

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2009



28 September 2009

ASX Code: **AGS**

No. of pages: 18

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 SEPTEMBER 2009

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 September 2009 (12 pages)
- Appendix 5B for the period ending 30 September 2009 (5 pages)

A handwritten signature in black ink, appearing to read "Ian Pamensky".

Ian Pamensky
Company Secretary

Further information relating to the Company and its various exploration projects can be found on the Company's website at www.allianceresources.com.au

28 October 2009

ASX Code: **AGS**

No. of pages: 12

HIGHLIGHTS

URANIUM (FOUR MILE JOINT VENTURE, Alliance 25%)

- **FOUR MILE URANIUM PROJECT RECEIVES AUSTRALIAN GOVERNMENT ENVIRONMENTAL APPROVAL – JULY 2009**
- **Re-estimation of expanded mineral resource at Four Mile West underway based on drilling completed after release of initial resource in 2007 of 32 Mlb U₃O₈**
- **Significant uranium intercepts (GT>0.5m%pU₃O₈), from Four Mile West (FMW) during July include:**

10.9m @ 0.51% pU₃O₈ (AK1104)

4.0m @ 0.23% pU₃O₈ (AK1105)

GT = grade x thickness (m%U₃O₈). pU₃O₈ refers to the U₃O₈ grade as determined by PFN logging. pU₃O₈ grades reported here as exploration results, may be subject to revision during validation and verification of the grade-thickness calculations for the purpose of estimating the mineral resource.

- **At Four Mile East – First Stage Mining Area – the following development was completed during the quarter:**
 - **45 delineation holes were drilled for 9,994 metres, giving a total of 146 delineation holes for the project-to-date**
 - **31 wells were drilled and installed to first stage completion for 6,865 metres, giving a total of 134 first stage completions for the project-to-date**
 - **63 wells were screened during the period, giving a project-to-date total of 120 second-stage completions**
- **Four Mile West – the following development¹ was completed during the quarter:**
 - **5 wells were drilled and installed to first stage completion at Four Mile West for 886 metres**
- **Major cost components of independent scoping study for Four Mile Uranium Project completed during the quarter; data being analysed and final report being prepared**
- **Alliance directly contributed \$5.0 million to the cost of development of uranium mining at Four Mile East during the quarter (\$11.4 million project-to-date)**

¹ Alliance has objected to the change of scope in the budget and has disputed various other proposed changes to the budget. Alliance has not been provided a copy of the engineering study and estimated project development and operating costs by GRD Minproc presumably used as part basis for the revised budget and the budget has not yet been presented to the joint venture Management Committee for its consideration or approval.

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2009



- **Geochemical analyses from four diamond holes drilled into the basement at Four Mile in 2008 includes a best result of 10m @ 147ppm U from 261m (and 0.9m @ 385ppm Cu) from 265.1m in AKC095**
- **On 21 September 2009 Alliance announced it had been informed by Quasar that the schedule for commissioning the Four Mile Uranium Project has been delayed to April 2010 or beyond due to a delay in the grant of the mining lease, pending registration of the Native Title Mining Agreement**
 - **Quasar has subsequently advised that commissioning has been significantly delayed beyond April 2010**

CORPORATE

- **Alliance finalises \$44.7M capital raising programme with collection during the quarter of the final A\$8.5 million (before costs) from placement of previously reported Rights Issue Shortfall**
- **Cash reserves of \$45.6 million (unaudited) at 30 September 2009**
- **Post-reporting, Alliance and Drummond Gold Limited (Drummond) sign transaction document for Drummond to acquire Maldon Resources Pty Ltd from Alliance**

FOUR MILE URANIUM PROJECT JOINT VENTURE (Alliance 25%)

Background

The Four Mile Uranium Project Joint Venture area is located 550 kilometres north of Adelaide in South Australia. Alliance Resources Limited (Alliance) holds a 25% participating interest in the joint venture through its 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE). Alliance's joint venture partner and manager of the project is Quasar Resources Pty Ltd (Quasar) which holds 75% participating interest in the joint venture.

Alliance has been contributing to the development of Four Mile since October 2008 following Quasar's issuance of its "decision to mine" and a feasibility study compiled by URS, but generated internally by Quasar and its affiliate Heathgate Resources Pty Ltd (Heathgate). The objective of the feasibility study was to establish the basis on which Quasar rendered its decision to mine.

While the feasibility study met Quasar's obligations under the joint venture agreement, it did not provide a sufficient quantity of independently verified information for Alliance as a publicly listed company. As such, Alliance commissioned an independent scoping study to determine/verify whether the proposed mine development programme and budget proposed by Quasar is fair and equitable and in the best interest of Alliance Shareholders.

The feasibility study recommended initial development of the Four Mile Project at the Four Mile East (FME) deposit using in-situ recovery (ISR) methods, involving the construction of a satellite pre-processing plant close to Four Mile East to recover the uranium using ion exchange resin and then transferring loaded resin by truck to the existing Beverley uranium processing facility for further processing, drying and packaging of uranium concentrate. Use of the Beverley plant is subject to an appropriate agreement on commercial terms with Heathgate, the owner/operator of the Beverley plant, and the Quasar-Alliance joint venture.

Uranium concentrate production at Four Mile was then anticipated to commence in early 2010 and expected to ramp up to a targeted rate of 3 Mlb U₃O₈ (uranium oxide) per annum within 3 months.

The initial approved project development budget² was A\$90 million (Alliance's share A\$22.5 million) and forecast production costs, including royalties, are A\$38.80 per pound U₃O₈ (US\$31 per pound U₃O₈³).

During the previous quarter, Quasar provided Alliance with a proposed increase in the project development budget⁴ to A\$112 million (Alliance share A\$28 million) resulting in large part from inclusion of a new line item of a field leach trial at Four Mile West (FMW), plus a local resin

² Disclaimer: Alliance was not involved with the generation of Four Mile Project development and operating costs and does not endorse or accept Quasar's estimated costs as correct and accurate as those costs were generated internally by Quasar and affiliate Heathgate Resources Pty Ltd and lack independent verification by Alliance or its consultants. Alliance has commissioned an independent scoping study to review Quasar's estimated costs and project assumptions. Alliance reserves all its rights with regards to Quasar's proposed costs.

³ Based on 0.80 USD = 1AUD

⁴ Alliance has objected to the change of scope in this revised budget and has disputed various other proposed changes to the budget. Alliance has not been provided a copy of the engineering study and estimated project development and operating costs by GRD Minproc presumably used as part basis for the revised budget and the budget has not yet been presented to the joint venture Management Committee for its consideration or approval.

loading plant or using trunklines to transport FLT lixiviant (solutions) to the originally proposed satellite plant to be constructed near the Four Mile East deposit for First Stage Mining Area processing.

Project Development Progress

In July, the Four Mile uranium mine received Australian Government approval (in accordance with Part 9 of the Environment Protection and Biodiversity Act 1999 (EPBC Act)). This approval was a major milestone achievement for the joint venture and provides significant de-risking of the project.

On 12 June 2009, Quasar, as manager of the joint venture, submitted a Native Title Mining Agreement (NTMA) titled "Beverley Four Mile Agreement" to Primary Industries and Resources South Australia (PIRSA) for registration in accordance with Part 9B of the Mining Act 1971. Registration of the NTMA is the final statutory requirement before the South Australian Government can offer the joint venture a mining lease.

Neither ACE nor Alliance was involved in the negotiations with the native title holders and neither were a signatory to the agreement. Quasar, as manager of the joint venture, represented both joint venture parties in the negotiations and purported to sign on behalf of ACE. It is Alliance's contention that Quasar was not duly authorised to execute the NTMA on behalf of ACE and, in doing so, exceeded its authority.

In a letter dated 26 June 2009, PIRSA informed Alliance that the NTMA could not be registered in its current form as it did not include ACE as a signatory to the NTMA.

Subsequent to the letter from PIRSA, Quasar provided a copy of the executed NTMA to Alliance for its review. The NTMA for Four Mile was negotiated by Quasar, Heathgate and native title holders' representative and subsumes Heathgate's former native title agreement for the Beverley mine. As a result, Alliance must ensure ACE is adequately protected from potential cross liability from Heathgate and the Beverley Mine, and that decisions made by Heathgate under the NTMA which affect the Four Mile Project are made in accordance with the Four Mile Management Committee's decisions before ACE agrees to become bound by the NTMA.

Thus far, Alliance and Quasar have been unable to agree on language and documentation to satisfy Alliance's concerns and which also satisfy PIRSA's requirements to effect registration of the NTMA.

As a result of the delay in registering the NTMA, the Mining Lease cannot be offered to the joint venture and on site construction at Four Mile cannot begin. Consequently, Quasar has directed that work on the project be scaled down during the period of regulatory delay, and on 21 September 2009, Alliance announced it had been informed by Quasar that the schedule for commissioning of the Four Mile Uranium Project has been delayed to April 2010 or beyond. Subsequently, Quasar informed Alliance the project has been delayed significantly beyond April 2010.

Alliance believes the Four Mile project hosts one of the most significant uranium deposits in Australia, with large, high-grade resources, in a State with very favourable and stable political

support, and that the project carries a high intrinsic value to the company and its shareholders, to Quasar and to the government and economy of South Australia. The Board of Alliance is committed to the timely development of the project for all stakeholders.

Alliance continues its efforts to finalise the necessary documents to effect registration of the NTMA while ensuring Alliance and its subsidiary, ACE, are appropriately protected from potential cross liability and decision making by Heathgate.

Four Mile East – First Stage Mining Area

During the quarter, Quasar reported the following progress at Four Mile East (FME) in its joint venture reports:

- Forty-five delineation holes were drilled for 9,994 metres, giving a total of 146 delineation holes for the project-to-date.
- In addition, 31 wells were drilled and installed to first stage completion for 6,865 metres, giving a total of 135 first stage completions for the project-to-date.
- A total of 63 wells were screened during the period, giving a total of 120 second stage completions for the project-to-date.

Four Mile West⁵

During the quarter, Quasar reported that 5 wells were drilled and installed to first stage completion at Four Mile West for 886 metres.

Mineral Resources

There are two mineralised zones within the joint venture area; Four Mile West (FMW) and Four Mile East (FME) as shown in Figure 1.

The Four Mile West (FMW) inferred mineral resource estimate, reported in May 2007, is 3.9 million tonnes grading 0.37% containing 15,000 tonnes (32 million lbs) U_3O_8 . The FMW estimate used intercepts above a cut-off of 0.5 metres @ 0.05% U_3O_8 within a plan view envelope defined by a grade x thickness (GT) of 0.15m% U_3O_8 for each of two superposed levels to define the resource.

In June 2009, a maiden mineral resource estimate for the Four Mile East (FME) deposit was announced. The FME inferred mineral resource estimate is 4.1 million tonnes grading 0.31% containing 13,000 tonnes (29 million lbs) U_3O_8 . The FME resource estimate used intercepts above a cut-off of 0.5 metres @ 0.05% U_3O_8 within a plan view envelope defined by a grade x thickness (GT) of 0.10m% U_3O_8 to define the resource.

⁵ Alliance has objected to the change of scope in the budget and has disputed various other proposed changes to the budget. Alliance has not been provided a copy of the engineering study and estimated project development and operating costs by GRD Minproc presumably used as part basis for the revised budget and the budget has not yet been presented to the joint venture Management Committee for its consideration or approval.

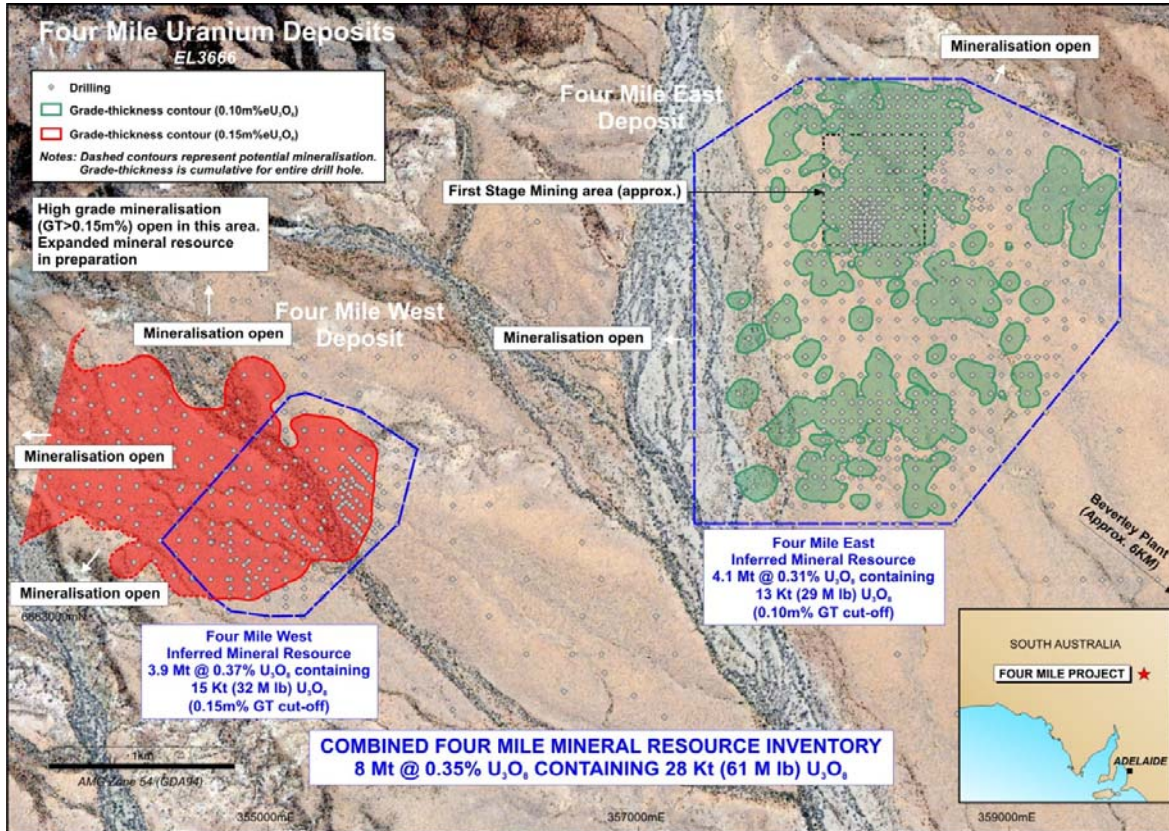


Figure 1: Four Mile East and Four Mile West uranium deposits

With the inclusion of the initial mineral resource estimate for the Four Mile East (FME) deposit, the total inferred mineral resource inventory for the Four Mile Project has increased by more than 90% to 61 million lbs U₃O₈ at an average grade of 0.35% (3,500ppm) U₃O₈ (Table 1 & Figure 1). This resource underpins Four Mile as both a high-grade mineralized system and a long-term production centre.

Table 1: Four Mile Uranium Project - Inferred Mineral Resource*

Deposit	GT cut-off	Ore Mass Tonnes	U ₃ O ₈	U ₃ O ₈	U ₃ O ₈
	m%		%	Tonnes	Mlb
Four Mile West (May 2007)	0.15	3,900,000	0.37	15,000	32
Four Mile East (June 2009)	0.10	4,100,000	0.31	13,000	29
TOTAL		8,000,000	0.35	28,000	61

*The estimates are in accordance with the Joint Ore Reserves Committee Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition) (JORC Code).

The average grade at FME has exceeded expectations. The combined average grade from FME and FMW has the potential to make the Four Mile Uranium Project the highest grade operating uranium mine in Australia and, as the Company moves toward first production in 2010, the highest grade and largest producing ISR operation in the world.

An updated and expanded mineral resource estimate is in progress at FMW to include additional drilling and analyses obtained in the northwest of the deposit since the completion

of the initial resource estimate at FMW in June 2007. Work on the updated mineral resource has been delayed due to delays in receipt of corrected database information from Quasar. The study is currently anticipated to be complete by the end of the calendar year.

Contributions to Development

Alliance Resources Limited, on behalf of its subsidiary Alliance Craton Explorer Pty Ltd, (collectively Alliance) paid an amount of \$5.0 million towards the cost of development of the Four Mile project during the quarter (\$11.4 million project-to-date)⁶.

Independent Scoping Study

Alliance commissioned an independent scoping study for the Four Mile Uranium Project to determine capital and operating cost estimates for comparison with costs presented to Alliance by Quasar in its feasibility study. This study has taken much longer than originally anticipated due to the very limited availability of pertinent ISR mining data in the public domain. As a result, the engineering team of Adelaide Control Engineering (Adelaide) and COMO Engineers (Perth) reverted to first principals to construct its engineering and cost models.

During the quarter, the major capital and operating cost components of the scoping study were completed. This data is currently being analysed in preparation of a final report.

EXPLORATION

Four Mile West

During July 2009, 22 rotary mud holes were drilled for a total of 3,964 metres at Four Mile West (FMW).

The majority of drilling targeted the NW/SE trending creek zone. Quasar has interpreted the style of mineralisation in the Creek program as consistent with that of the limbs of a deposit⁷, but the widths and grades are lower compared to other areas.

Four holes were also drilled in a potential Field Leach Trial (FLT) area within the high-grade “nose” at FMW as a result of Quasar’s proposed change in the project development budget⁸.

Significant intercepts ($GT > 0.5\text{m}\%p\text{U}_3\text{O}_8$) from the high grade “nose” include:

10.9m @ 0.51%p pU_3O_8 (AK1104)
4.0m @ 0.23%p pU_3O_8 (AK1105)

GT = grade x thickness ($\text{m}\%U_3O_8$). pU_3O_8 refers to the U_3O_8 grade as determined by PFN logging. pU_3O_8 grades reported here as exploration results, may be subject to revision during validation and verification of the grade-thickness calculations for the purpose of estimating the mineral resource.

⁶ Alliance disputes the validity of the cash calls made by Quasar and in making these payments, has reserved all of its rights. The payments are made to preserve Alliance’s participatory rights in the Four Mile project.

⁷ With roll-front affinities.

⁸ Alliance has objected to the change of scope in this budget and has disputed various other proposed changes to the budget. Alliance has not been provided a copy of the engineering study and estimated project development and operating costs by GRD Minproc presumably used as part basis for the revised budget and the budget has not yet been presented to the joint venture Management Committee for its consideration or approval.

Drill intercepts are shown in Appendix 1 (attached) while a plan of drill collars is presented in Figure 2.

There was no exploration activity reported during August 2009.

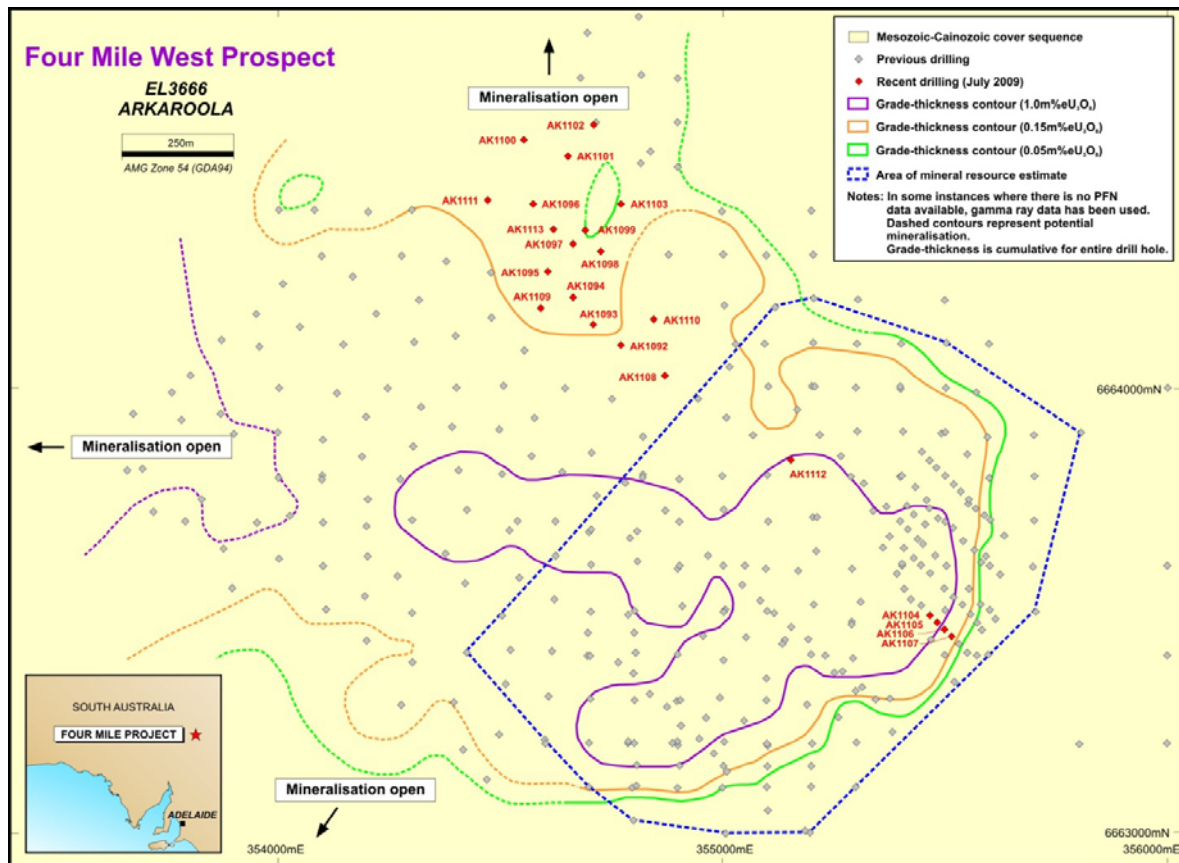


Figure 2: Four Mile West uranium deposit

Regional – Basement Drilling Program

During the quarter, Quasar provided Alliance a copy of its Annual Technical Report for the period ended 4 December 2008. In this report, Quasar reported on the results of four diamond holes, AKC093 to AKC096, drilled in May 2008, three of which were diamond tails drilled into basement targets at Four Mile East (FME) to target a magnetic high and surrounding geophysical features and one at Four Mile South (FMS) targeting elevated copper in samples from previous rotary mud drilling carried out during September 2006. [Quasar reported the drilling of these holes in its Joint Venture report for May 2008 with gamma ray logging for all holes at that time reported as “grade below cutoff”.]

Post-reporting, Alliance received geochemical analyses for the diamond core samples. The best result was 10m @ 147ppm U from 261m (and 0.9m @ 385ppm Cu from 265.1m) in AKC095.

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2009

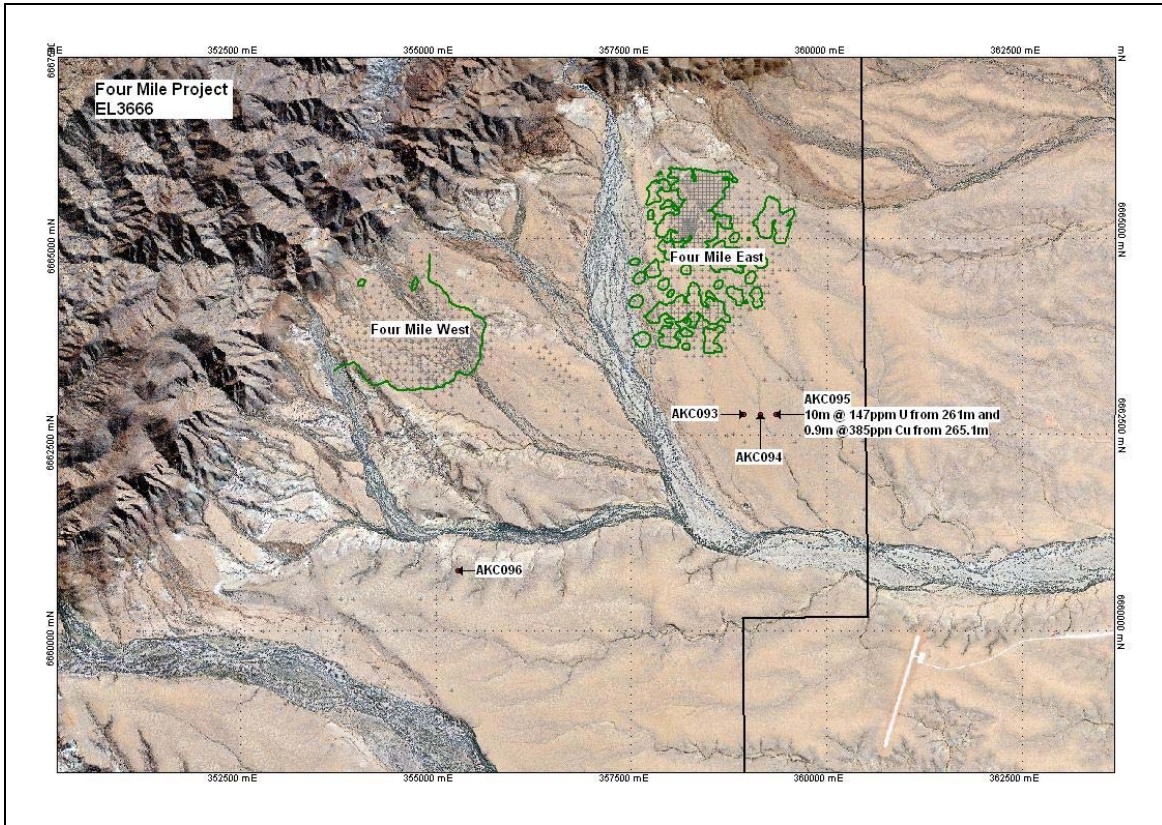


Figure 3: Four Mile - Diamond drilling into basement

CORPORATE

Capital Raising

On 2 July 2009 and 24 August 2009, Alliance announced it had completed the allotment of the non-renounceable Rights Issue (Rights Issue) shares and placement of the entire Rights Issue shortfall (Shortfall Placement) from the previously announced Rights Issue pursuant to a prospectus dated 27 May 2009. The Shortfall Placement raised an additional A\$8.5 million before costs. The total funds raised from the Share Placement, the Rights Issue and Shortfall Placement was A\$44.7 million (before costs).

The Company now has 341,172,309 ordinary shares and 8,425,000 unlisted options on issue.

Proceeds of the capital raised will be principally used at the Four Mile Uranium Joint Venture in South Australia to fund the Company's 25% share of project development and operating costs for uranium concentrate production (scheduled to commence in 2010), ongoing exploration commitments at Alliance's other projects and corporate administration costs.

Cash on Hand

Alliance has cash reserves of \$45.6 million (unaudited) at 30 September 2009.

Sale Agreement with Drummond Gold Limited

On 16 October 2009 (post-reporting), Alliance announced that it had entered into an agreement with Drummond Gold Limited (Drummond) for Drummond to acquire Maldon Resources Pty Ltd (Maldon) from Alliance. Maldon is the owner of the Maldon Gold Project, 30km southwest of Bendigo in Victoria.

Under the agreement Alliance will receive 88.4 million ordinary shares in Drummond for the sale of Maldon. Consideration for the transaction was based on a share price of 6.1 cents.

The agreement is subject to certain terms and conditions, including the approval of shareholders of Drummond, all necessary consents and approvals as required under the Corporations Act and the ASX Listing Rules, and the raising of at least \$3,000,000 by Drummond on or before the cut-off date of 15 January 2010, with Completion anticipated during the following week. (The cut-off date was extended from 30 November 2009 by letter agreement between Alliance and Drummond dated 21 October 2009.)

If there is a material adverse change to the value of Maldon or the Drummond shares to be issued to Alliance prior to completion, the parties must negotiate in good faith a revised purchase price so as to place the parties in substantially the same position as was the case prior to the change in value. An independent accountant may be appointed to determine the revised purchase price if the parties fail to agree.

MALDON GOLD PROJECT (Alliance Resources 100%)

The Maldon Gold Project is located 30 km southwest of Bendigo in central Victoria.

As reported under the Corporate heading (above), Alliance announced that it had entered into an agreement with Drummond Gold Limited (Drummond) for Drummond to acquire Maldon Resources Pty Ltd (Maldon) from Alliance.

The Union Hill decline has remained on care and maintenance during the quarter and no ore was processed during the quarter.

WARRINA COPPER-GOLD PROJECT (Alliance Resources 100%)

The Warrina Project is located 60 km northeast of Coober Pedy in the Gawler province of South Australia. The project is prospective for Olympic Dam style breccia-hosted iron-oxide copper-gold mineralisation.

No fieldwork was undertaken during the quarter.

EAST FROME COPPER-BASE METALS PROJECT (Alliance Resources 100%)

The East Frome Project is located approximately 30 km to the northwest of Broken Hill, New South Wales. The project is prospective for copper-gold mineralisation and Broken Hill style lead-zinc-silver mineralisation.

No fieldwork was undertaken during the quarter.

For further information regarding this announcement, contact:

Patrick Mutz
Managing Director

About Alliance Resources

Further information relating to the Company and its various exploration projects can be found on the Company's website at www.allianceresources.com.au

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2009

Table 1: Four Mile Uranium Project Summary Drilling Data

Thickness and grade results for holes drilled in July 2009. Results below 0.03% U3O8 are not reported. GT>0.5m% pU3O8 are highlighted. These figures are provisional and may be subject to revision due to calibration factor confirmation and data validation. NOTE: The table does not include drill hole collar coordinates. Refer to Figures for drill hole locations.

Hole Details		Gamma					PFN					Deposit
Hole Id	T_depth	From	To	Interval	eU3O8 (%)	GT-eU3O8	From	To	Interval	pU3O8(%)	GT-PFN	
AK1092	196.0	134.90	135.50	0.60	0.16	0.10	135.00	135.50	0.50	0.16	0.08	FMW
AK1093	186.0	138.85	139.95	0.60	0.15	0.09	139.00	139.40	0.40	0.18	0.07	FMW
AK1094	192.0	143.25	143.90	0.65	0.18	0.12	143.40	143.80	0.40	0.22	0.09	FMW
AK1095	180.0	136.50	137.30	0.80	0.19	0.16	136.60	137.20	0.60	0.19	0.11	FMW
AK1096	180.0	117.30	118.10	0.80	0.20	0.16	117.40	117.90	0.50	0.22	0.11	FMW
AK1096	180.0	129.85	130.55	0.70	0.09	0.06	129.80	130.30	0.50	0.08	0.04	FMW
AK1097	176.0	135.10	135.85	0.75	0.16	0.12	135.20	135.70	0.50	0.15	0.07	FMW
AK1098	180.0											FMW
AK1099	170.0	128.30	129.20	0.90	0.13	0.11	128.30	128.90	0.60	0.12	0.07	FMW
AK1100	150.0	115.45	116.15	0.70	0.20	0.14	115.60	116.00	0.40	0.23	0.09	FMW
AK1100	150.0	126.85	127.35	0.50	0.07	0.04	126.90	127.30	0.40	0.07	0.03	FMW
AK1100	150.0	129.35	129.95	0.60	0.07	0.04	129.30	129.80	0.50	0.06	0.03	FMW
AK1101	162.0	118.45	119.20	0.75	0.19	0.14	118.60	119.10	0.50	0.23	0.12	FMW
AK1102	166.0	120.00	120.45	0.45	0.10	0.05	118.80	120.40	1.60	0.20	0.32	FMW
AK1103	192.0	128.20	129.05	0.85	0.23	0.20						FMW
AK1104	192.0	153.80	164.85	11.05	0.59	6.46	154.00	164.90	10.90	0.51	5.56	FMW
AK1105	200.0	153.40	164.70	11.30	0.22	2.46	153.40	154.00	0.60	0.08	0.05	FMW
AK1105	200.0						154.60	158.60	4.00	0.23	0.92	FMW
AK1105	200.0						161.50	164.60	3.10	0.13	0.40	FMW
AK1105	200.0						159.50	161.40	1.90	0.09	0.18	FMW
AK1106	180.0	153.25	158.15	4.90	0.17	0.82	153.00	153.50	0.50	0.07	0.03	FMW
AK1106	180.0						154.40	156.40	2.00	0.12	0.24	FMW
AK1106	180.0						156.50	158.00	1.50	0.22	0.32	FMW
AK1106	180.0	159.35	159.90	0.55	0.07	0.04						FMW
AK1106	180.0	160.35	164.65	4.30	0.08	0.35						FMW
AK1107	180.0	159.45	160.45	1.00	0.08	0.08	159.90	160.50	0.60	0.08	0.05	FMW
AK1108	180.0	141.20	141.95	0.75	0.16	0.12	141.40	141.90	0.50	0.17	0.09	FMW
AK1109	186.0	136.20	137.05	0.85	0.21	0.18	136.40	137.00	0.60	0.20	0.12	FMW
AK1110	180.0	137.70	138.40	0.70	0.26	0.18	137.70	138.40	0.70	0.29	0.21	FMW
AK1111	176.0	110.80	111.50	0.70	0.22	0.15						FMW
AK1112	180.0	152.64	153.69	1.05	0.14	0.15	152.80	153.40	0.60	0.16	0.10	FMW
AK1112	180.0	162.34	163.29	0.95	0.07	0.07	162.50	163.30	0.80	0.08	0.07	FMW

Reference to Joint Ore Reserves Committee (JORC) Code

The information in this report that relates to Uranium Mineral Resources for the Four Mile East and Four Mile West deposits is based on information compiled by Mr Ken Bampton who is a Corporate member of both the Australasian Institute of Geoscientists and The Australasian Institute of Mining & Metallurgy. Mr Bampton trades as Ore Reserve Evaluation Services. Mr Bampton has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bampton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to uranium Exploration Results is based on information compiled by Mr Andrew Bowden who is a Chartered Geologist and Fellow of the Geological Society of London, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time. Mr Andrew Bowden is employed by GeoDec Consulting and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Andrew Bowden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves for copper, gold and base metals is based on information compiled by Mr Stephen Johnston who is a Corporate Member of the Australasian Institute of Mining and Metallurgy. Mr Johnston is a full-time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Johnston consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ALLIANCE RESOURCES LIMITED

ABN

38 063 293 336

Quarter ended ("current quarter")

30 September 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 Months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(217)	(217)
(b) development	(4,609)	(4,609)
(c) production	(238)	(238)
(d) administration	(925)	(925)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	152	152
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (GST paid/recouped)	199	199
Net Operating Cash Flows	(5,638)	(5,638)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(28)	(28)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Transfer to deposit)	-	-
Net investing cash flows	(28)	(28)
1.13 Total operating and investing cash flows (carried forward)	(5,666)	(5,666)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,666)	(5,666)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	8,463	8,463
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Cost of Capital Raising/Prospectus)	(404)	(404)
	Net financing cash flows	8,059	8,059
	Net (decrease) increase in cash held	2,393	2,393
1.20	Cash at beginning of quarter/year to date	43,249	43,249
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	45,642	45,642

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	198
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

All transactions involving Directors and associates were on normal commercial terms. These payments represent Director fees, Director consulting fees, re-imburements of expenses and payments in terms of a management service agreement with a Director related entity.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development ⁽¹⁾⁽²⁾	12,400
Total	12,650

Notes:

- (1) Includes cash calls for the Four Mile Project based on an updated programme and budget received from the Joint Venture Manager, Quasar Resources Pty Ltd, in May 2009 (which has not been presented to or approved by the joint venture management committee). In the period from 1 January 2009 to 30 September 2009 Alliance made payments in order to preserve its participatory rights in the Four Mile project. Alliance disputes the validity of the Programme and Budget and the cash calls made by Quasar based on that Programme and Budget and in making the payments has reserved all of its rights. Alliance proposes to similarly reserve its rights with respect to payments made during this quarter.
- (2) Maldon Payments represent payments to contractors for maintaining the underground decline while on care and maintenance.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	198	493
5.2 Deposits at call	17,384	14,706
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Term Deposit	28,060	28,050
Total: cash at end of quarter (item 1.22)	45,642	43,249

Changes in interests in mining tenements

	Tenement reference	Nature of interest (Note 2 - Below)	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	341,172,309	341,172,309		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	13,667,444 ⁽⁴⁾ 12,576,580 ⁽⁵⁾	13,667,444 ⁽⁴⁾ 12,576,580 ⁽⁵⁾	60 68	60 68

Note:

- (4) On 26 May 2009 Alliance Resources Limited announced a 1:12 Non-Renounceable Rights Issue (Rights Issue) at 60 cents per Ordinary Share. The Rights Issue Closed on 25 June 2009. 13,667,444 Ordinary Shares were issued under the Rights Issue and were allotted on 2 July 2009. The Rights Issue shares were not included in the Ordinary Shares at 30 June 2009.
- (5) Post the Rights Issue closure, the Rights Issue shortfall was placed at 68 cents in July & August 2009.

7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	<i>(Unlisted Options)</i>		Exercise price A\$	Expiry date
	225,000	Unlisted	\$0.80	31 Oct 2009
	3,200,000	Unlisted	\$1.60	31 Oct 2010
	3,000,000	Unlisted	\$1.60	31 Oct 2010
	1,000,000	Unlisted	\$1.00	31 Oct 2011
	1,000,000	Unlisted	\$1.20	31 Oct 2011
7.8 Issued during quarter				
7.9 Exercised during quarter				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.10	Expired during quarter	100,000 ⁽⁶⁾ 100,000 ⁽⁶⁾	Unlisted Unlisted	\$0.80 \$1.60	31 Oct 2009 31 Oct 2010
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Note:

(6) – Cancelled on resignation of an employee in July 2009.

Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here:

Company Secretary

Date: 28 October 2009

Print name:

IAN PAMENSKY

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedents, which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** the issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.