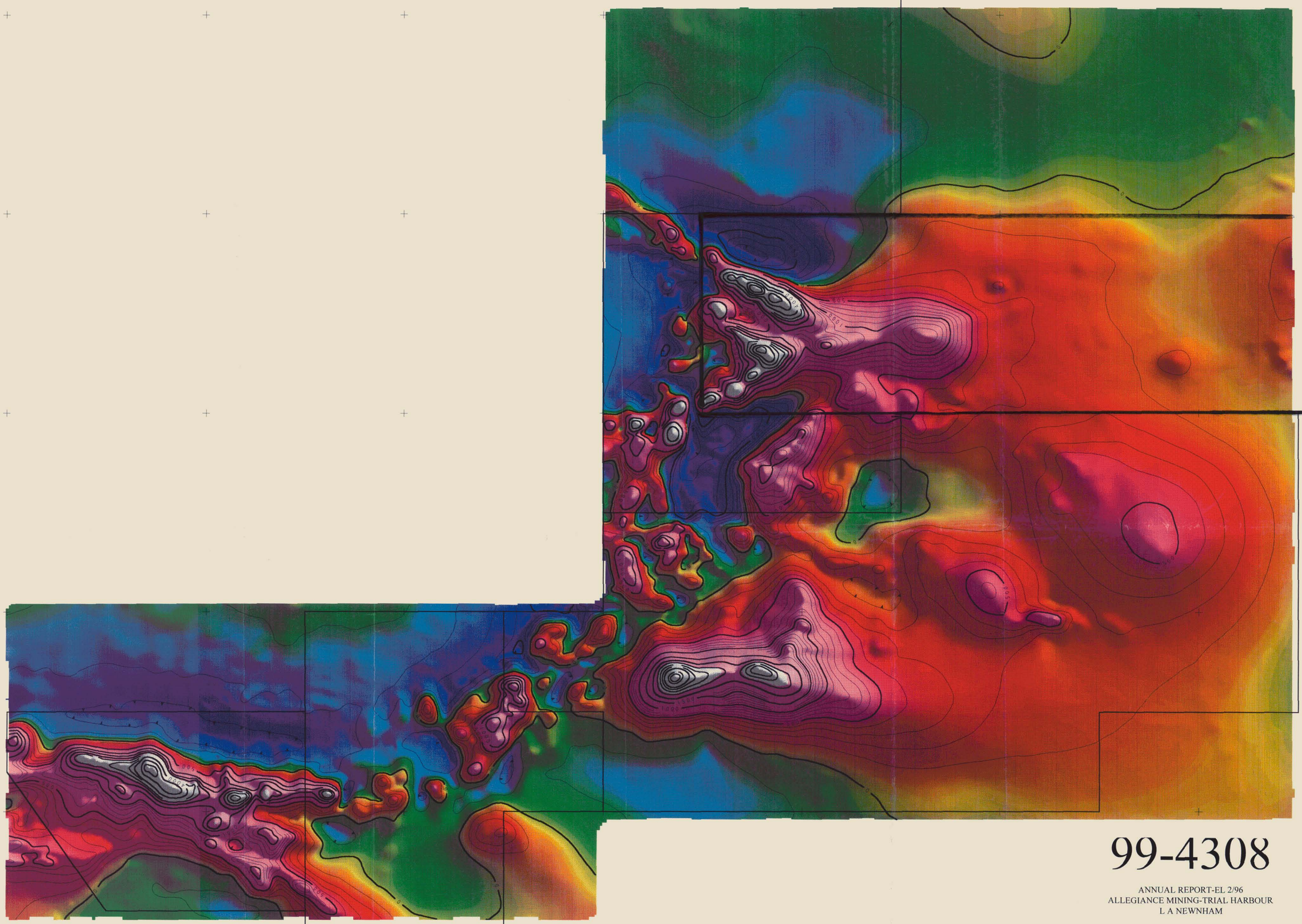
5364000
5362000
5360000
5358000
5356000



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ANNUAL REPORT-EL 2/96
ALLEGIANCE MINING-TRIAL HARBOUR
L A NEWNHAM

570011

5 cm

Scale 1:25000

500 0 500 1000 1500
metres
AGD84 / AMG zone 55

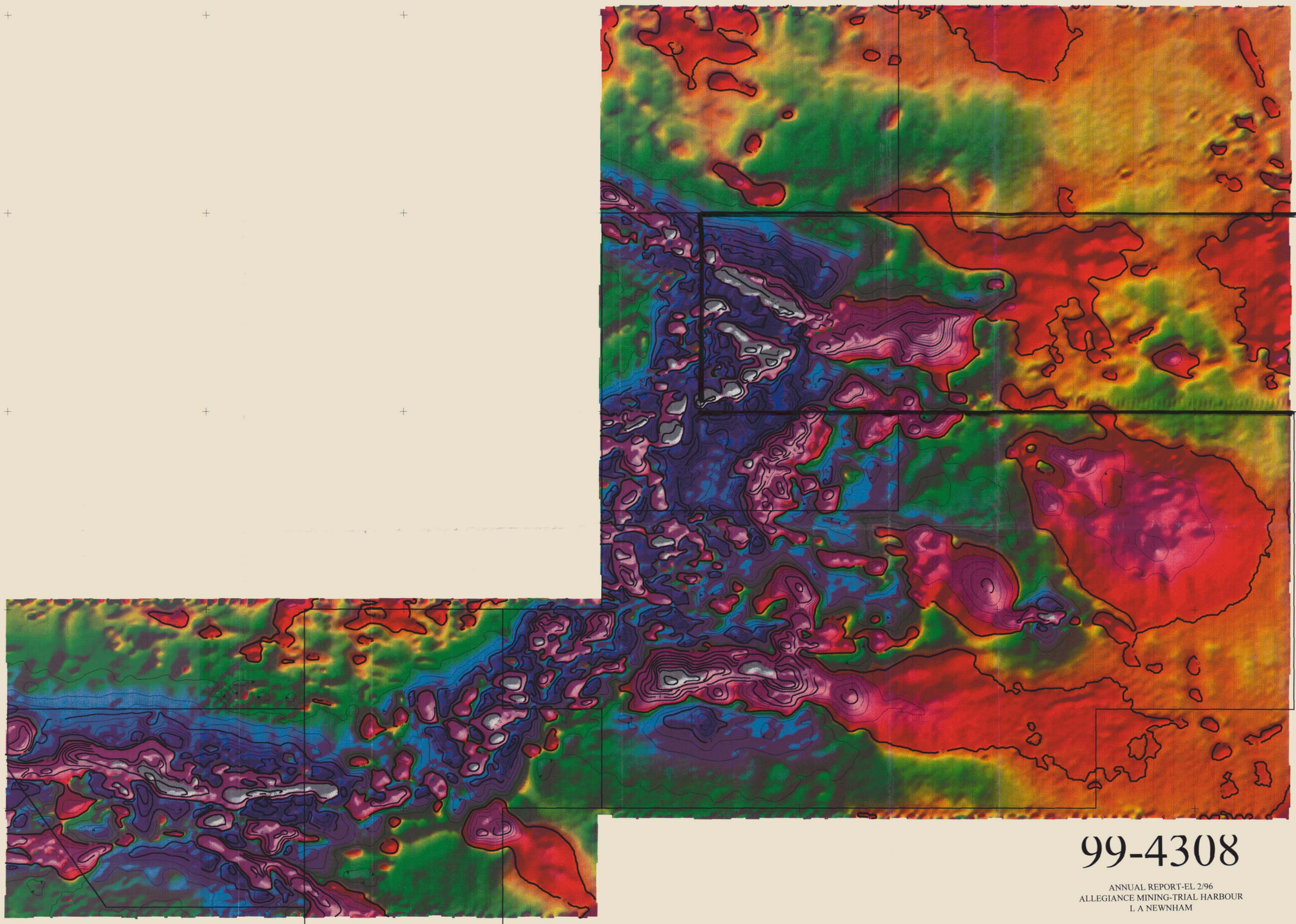
Flagstaff
Geo-consultants

ALLEGIANCE MINING NL
TRIAL HARBOUR, SW TASMANIA **UTS AEROMAGNETIC SURVEY, 1998**
TOTAL FIELD,REDUCED TO POLE SUN FROM SOUTH-EAST LINE SPACING=50m, LINE DIRECTION:0-180
FLAGSTAFF GEO-CONSULTANTS (NH); 12/98

Fig 3.

348000 350000 352000 354000 356000 358000 360000

5364000 5362000 5360000 5358000 5356000



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ALLEGIANCE MINING-TRIAL HARBOUR
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5 cm

Scale 1:25000

500 0 500 1000 1500

metres

AGD84 / AMG zone 55

Flagstaff Geo-consultants

ALLEGIANCE MINING NL

TRIAL HARBOUR, SW TASMANIA
UTS AEROMAGNETIC SURVEY, 1998

1ST VERTICAL DERIVATIVE,REDUCED TO POLE
SUN FROM SOUTH-EAST
LINE SPACING=50m, LINE DIRECTION:0-180

FLAGSTAFF GEO-CONSULTANTS (NH); 12/98

Fig. 4.