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QUARTERLY REPORT FOR PERIOD ENDING 30 SEPTEMBER 2003

HIGHLIGHTS

- Mining Lease granted over Avebury Discovery.
- Indicative Feasibility Study on the development of Avebury completed.
- Development Application submitted to West Coast Council for a $7.5M development program to further evaluate the Avebury nickel sulphide deposit.
- Planning commenced for an accelerated drilling evaluation of the Viking West deposit extension and the Burbank and Melba nickel prospects. Drilling is scheduled to commence shortly.

CHAIRMAN'S COMMENTS

The past quarter has been a most exciting one. The results of the Indicative Feasibility Study (IFS) were made available (the ASX announcement is appended to this Quarterly Report). This, together with the granting of the Mining Lease puts us well on the way to start the Exploration Decline and ancillary works. However, we still require the approval of our Development Application before commencing operations (expected in November).

We plan a much enhanced exploration program which will commence with drilling west of the 17m of 2.1% Ni intersected in Hole A035, the most westerly hole drilled into the Viking deposit at Avebury. Drilling at Burbank and Melba is also in the planning stage.

Following the successful helicopter aeromagnetic surveys flown some years ago, further such surveys are planned over prospective ground acquired since those surveys were flown. This work will be carried out this summer.

The realization in the market place of the prolonged shortage of primary sulphide nickel has resulted in LME spot nickel prices in excess of US$11,000 (A$16,000) per tonne (US$5/lb). This, in turn, has focused attention on the Avebury deposit and of the potential of the Zeehan Nickel Province for additional economic discoveries. This market recognition will assist us in not only financing the Decline development, but also in funding a much enhanced exploration program.

An additional significant discovery would influence the selected treatment option.

Based on the model developed by BFP in their Indicative Feasibility Study and using the recent high prices for nickel of US$11,400/tonne ($5.15/lb) and an exchange rate of US$0.705/A$1.00, the NPV is estimated at A$125 M and the Internal Rate of Return (IRR) estimated at 85%. Based on the capital of the Company, this equates to 54 cents per share. The cash cost was estimated at under US$2.50 at a 400,000 tpa throughput.

The first phase of the capital raising program is in place with a Share Placement Plan being offered to all shareholders registered as at 8 October 2003. For statutory reasons, this offer will close promptly on Friday, 24 October 2003.

At current metal prices, 1% nickel is equivalent to 5.8% copper, 12% zinc or 2% tin.

COMMUNIQUE AS RECEIVED FROM NEWNHAM EXPLORATION AND MINING SERVICES

DEVELOPMENT APPLICATION

Early in the quarter, a Development Application was lodged with the West Coast Council for completion of a $7.5M program of further evaluation and development at Avebury. The program provides for construction of a decline tunnel into the top section of Avebury and completion of a range of technical studies.

The Development Application is currently being assessed by both the West Coast Council and the State Government and approval is anticipated in the December quarter.

FURTHER DRILLING AT AVEBURY

Planning has commenced for a drilling program to test the western strike extensions of the Viking deposit. The existing most westerly drill hole, A035 completed in 2002, intersected 17 m (estimated true width) 2.1% Ni. Any extension of this zone to the west would have a most beneficial impact on the project. Drilling to test this potential extension is due to commence in late October.

BURBANK PROJECT

The Burbank Project lies 4 km west of Avebury. Previous shallow drilling and rock sampling of outcrops defined a shallow zone 200 m long and 50 m wide with consistent values of 1.0-1.5% Ni. The geological setting and geochemical signature of this area is closely analagous to Avebury.

A program of deeper drill testing is currently being designed and permitted. Because helicopter support is required, drilling is scheduled for January 2004.

MELBA PROJECT

A program of core drilling is currently planned to follow-up known shallow very high grade nickel sulphide mineralisation at Melba. The nickel sulphides in this area are normally accompanied by significant copper, gold and platinum group metals.

Drilling is scheduled to commence as soon as planning and permitting are completed, which is anticipated to be early in calendar 2004.

A W HOWLAND-ROSE
MSc, DIC, FGS, FIMM, FAusIMM, FAIG, CEng
Chairman

23 October 2003

This announcement was written by Tony Howland-Rose and is based on, and accurately reflects, certain information provided by Lindsay Newnham and Gary Davison. Tony Howland-Rose, Lindsay Newnham and Gary Davison are members of the Australasian Institute of Mining and Metallurgy and/or Australian Institute of Geoscientists, and who have more than five years' experience in the field of activity being reported on.

ASX ANNOUNCEMENT
26 SEPTEMBER 2003

ALLEGIANCE TO PROCEED WITH EXPLORATION DECLINE

INDICATIVE FEASIBILITY STUDY (IFS)

The Indicative Feasibility Study (IFS) was completed for Allegiance by BFP Consultants Pty Ltd (BFP) and is based on the previously announced identified mineral resource of 4,000,000 tonnes (t) of 1.5% Nickel.

Avebury Resource Estimate – December 2002					
Deposit		**Resource Tonnes**	**Grade % Ni**	**Cut-off % Ni**	**Contained Ni Tonnes**
Indicated Mineral Resource:	North Avebury	1,260,000	1.5	0.8	18,900
	Viking*	1,880,000	1.5	1.0	28,200
	Sub-total	*3,140,000*	*1.5*		*47,100*
Inferred Mineral Resource:	North Avebury	200,000	1.8	0.8	3,600
	Viking*	720,000	1.5	1.0	10,800
	Sub-total	*920,000*	*1.6*		*14,400*
Total Mineral Resource:	North Avebury	1,460,000	1.5 **	0.8	22,500
	Viking*	2,600,000	1.5	1.0	39,000
TOTAL:		**4,060,000**	**1.5**		**61,500**

Avebury Resource Estimate – Higher Grade Zones				
Deposit	**Resource Tonnes**	**Grade % Ni**	**Cut-off % Ni**	**Contained Ni Tonnes**
North Avebury	630,000	2.0	1.3	12,600
Viking	630,000	2.0	1.6	12,600
TOTAL:	**1,260,000**	**2.0**		**25,200**

Notes:
***** Viking was named South Avebury in earlier estimates
** Grade is rounded down

The BFP study assessed the development of an underground mine, extracting 400,000 tonnes per annum (tpa) over a 10 year life-of-mine, at a head grade averaging 1.43% Ni. Results of previous test work completed on drill cores indicate that 86% of the nickel in this ore could be recovered into a 22% nickel concentrate, to be exported through Burnie for smelting, representing an annual production of 4,800 t contained nickel over a 10 year life-of-mine.

For the study, two options for treatment of this ore were evaluated:

OPTION 1 – MILL ON SITE
A new Mill to be built on site at Avebury

OPTION 2 – LOCAL MILL
A Local currently idle Mill facility option was considered as an exercise. Such a mill may or may not become available in the future.

Some primary assumptions used by BFP were:-

Nickel Price: US$8,950/t Exchange Rate: A$:US$ 0.66

BFP summarised the results from their study as follows:-

Study Option	Tonnes per annum	Mill Feed Grade	Pre Prod Capital *	Pre Tax NPV @ 8% *	IRR *	Max Neg Cash	Total Cost (incl smelter charges)
		% Ni	A$	A$	%	A$	US$/lb
Mill at Site	400,000	1.4	29.8	69	52	32.4	2.31
Local Mill	400,000	1.4	4.8	74	>65	5.6	2.44

* excludes capital cost of decline and ancillary works that are costed in the IFS budget.

At the current exchange rate of A$1.00 = US$0.68 and a nickel price of US$10,000/t, the NPV and IRR are respectively $95M and 67% for the mill site option.

Note: Option 2 is based on accessing the mill, paying the time operating cost to the owners, and then paying 10% of the free cashflow as an access fee. Whether this is possible depends on the outcome of commercial negotiations with the future owners. It will only be used if it gives a better outcome to the mill on site option.

The Avebury Mill On Site development option would involve a pre-production capital investment of $30M, and incur site operating costs of $62/t ore. The estimated pre-tax net present value at an 8% discount rate of this operation is $69M. Very preliminary studies suggest that the orebody can sustain a production rate significantly higher than 400,000 and this will be studied in the Bankable Feasibility Study (BFS).

The Local Mill development study option would involve significantly lower capital investment, offset by higher transport, infrastructure and milling costs. Total operating costs are estimated as $70/t ore **but** these would reflect the outcomes of negotiations with the owners of the mill.

The IFS indicates that development of Avebury based on either the Avebury or Local Mill treatment options, is commercially very attractive and robust.

Following the positive outcome of this study, Allegiance now plans to proceed with the Exploration Decline. This will involve the construction of a 1,100m long declined tunnel into the top section of the Viking deposit. Detailed infill drilling will be completed from the decline which together with detailed geotechnical, geological, metallurgical and environmental information gained from this underground development will provide both the technical information necessary to complete a BFS and the decline will provide a platform for early mine development. The budget for this will be approximately $8M.

The decline is scheduled for completion within nine months of commencement, and production could commence six months thereafter should the local mill option be available and chosen.

Allegiance is assembling a team of qualified and experienced staff and consultants to undertake the decline development and the associated BFS (should this be required), with work commencing in November 2003.

The evaluation and development of the Avebury deposit is occurring at a time of strong nickel prices (US$10,000/t) which most analysts see as continuing for much, if not all of the current decade. However, within the next three years, prices well in excess of the current levels are predicted. The IFS was based on a Ni price of US$8,950 and an exchange rate of US$0.66 = A$1.00.

EXPLORATION

It is important to realize that Allegiance has not only made a significant discovery at Avebury but perhaps more importantly, discovered a new Nickel Sulphide Deposit Type and a new Nickel Province on Tasmania's mineral rich West Coast. Allegiance will now exploit its specialist knowledge of this new nickel deposit type in an intensive exploration program on the Company's Tenements.

During the past five years, Allegiance has carried out an active exploration program in a difficult period for exploration on the West Coast of Tasmania. Helicopter aeromagnetics, with follow up geological mapping and geochemical sampling have already highlighted a number of areas prospective for further discoveries including:-

- EAST AVEBURY, 800m east of Avebury, where initial drilling has intersected sulphides similar to Avebury.

- WEST VIKING, along strike from the Viking deposit, where the most westerly drill hole intersected 17m 2.1% nickel.

- BURBANK, 4 km west of Avebury, where surface sampling and shallow drilling returned Ni values >1% over a wide area.

- MELBA, 26 km north-east, where high sulphide polymetallic mineralisation rich in nickel has been recorded at five locations.

Drilling will commence on these areas during the next quarter.

Additional exploration licences have been acquired over the past five years, namely at Renison East (EL5/2002), 30 km north-east and at Heazlewood (EL14/2001), 60 km north. Nickel mineralisation has been recorded on both areas while the geological setting is believed to be analogous to Avebury with ultrabasics underlain by granites. Aeromagnetic surveys, so highly effective in pinpointing areas of interest in the Avebury block, will be carried out in these areas this summer. Programs to further explore these expansion opportunities will progress, in conjunction with the Avebury Decline Development.

CAPITAL RAISING

In order to progress the decline, associated works, bankable feasibility study (if required) and an enhanced and aggressive exploration program, it is planned to raise some $8.5M to $9M. It is intended that shareholders should be given the opportunity to participate in this capital raising. At present, it is envisaged that this will be done via a placement of ($1.5M) and Shareholder Placement Plan to all shareholders ($1.5M) in the near future. A Convertible Note under negotiation with SG Australia Ltd, the local subsidiary of the French Investment Bank Societe Generale ($3M) and a rights issue to all shareholders in November ($3M). Discussions are also in progress with possible off-take partners which may alter the above program.