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## FOUR MILE URANIUM PROJECT SCOPING STUDY RESULTS

In 2009, Alliance Resources Ltd (**Alliance**) commissioned Como Engineers Pty Ltd and Adelaide Control Engineering Joint Venture (**Como-ACE**) to prepare a Scoping Study to estimate the capital cost of the design, procurement and construction of an In-Situ Recovery (ISR) and uranium processing facility, including related infrastructure, at the Four Mile Uranium Project in South Australia as well as estimating the ongoing operating costs of the facility.

Alliance has now reviewed the Scoping Study and has authorised the final report to be issued.

The Como-ACE Scoping Study estimates of capital and operating costs indicates to Alliance that the Four Mile project offers a significantly greater return if developed as a standalone project with a production rate of 5 million lb per annum.

Accordingly, Alliance is commissioning an optimization study for the design, capital and operating cost estimates for a 5M lb per annum standalone plant at the Four Mile project to an order of accuracy of +/-25%.

A comparison of the capital and operating<sup>(1)</sup> costs as estimated by Como-ACE and Quasar<sup>(2)</sup> is shown in the table below:

Case	Como-ACE Estimate		Quasar Estimate	
	Capital <sup>(3)</sup> (A\$M)	Operating (A\$/lb U <sub>3</sub> O <sub>8</sub> )	Capital (A\$M)	Operating (A\$/lb U <sub>3</sub> O <sub>8</sub> )
Satellite Plant <sup>(4)</sup> @ 3M lb/annum	96	31.34 <sup>(5)</sup>	98 <sup>(6)</sup>	38.80 <sup>(7)</sup>
Standalone Project @ 3M lb/annum	131	26.35		
Standalone Project @ 5M lb/annum	168	21.73		
Standalone Project @ 7M lb/annum	221	19.62		

- Operating costs include royalties (State, Native Title and third party).
- Feasibility Study for Four Mile Mine Development Area In-Situ Recovery Project Report dated 22 September 2008, commissioned by Quasar Resources Pty Ltd (Quasar) and prepared by Heathgate Resources Pty Ltd (Heathgate) and compiled by URS Australia Pty Ltd.
- Como-ACE capital costs have an order of accuracy of +/- 30%.
- Quasar's feasibility study proposed construction of a satellite pre-processing plant close to the Four Mile deposits, to capture uranium onto resin beads, with the loaded resin being trucked to Heathgate's Beverley plant for elution, filtration, drying and packaging.
- The Como-ACE operating cost includes an estimate of an appropriate fee to Heathgate for use of the Beverley plant & infrastructure and an estimate of Heathgate's corporate expenses in Adelaide.
- Quasar's feasibility study estimated a \$90 million capital cost, however Quasar advised Alliance of a proposed change in scope of the budget in May 2009 to \$98 million with input from GRD Minproc (\$112 million less \$14 million for capital at Four Mile West).
- A component of Quasar's estimated operating cost is a fee for use of the Beverley plant and infrastructure, and a management fee, both paid to Heathgate. The feasibility study stated that the (joint venture) use of the Beverley plant is subject to an appropriate agreement on commercial terms with the owner/operator of that plant, Heathgate, an affiliate company of Quasar. To date, Quasar has not provided Alliance with any proposed terms and conditions for use of the Beverley plant. Alliance does not therefore know if the terms and conditions are commercial and at arm's length.

The difference between the Como-ACE and Quasar estimate of operating costs is \$7.46/lb U<sub>3</sub>O<sub>8</sub> which represents 19% of total operating costs or \$22.4 million per annum.

Alliance has estimated from the Scoping Study that the undiscounted payback for the additional capital required for the 3 million lb per annum standalone plant (\$131 million) compared with the Quasar's estimate for the 3 million lb per annum satellite plant development (\$98 million), based on the difference in operating costs, is 11 months.

In relation to the 5 million and 7 million lb per annum standalone plant options, Alliance anticipates significant decreases in respective operating costs, representing further savings.

Further information relating to the Company and its various exploration projects can be found on the Company's website at [www.allianceresources.com.au](http://www.allianceresources.com.au).

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