

## REPORT FOR MARCH 2008 QUARTER

This quarterly report is for the three months ending **31 March 2008**.

Allegiance Mining NL is an Australian mining company that listed on the Australian Stock Exchange (ASX) on 29 October 1993 with company code AGM. Allegiance is Australia's newest producing nickel mining company focussed on:

- **Avebury Nickel Project** near Zeehan in the major mining province of West Coast, Tasmania, Australia.
- **Regional Nickel Exploration** mainly in the west coast region of Tasmania where it holds approximately 87km<sup>2</sup> of tenements (Allegiance Nickel Province) that the Directors believe have the potential to contain substantial nickel resources.
- **Geothermal Energy Tasmania Holdings Limited**, a company that has been incorporated to hold the Allegiance geothermal interests in Tasmania comprising three geothermal tenements for the west coast of Tasmania, covering 8,512km<sup>2</sup>.

**Zinifex Australia Limited**, on December 17 2007, made a takeover offer to purchase all of the ordinary shares in Allegiance Mining. On 22 February 2008, Allegiance Directors recommended that shareholders accept the Offer.

At 21 April 2008 Zinifex had acquired 669,755,660 shares representing a controlling interest of 85.60% in the Company.

### **Directors Recommend Shareholders Accept Takeover Offer by Zinifex**

On 17 December, 2008 Allegiance received a bid from Zinifex Australia Limited ("Zinifex") at \$0.90 cents per share (increased to \$1.00 per share if the bid was successful). The Board initially rejected this bid, but on 22 February, 2008 the Board recommended shareholders ACCEPT the increased offer of \$1.10 per share, and accepted for all shares owned or controlled by Board members. The highly volatile stock markets (and less so metal markets) much enhanced the value of a cash bid to shareholders at the time. The \$1.10 price represents a premium of 55% over the closing price of Allegiance shares of \$0.71 cents on 14 December, 2007.

### **Allegiance Board Reconstituted**

On 1 April 2008, Anthony Howland-Rose, David Deitz and Eddie Lee resigned as directors; David Deitz and Elan Slater resigned as Company Secretaries. Peter Cassidy, Anthony Barnes and Brett Fletcher were appointed directors to the Allegiance Board; Francesca Lee was appointed Company Secretary. Peter Cassidy was elected Chairman.

### **Hedging Contracts**

Nickel prices for Allegiance's future nickel production remain unhedged and Allegiance's project financing facility has no mandatory nickel metal price hedging requirements.

Allegiance has foreign exchange and interest rate hedging in place sufficient to provide prudent levels of cover for a proportion of the project loan as required under the project loan facility agreement.

**AVEBURY NICKEL PROJECT STATUS**

Avebury nickel mine development and production are well advanced. 90,100 tonnes of run-of-mine ore has been delivered to the mill stockpile. Ore geometry and grades encountered to date are as expected.

Mill construction is at full pace and some pre-production testing of individual items of equipment will commence in May; wet commissioning of the concentrator will be commenced through June and we expect production and ramp up to full capacity across the September quarter.

**Mine Area Resources**

Resources were reported in January 2008 at 14 million tonnes grading 1.04% Ni containing 145,600 tonnes of Ni at a 0.7% Ni cut-off grade. Ore Reserves increased by 12.9% to 56,100 tonnes Contained Nickel (previous 49,700 tonnes, 31/3/07)

**Ore Production**

Development ore was produced from the Viking 1975 and 2000 levels and the North Avebury 1925 and 1950 level during the period (Table 1). Minor ore was produced from the V1975 462 stope.

**Table 1 - Ore Production Summary**

Tonnes and Grade	This Quarter		Dec '06 to Date	
	Tonnes	Grade Ni %	Tonnes	Grade Ni %
Viking	21,000	0.9%	49,300	0.9%
Central Avebury	0	0.0%	7,400	0.6%
North Avebury	23,900	1.0%	33,400	1.1%
	44,900	1.0%	90,100	1.0%

**Table 2 - ROM Stockpile**

Tonnes and Grade	End March Quarter	
	Tonnes	Grade Ni %
Opening Stock Pile	45,200	0.9%
Ore Delivered	44,900	1.0%
Ore Milled	0	0.0%
	90,100	1.0%

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**AVEBURY DISTRICT EXPLORATION**



**Western Tenements – Avebury Nickel Province**

Drilling in the Avebury district during the first quarter 2008 continued with up to three surface drill rigs and one underground rig for a total of 4,403.5m.

Details for exploration drill holes are listed in Tables 3 - 5.

**Mine Area Drilling**

**Underground drilling:** Underground drilling continued through the entire period initially with one rig. All of the drilling was resource definition drilling to the east of the 2008 Reserve area.

**Surface drilling:** Surface drilling included near mine exploration and resource exploration drilling within the Viking Extended, Bison, Bintje, Pontiac and East Avebury Areas and to the west on the Trial Harbour anomaly.

**Viking Extended:** Diamond hole A218 collared on section 354200E was designed to test the Viking Intrusive 100m below the base of the resource (Figure 1 and 2). The hole intersected significant sulphide mineralisation on the Nth Viking position with 3.0m @ 4.7% Ni from 17.0m @ 1.4% Ni. A wedge A218B also intersected several zones of mineralisation including 2.3m including 2.3m @ 2.1% Ni from 19.3m @ 0.8% Ni from the Nth Viking Position. The hole also intersected 8.0m @ 1.2% Ni from an internal mineralised zone before continuing on to intersect the Sth Viking with 15.0m @ 0.7% Ni.

A new parent hole was collared during the period and was yet to reach the target.

**Bison/Bintje:** A225 was completed during the period. The hole intersected minor mineralisation on the ultramafic/mafic contact as well as a broad low grade internal zone of mineralisation in the Carrera deposit (Figures 2 and 3). Results are pending. A second hole, A227 was collared to test below this intercept.

**East Avebury/Saxon:** A222 was completed during the period. The hole intersected the East Avebury ultramafic at depth but did not intersect any significant sulphide mineralisation.

**Trial Harbour:** The Longyear LF90 was mobilised to Trial Harbour to drill two holes testing a prominent aero magnetic high on the northern contact of the Trial Harbour ultramafic. Both holes intersected serpentinised and skarn altered ultramafic with semi massive to massive magnetite.

A223 intersected minor low grade mineralisation (3.0m @ 0.8% Ni) in ultramafic skarn and massive magnetite. Although sub economic, this is a significant intersection as it has identified nickel sulphide mineralisation in the Trial harbour ultramafic and requires several follow up drill holes. These will be planned for the next summer season. (See Aeromagnetic Target plan – Figure 4).

A224 did not intersect any sulphide mineralisation.

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**Table 3: North Viking Resource Extension Drilling Results**

Drill Hole	Collar Details	Intersection	Intersection Width (m)	Est. True Width (m)	% Ni	% S	% As	% Co
A218B	354,196.7 E 5,357,612.7 N 2177.5 RL Brg 180 Dip -60° Length 738.8m	<b>North Viking</b> 559.7 – 562.0	2.3	2	2.1	2.3	<0.01	0.05
		from 559.7 – 579.0	19.3	16	.8	.0	0.01	0.02
		<b>Central Viking</b> 626.0 – 634.0	8.0	7	1.2	1.0	<0.01	0.02
		<b>South Viking</b> 700.0 – 704.0	4.0	3.0	1.1	1.8	0.03	0.02
		from 699.0 – 714.0	15.0	11.0	0.7	1.2	0.03	0.01

**Table 4: East Avebury Exploration Drilling**

Drill Hole	Collar Details	Intersection	Intersection Width (m)	Est. True Width (m)	% Ni	% S	% As	% Co
A220	355,580.3 E 5,357,567.1 N 2181.9 RL Brg 183.1 Dip -50.2° Length 572.2m	East Avebury 296.0 – 299.0	3.0	2.5	0.6	0.1	.01	.02
A222	356,149.2 E 5,357,580.8 N 2204.6 RL Brg 183.7 Dip -65.5 Length 749.0m	East Avebury No significant assays						

**Table 5: Trial Harbour Exploration Drilling**

Drill Hole	Collar Details	Intersection	Intersection Width (m)	Est. True Width (m)	% Ni	% S	% As	% Co
A221	350,836.3 E 5355895.6 N 2127.5 RL Brg 240.2 Dip -50.8 Length 485.0m	Trial Harbour No significant assays						
A223	349,777.5 E 5,356,223.4 N 2,104.7 RL Brg 0 Dip -50 Length 175.1m	Trial Harbour 61.0 – 64.0	3.0	2.0	0.8	3.6	0.01	.05
A224	349,581.5 E 5,356,259.1 N 2,103.1 RL Brg 1.0 Dip -51.6 Length 188.0m	Trial Harbour No significant assays						

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Figure 1: Viking Section 354150E

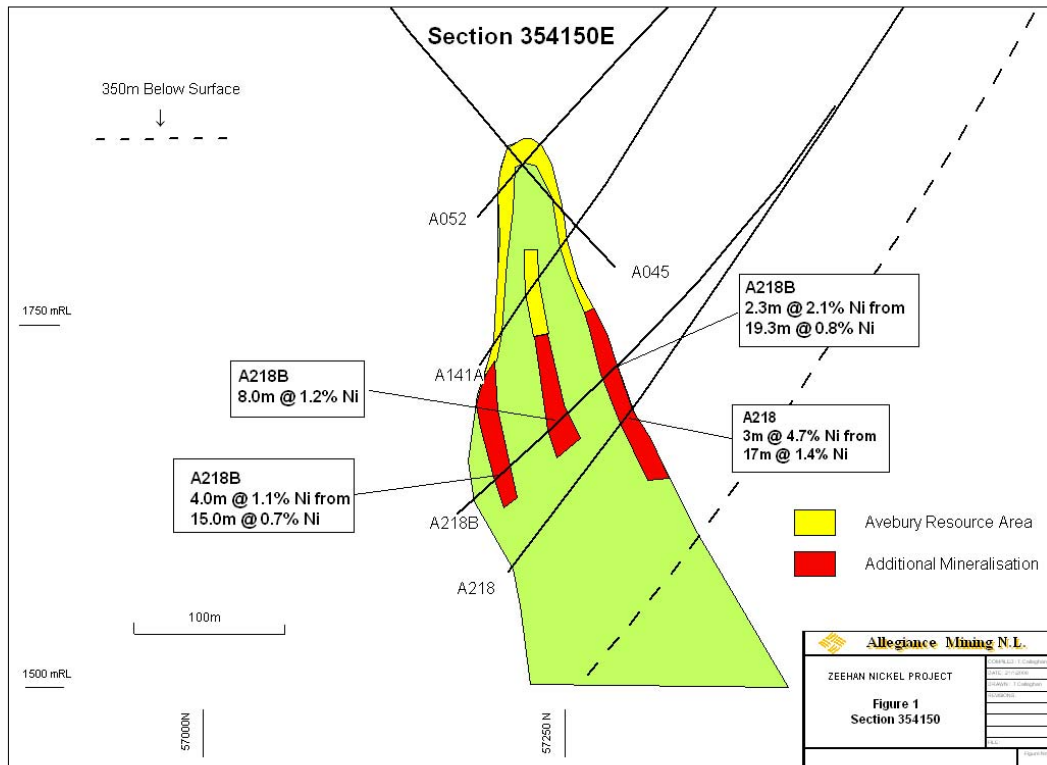


Figure 2: Avebury Long Projection with recent exploration drill hole locations

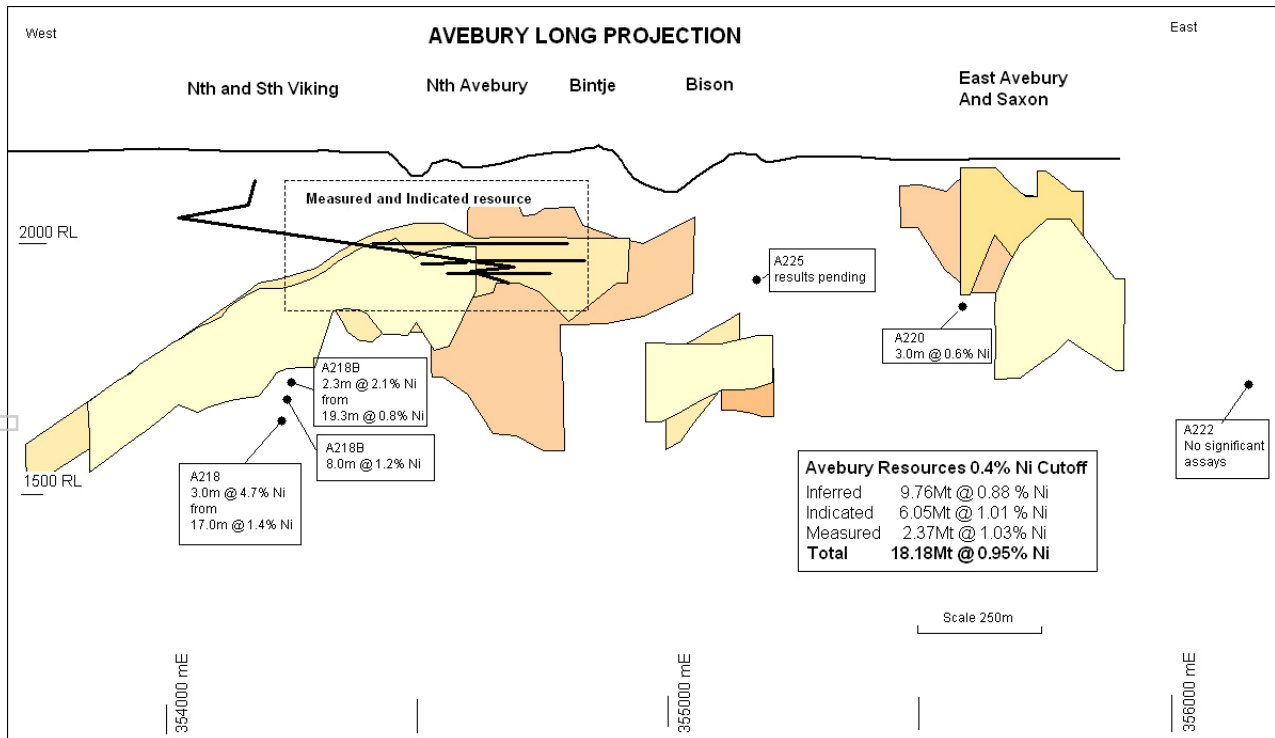


Figure 3: Section 355175E

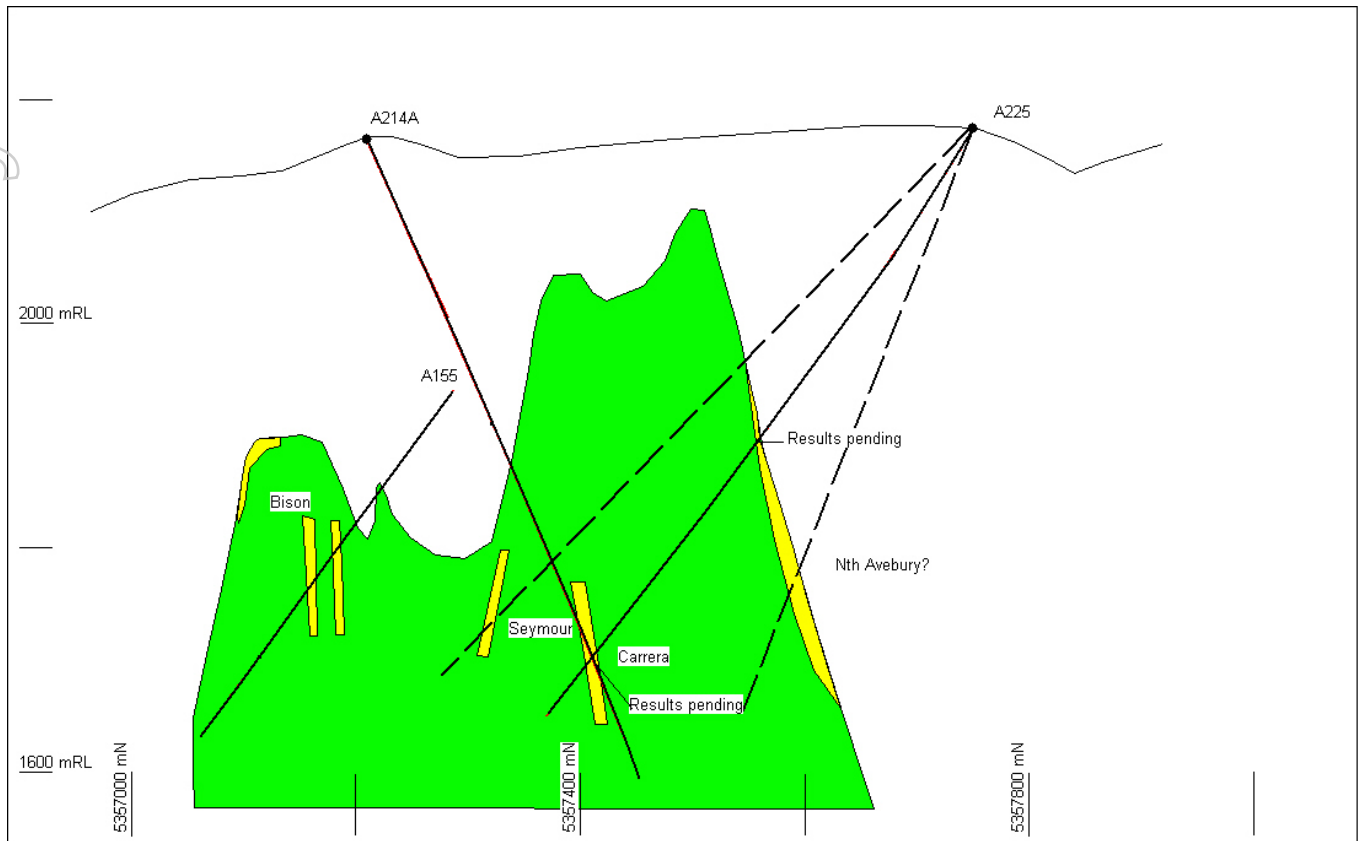
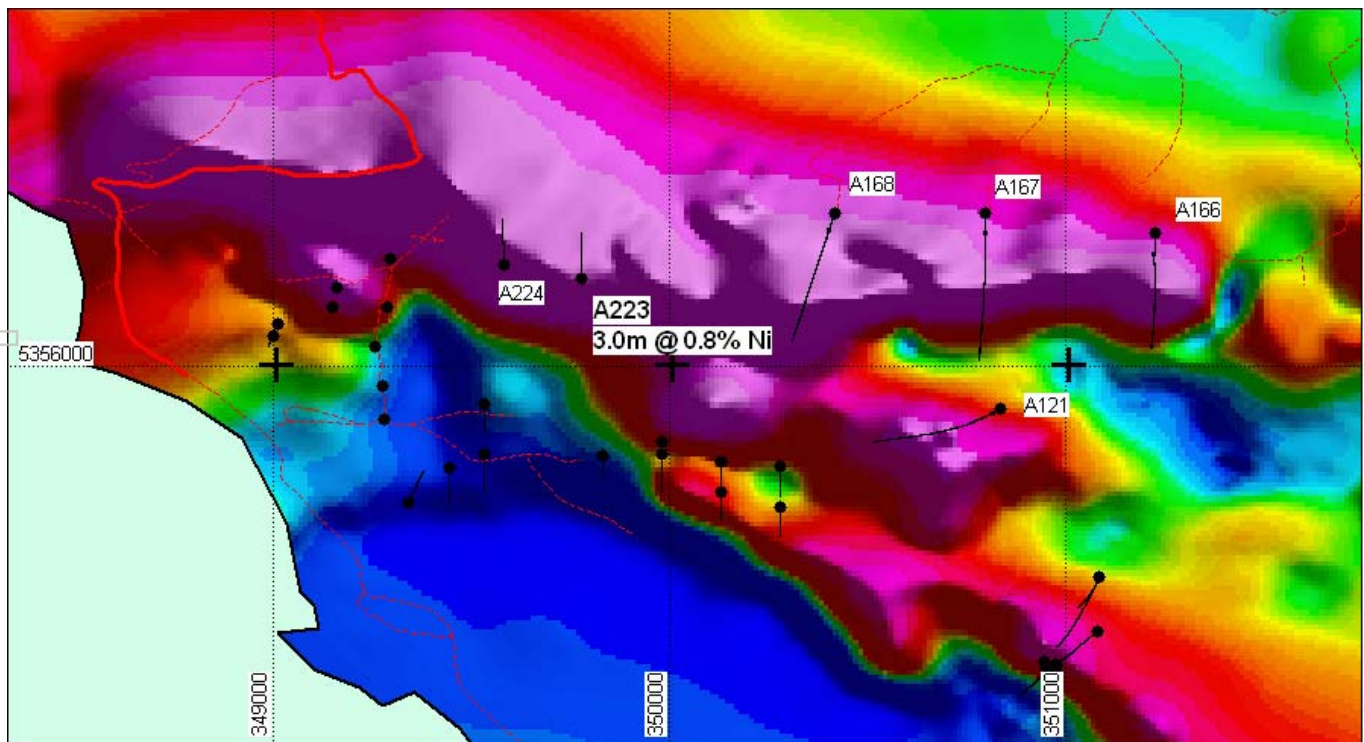


Figure 4: Trial Harbour Total Magnetic Intensity Image and recent drill holes



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**REGIONAL EXPLORATION**

During the March quarter Allegiance conducted a major drilling program, targeting nickel, copper and tungsten opportunities in the more remote parts of its highly prospective western Tasmanian tenements.

\$1.62 million was expended on regional exploration during the March quarter.

The program was largely helicopter-supported in conjunction with ground-supported drilling programs at Melba Flats which were designed to follow-up on encouraging drilling results.

Principal targets of the summer program were in the Trial Harbour tenement west of Averbury, the Godkin tenement east of Melba, and the East Renison tenement north-east of Melba.



**Summer Drilling Program Team**

**Melba Flats Project EL 43/1992, ML 2M/2007**

***North Cuni-Genets***

Drilling during the March quarter on the Genets Deposit at Melba Flats intersected strongly mineralised gabbro host rocks at twice the depth of previous drilling.

Summarised results:

DDH MF 88:	5.1 m 0.84% Ni, 0.69% Cu (78 vertical metres)
DDH MF 89:	3.2 m 0.73% Ni, 0.61% Cu (75 vertical metres)

Previous interpretations at Genets suggested the mineralised zone was faulted out approximately 50 m beneath surface.

These new deeper intersections demonstrate this is not the case and that the mineralised zone is more extensive than previously thought.

A substantial drilling program is planned to soon commence at North Cuni-Genets to test for further depth and strike extensions.

***Nickel Reward***

Two drill holes were completed to test for depth extensions below MF 81. The first hole deviated too far south and intersected barren gabbro dikes. The second hole MF 91 intersected a mineralised gabbro dike approximately 100m down dip from MF 80 and MF 81. A 2-3 m section of this dike from 282-285.0m contained strongly disseminated to semi-massive copper and nickel sulphides. The width and nature of the mineralisation is similar to previously reported in MF 80 and MF 81.

This is a very encouraging intersection and extends Nickel Reward mineralisation from surface to at least 250 vertical metres, and a dip length of 300m. Samples have been submitted for assay.

A narrow high grade intersection was obtained in DDH MF 91 completed in March at Melba Flats on the Nickel Reward prospect.

MF 91 was designed to test for depth extensions of Ni-Cu mineralisation in the main Nickel Reward gabbro dike host beneath MF 81 and MF 81A, and north along strike of MF 90.

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DDH MF 91 intersected 2.3 m 2.27% Ni, 1.77% Cu at a point approximately 240 vertical metres below surface and 120 m down-dip of MF 81 (2.9 m 0.75% Ni, 0.89% Cu), and MF 81A which intersected a similar sulphide zone to MF 81 but included a massive sulphide lens which assayed 0.7 m 10.8% Ni, 3.8% Cu.

MF 91 intersection was approximately 50 m north along strike of MF 90 which intersected only minor mineralisation in the main Nickel Reward gabbro, suggesting the sulphide lens may plunge to the North-East.

**East Renison Project EL 5/2002**

One deep hole (ER 007) of 808m was completed at Colebrook Ridge with helicopter support to test for copper and tungsten in major sedimentary skarn zones.

Broad zones of low level copper and scheelite were intersected but assaying is not yet completed.

**Godkin Project EL 50/2007**

Four drill holes totalling 2,024m were completed along 3 kilometres of strike length of a concealed altered ultramafic body.

The northern most hole intersected altered gabbro with minor ultramafic, whilst the southern three holes intersected wide zones of altered ultramafic similar in style to Avebury carrying significant magnetite and sulphide. All three holes stopped in altered ultramafics.

This core is currently being split for assay.

**JORC Code Compliant Public Reports**

The Company advises that this Quarterly Report contains summaries of Exploration Results, Mineral Resources and Ore Reserves as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). The following table references the location of the Code-compliant Public Reports or Public Reporting on which the summaries are based.

These references can be viewed in full on the Company's ([www.allegiance-mining.com.au](http://www.allegiance-mining.com.au)) and the ASX ([www.asx.com.au](http://www.asx.com.au)) websites. The Company will provide a copy of these reports, free of charge, to any person who requests it.

Issue Date	Title of Notice as lodged with ASX
04/04/2008	Re Release Melba Flats Exploration Update
06/03/2008	Exploration and Development Update
06/02/2008	Reserve Statement
31/01/2008	Quarterly Activities Report (Dec 07)
24/01/2008	Viking Deposit Extension to Depth
15/01/2008	Allegiance Resource Upgrade
10/01/2008	Allegiance High Grade Drilling Results
08/01/2008	Major Exploration Programme

Sections of this report relating to the reporting of resources and exploration information were written by Lindsay Newnham and Tim Callaghan in accordance with the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). Mr Callaghan is a full-time employee of the Allegiance Group. Mr Newnham is a long-term consultant to Allegiance.

They are both corporate members of the Australasian Institute of Mining and Metallurgy and have a minimum of fifteen years experience in the field of activity being reported on and are the Competent Persons as defined in the JORC Code. This announcement accurately summarises and fairly reports their estimations and assessments and where required, they have consented to the report in the form and context in which it appears.

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## Corporate Directory at 29 April 2008

DIRECTORS:	<b>Peter Cassidy</b> , <i>Chairman</i> <b>Anthony Barnes</b> <b>Brett Fletcher</b> <b>Barry Sullivan</b> <b>Shi Peirong</b> <b>Zhang Yimin</b> (Alternate Director for Shi Peirong)
INTERIM CHIEF EXECUTIVE OFFICER:	<b>Bruce McGowan</b>
CHIEF FINANCIAL OFFICER:	<b>Graham Hurwitz</b> BCom (Hons) CA
COMPANY SECRETARIES:	<b>Francesca Lee</b> <b>Helen Dyson</b>
GENERAL MANAGER- AVEBURY OPERATIONS:	<b>Paul Richardson</b> BSc(Hons), ACSM, MAusIMM

### Issued Capital

At the end of the March quarter, Allegiance Mining NL had on issue 782,455,310 ordinary shares and no options.

### Stock Exchange Listings

Allegiance Mining NL's shares trade on the Australian Stock Exchange (ASX) with the stock code **AGM**.

### Further Information on Allegiance Mining

Visit [www.allegiance-mining.com.au](http://www.allegiance-mining.com.au) or contact:

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Fax: +61 2 9397 7788  
Email: [mining@allegiance-mining.com.au](mailto:mining@allegiance-mining.com.au)

### Shareholder Register Enquiries

Computershare Investor Services Pty Limited manages the share register for Allegiance Mining.

Queries regarding number of shares held, change of address and other matters regarding your shareholding should be directed to Computershare.

You can access required forms and information regarding your shareholding on their website at [www.computershare.com](http://www.computershare.com), or contact Computershare at:

Mail: Level 3, 60 Carrington Street  
Sydney NSW 2000  
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+61 3 9415 5000 (outside Australia)  
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### Terminology

In this report the words Allegiance Mining, "the Company" or the "the Group" are used to refer to Allegiance Mining NL and/or its related parties.

Allegiance Mining's financial year ends on 31 December. All currency is expressed in Australian dollars, weights are metric tonnes and distances are metric metres or kilometres, sometimes abbreviated to "m" and "km" respectively.

### Disclaimer

Some of the statements contained in this report are not historical facts but may be forward-looking statements such as forecasts, estimates and statements describing the Company's future plans, objectives or goals. Actual results could differ materially from those expected. This report should not be relied upon as the sole basis for any investment in Allegiance Mining. Independent financial advice should be sought before making any investment in Allegiance Mining.

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