

**ALLSTATE EXPLORATIONS NL**  
**Report on Activities for the Quarter ended 31 December 2007**

***HIGHLIGHTS FOR THE QUARTER***

**OPERATIONAL – BEACONSFIELD GOLD MINE**

- Production resumed in high grade Western Zone of the mine
- Remote footwall method successfully introduced with a full mining cycle completed
- Ore treatment plant treated 29,584 tonnes from underground re-commissioning to produce 7,663 ounces of gold.
- Ore reserves (allowing for mining depletion) increased by 67% or 157,000 ounces of gold
- Proved and probable reserve, after allowing for mining dilution, 1,095,000 tonnes at 9.8 g/t for 346,000 ounces of gold at 30 November 2007
- Total mineral resource 873,000 tonnes at 15.8 g/t for 444,000 ounces of gold at 30 November 2007
- Aggressive exploration program planned at Beaconsfield for 2008

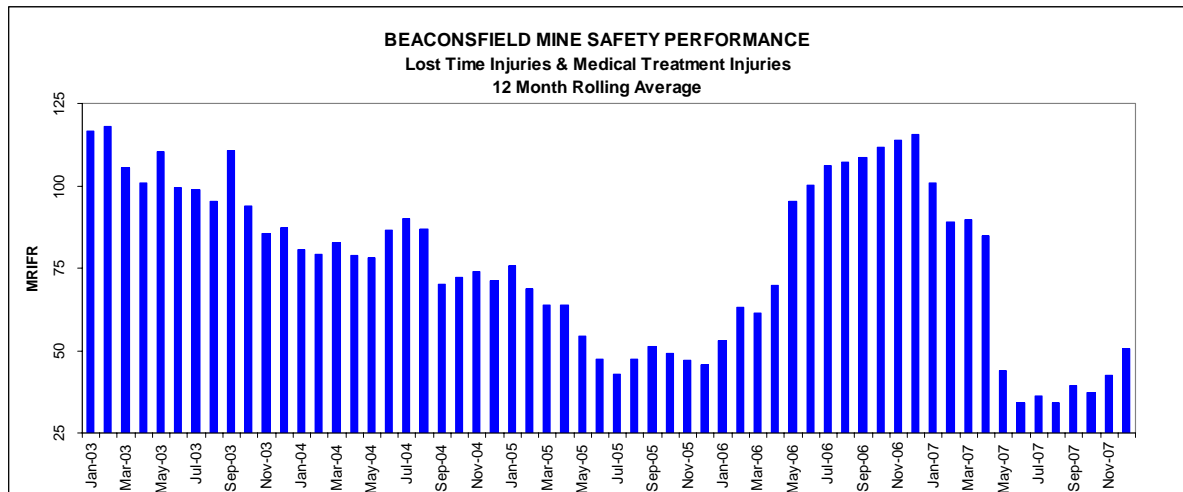
**CORPORATE**

- All gold hedging closed out delivering a potential benefit in excess of \$4 million at current spot price
- Appeal lodged for business interruption insurance claim

## 1. BEACONSFIELD GOLD MINE

### 1.1 OPERATIONS

#### 1.1.1 Safety and Health



**MRIFR (Medically Referred Injury Frequency Rate – number of injuries per million man hours)**

There were two Lost Time Injuries and four Medical Treatment Injuries in the December 2007 Quarter.

The Case for Safety in respect of Ore Production from the Western Zone was accepted by the Chief Inspector of Mines on 28 September 2007, and the final notice preventing mining was rescinded. There are now no regulatory restrictions on full mining activities in all areas of the mine, other than the prevailing legislation that applies to all mining operations in Tasmania.

#### 1.1.2 Mining

The re-commissioning of underground operations was completed late in the quarter with the establishment of footwall drives to provide access to drill and fire the first stoping panel. Stopping in the Western Zone is based on a non-entry method of mining utilising footwall drives to provide drill and loader access whilst keeping all personnel remote from the orebody during stoping. A full mining cycle of remote drilling, charging, firing, bogging and backfilling was successfully completed on the 915/930 m level stoping block. The new Simba M4C longhole drilling rig is delivering improved drilling accuracy, with remote laser scanning of the blasted void showing minimal unplanned dilution.

Waste development continued throughout the quarter with 46 metres of capital development and 307 metres of operating level development advanced, including the establishment of footwall drives on the 915 and 930 m levels.

The completion of the next set of footwall drives that access the high grade Western Zone below the 930m level and down to the 980m level is now being pursued as a priority. Once completed, a second high grade production area will be made available, allowing greater mining flexibility and continuity of supply of high grade ore to the mill. This development is scheduled to be completed in March 2008.

An additional twin boom jumbo has been sourced from a contractor to accelerate short-term development rates in the hangingwall diamond drill drive and the decline whilst the development of footwall drives on the lower levels of the Western Zone are completed. The additional development crew is expected to start in February 2008.

Sill driving in the Eastern Zone continued to define better results than indicated by the previous diamond drilling, resulting in an upgrade to the resource model and significantly increased reserve

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tonnages. Planning work will now take place to identify opportunities to lift the mining rate and utilise spare capacity in the processing plant with the aim of increasing annual gold production.

During the quarter, 30,163 tonnes of ore were hoisted (26,578 tonnes previous quarter).

### 1.1.3 Ore Treatment Plant

The ore treatment plant operated throughout the quarter on a campaign basis while the mine was being recommissioned, treating 29,584 tonnes of ore (28,975 tonnes previous quarter) to produce 7,663 ounces of gold (5,180 ounces previous quarter). All areas of the plant performed well, including the bacterial leach circuit.

## 1.2 EXPENDITURE

Operating expenditure for the mine during the quarter totalled \$11.4 million, of which the great majority related to the recommissioning of the mine.

The Federal Government has assisted in the safe re-opening of the mine by providing a grant of \$4.9 million through the Beaconsfield Community Fund, of which \$4.8 million had been received by the end of December, including payments totalling \$0.3 million during the quarter. The grant provides assistance with supernumerary payroll costs, development of the decline to access the F21 zone and diamond drilling for additional resources.

## 1.3 ORE RESERVES/RESOURCES

An updated Resource and Reserve Statement was released in early January 2008. The reported Identified Mineral Resource for the Tasmania Reef at Beaconsfield, Tasmania as at 30 November 2007 was:

Measured Resource	307,000t @ 17.8g/t Au (175,000 ounces contained gold)
Indicated Resource	503,000t @ 15.1g/t Au (244,000 ounces contained gold)
Inferred Resource	63,000t @ 12.2g/t Au (25,000 ounces contained gold)
Total Resource	873,000t @ 15.8g/t Au (446,000 ounces contained gold)

This resource estimate resulted from

- addition to the database of grade control data collected during ore development since the completion of the previous estimate,
- production depletion to date, and
- updating of the orebody wireframe model.

The new Mineral Resource is almost identical to the previously announced Mineral Resource as at 31 March 2006 (881,000 tonnes at 15.6g/t Au for 443,000 ounces) despite production since that time. Improvements to the resource modelling methodology and the upgrade resulting from the inclusion of grade control data from sill driving in the eastern zone of the mine since 31 March 2006 has effectively matched the resource depletion through production. Based on experience to date, it is expected that ongoing sill driving in the eastern and F21 zones will result in additional increases to Tasmania Reef resources over time.

The Ore Reserve for the Tasmania Reef at the Beaconsfield Mine as at 30 November 2007 was estimated as:

Proved Reserve	392,000t @ 12.0g/t Au (151,000 ounces contained gold)
Probable Reserve	703,000t @ 8.6g/t Au (194,000 ounces contained gold)
Total Reserve	1,095,000t @ 9.8g/t Au (346,000 ounces contained gold)

The previous Total Reserve as at 31 December 2005 was estimated as 506,000 tonnes at 14.3g/t Au (233,000 ounces contained gold).

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Contained gold has increased by 113,000 ounces (48%). Allowing for reserve depletion from mine production (estimated to be 44,000 ounces) the increase is 157,000 ounces (67%).

A further exercise is planned to examine if the cut-off assumption of 6g/t, which has been used for a number of years, should be reduced in light of the current strength of the gold price.

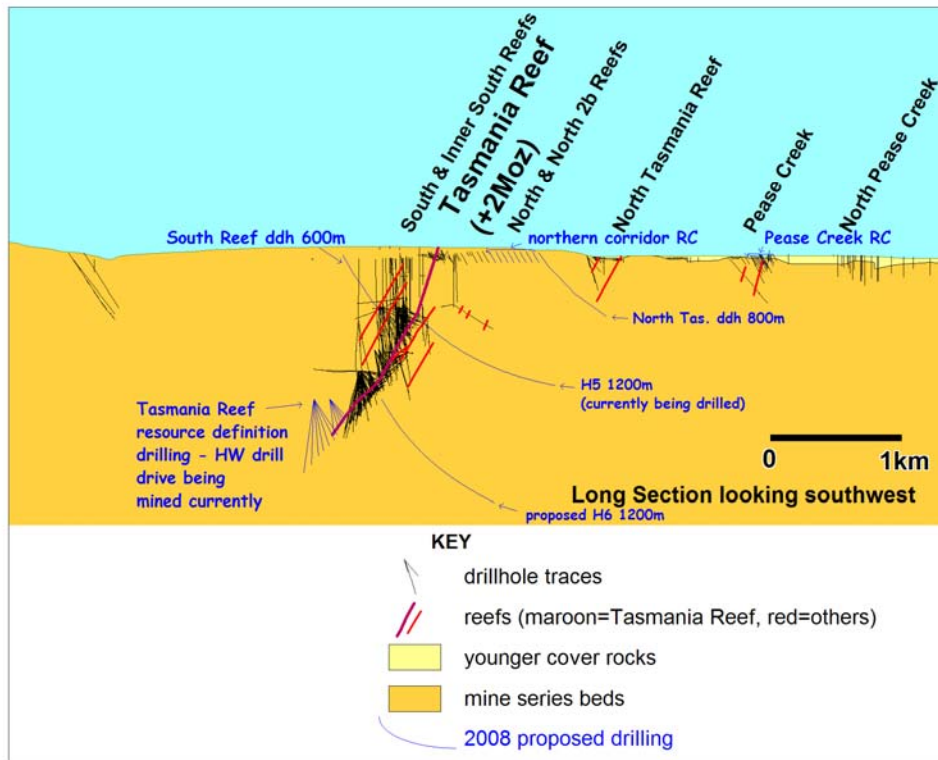
A diamond drilling program has been planned to further increase gold resources by testing the Tasmania Reef below the F21 Zone over 300 vertical metres between 1200 and 1500 metres depth from surface. A drill drive is currently under development on the 1090m level to provide access for two diamond drill rigs and drilling with the first rig is planned to commence as soon as a suitable cuddy becomes available. The second rig will commence when the drive is completed, expected to be during the June 2008 quarter.

## 2. EXPLORATION

### BEACONSFIELD REGIONAL EXPLORATION

An aggressive regional program is planned for 2008 targeting repeats of the Tasmania Reef which has to date demonstrated a 2 million ounce endowment. This is in addition to the planned drilling to test for depth extensions of the existing Tasmania Reef resource.

The diagram below shows the proposed drilling for 2008.



### **3. CORPORATE**

#### **3.1 GOLD HEDGING**

During November 2007, the Company's entire gold hedge position of 37,169 ounces of spot deferred sales was closed out. At the current spot price of gold of around A\$1,030 per ounce, the potential benefit of closing out these positions is now in excess of \$4 million.

The Company is now completely unhedged and all production from the Beaconsfield Mine is available for delivery at the spot price.

#### **3.2 CASH POSITION**

At 31 December 2007 Allstate had no cash. Funding for BMJV expenditure and corporate costs are currently being loaned to Allstate by Beaconsfield Gold.

#### **3.3 BUSINESS INTERRUPTION INSURANCE CLAIM**

A number of Beaconsfield Gold group companies are pursuing a claim under their business interruption insurance policy following the 25 April 2006 incident and the temporary closure of the Beaconsfield Mine. The policy has a one month excess and is capped at \$50 million.

To date, the insurer has refused to provide an indemnity in respect of loss resulting from the mine closure. As a result, on 14 May 2007, the Beaconsfield Gold group filed a claim in the Supreme Court of Victoria claiming damages of \$45.5 million arising from the insurer's refusal to provide indemnity in breach of the terms of the policy. A preliminary trial to determine the true construction of a clause in the policy that is considered key to the claim was heard on 6 September 2007.

Following an adverse judgement, the group companies lodged an appeal with the Supreme Court of Victoria Court of Appeal on 24 October 2007.

#### **3.4 CLAIM AGAINST ALLSTATE'S PREVIOUS LEGAL ADVISOR**

A number of Beaconsfield Gold group companies are seeking damages for professional negligence arising from legal services provided to Allstate in relation to certain insurance and risk management issues associated with the contract for construction of the treatment plant at the Beaconsfield Mine in 1998/1999. No significant developments occurred in relation to the claim during the quarter.

#### **For further information contact:**

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