



Allegiance Mining N.L.

ACN 059 676 783

ABN 38 059 676 783

**Level 11, Shaw House
49 - 51 York Street
Sydney, NSW, 2000
AUSTRALIA**

Tel: 61-2-9299 1771

Fax: 61-2-9299 1817

email: mining@allegiance-mining.com.au

web: www.allegiance-mining.com.au

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Company Announcements Office
Australian Stock Exchange Limited
Level 4 Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Lodged Online

Dear Sirs

RENISON MILL NEGOTIATIONS CEASE

Allegiance Mining NL has terminated negotiations with Murchison United NL (in Administration) for the toll treatment in the Renison mill, of future production from the Avebury nickel sulphide project near Zeehan.

An Indicative Feasibility Study on Avebury, which is nearing completion, has focused on two treatment options for Avebury production - either a purpose built mill at Avebury (Avebury Mill option) or toll treatment through the Renison mill which is currently on care and maintenance (Renison Mill option). This study indicates both options are financially attractive, but the Avebury Mill option presents Allegiance with superior opportunities for future expansions based on new resource discoveries, and technological flexibility in treating Avebury ore.

In both the Avebury Mill and Renison Mill options, production rates in excess of 400,000 tonnes pa were evaluated with nickel production of 5,000-6,000 tonnes pa in 22% nickel concentrates over a 10 year life of mine.

At current prices, the net smelter revenue stream from such an operation is estimated in the range of \$40M-\$50M pa. Preliminary data from the Indicative Feasibility Study indicate the Avebury Mill option would have a pre-tax net present value of \$62M and a 37% rate of return which would include repaying the capital investment of \$36M.

It was not possible to negotiate an agreement with Renison which would optimise the financial benefits of this exciting new discovery to Allegiance, and at the same time, satisfy the present and future financial requirements of Renison.

In reaching this decision, Allegiance has not closed the door on evaluating future opportunities for the off-site treatment of Avebury production should such opportunities be advantageous to the Company. To this end, discussions will continue with both the Renison Administrator and with the Liquidator of the Western Metals mill at Hellyer.

As Allegiance awaits the approval of the Mining Lease and the DPMP for the exploration decline development, both the Avebury Mill and Renison (or other) mill options will be vigorously pursued. In any event, the driving of the decline will, subject to financing and requisite permitting, continue on the current schedule.

Discussions continue on financing options in probably the most positive environment seen in a decade. In these matters, we continue to be advised by SG Australia.

Yours faithfully

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