

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 DECEMBER 2010

31 January 2011

ASX Code: **AGS**

No. of pages: 9

QUARTERLY REPORT - FOR THE PERIOD ENDED 31 DECEMBER 2010

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 31 December 2010 (3 pages)
- Appendix 5B for the period ending 31 December 2010 (5 pages)



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

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FOUR MILE URANIUM PROJECT JOINT VENTURE (Alliance 25%)

The Four Mile Uranium Project area is located 550 kilometres north of Adelaide in South Australia. Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (**ACE**) is the registered holder of 25% of EL3666. Quasar Resources Pty Ltd (**Quasar**) is the registered holder of the remaining 75% and is the manager of the Project.

Legal Proceedings

Details of the current legal actions initiated by ACE against Quasar, or Quasar and its affiliate, Heathgate Resources Pty Ltd (**Heathgate**) may be found on www.allianceresources.com.au under the subheading Latest Status Update.

In the matter relating to ACE's application in the Federal Court of Australia for access to books, records and agreements pertaining to the joint venture, the application was heard on 22-23 February 2010 and ACE is still awaiting judgment.

In the matter of ACE's application in the Supreme Court of South Australia to test its right to record joint venture management committee meetings, judgment was delivered on 27 August 2010. Sulan J found that the law did not prohibit ACE from taping joint venture meetings but that both the chairman's ruling and the resolution of the management committee that meetings not be recorded were valid.

In the matter of ACE's application in the Supreme Court of South Australia relating to the authority of Quasar to enter into a native title agreement binding on ACE, ACE has sought further detail of Quasar's and Heathgate's discovered documents for which privilege has been claimed so as to test that claim. At the directions hearing on 23 December 2010 ACE foreshadowed an application to amend the proceeding to cover the native title agreement executed by Quasar and lodged with PIRSA on 12 May 2010 (being the agreement the subject of Quasar's application for an order against the Mining Registrar). This application will be heard on 28 January 2011.

On 30 November 2010 Quasar issued proceedings in the Supreme Court of South Australia seeking an order that the Mining Registrar register the native title mining agreement lodged by Quasar, but rejected by the Registrar, on 12 May 2010. The first directions hearing in that matter will also be heard on 28 January 2011. At that hearing ACE will seek to have the proceeding heard concurrently with the proceeding referred to in the preceding paragraph.

On 12 July 2010, ACE filed an application in the Federal Court of Australia (Melbourne) against Quasar and Heathgate seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile from Quasar. On 1 October 2010 Quasar filed an application to transfer proceeding to the South Australian District Registry and on 16 December 2010 an order was made transferring the proceedings to that registry. The next directions hearing is set down for 18 February 2011.

Exploration & Development

As the issues surrounding the registration of a native title mining agreement are yet to be resolved, a mining lease has not been issued and work on the Project has been scaled down.

There were no well-field or engineering activities reported by Quasar in its Manager's monthly joint venture reports for October to December 2010.

A high resolution seismic survey over the Four Mile deposits was planned to support further delineation of the stratigraphy and structures.

Optimisation Study

Alliance has received the draft optimization study for the design, capital and operating cost estimates for a 5 million pound per annum standalone plant at Four Mile to an order of accuracy of +/-25%.

Highlights of the results of the study will be announced when the Alliance has reviewed and commented on the draft study and the final report is received.

By way of background, Alliance previously announced details of the final Scoping Study report prepared by Como Engineers Pty Ltd and Adelaide Control Engineering Pty Ltd in relation to the capital cost estimate for the design, procurement and construction of an In-Situ Recovery (**ISR**) and uranium processing facility, at the Four Mile Uranium Project, as well as estimating the ongoing operating costs of the facility to an order of accuracy of $\pm 30\%$ using all new equipment for:

- a. 3 million pound per annum (**MIbpa**) stand alone ISR plant including all associated infrastructure
- b. 5MIbpa stand alone ISR plant including all associated infrastructure
- c. 7MIbpa stand alone ISR plant including all associated infrastructure
- d. 3MIbpa satellite ISR (satellite) plant utilizing existing infrastructure at nearby Beverley Site
- e. 3MIbpa stand alone Resin in Pulp plant.

The Scoping Study cost estimates indicate to Alliance that Four Mile offers a significantly greater return if developed as a stand alone project with a production rate of approximately 5 million pounds per annum.

Contributions to Development

Alliance paid an amount of \$145,609 towards the cost of development of the Four Mile project during the quarter (\$14.506 million project-to-date)¹.

MALDON GOLD PROJECT

During the quarter, the sale of Alliance's subsidiary, Maldon Resources Pty Ltd, to Octagonal Resources Limited (**Octagonal**) was completed.

Alliance now holds 22,000,000 ordinary shares in Octagonal which equates to approximately 22% of Octagonal's issued share capital.

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.

Gravity and MIMDAS (electrical geophysics) surveys were planned for January 2011, however heavy rain throughout the Broken Hill region in December-January has resulted in this work being delayed until the ground conditions improve.

CORPORATE

Alliance has cash reserves of \$35.868 million (unaudited) at 31 December 2010 and has 341,172,309 ordinary shares on issue.

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

Steve Johnston
Chief Executive Officer

Reference to Joint Ore Reserves Committee (JORC) Code

The information in this report that relates to Exploration Results 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 & 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.

¹ 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.

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")

31 December 2010

Consolidated statement of cash flows

		Current quarter	Year to date (6 Months)
		\$A'000	\$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	(70)	(168)
	(b) development ⁽¹⁾	(321)	(534)
	(c) production	(385)	(569)
	(d) administration	(1,264)	(2,814)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	645	1,014
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	121	299
Net Operating Cash Flows		(1,274)	(2,772)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(5)	(44)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	275
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Transfer to deposit)	(20)	(20)
Net investing cash flows		(25)	211
1.13	Total operating and investing cash flows (carried forward)	(1,299)	(2,561)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,299)	(2,561)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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)	-	-
	Net financing cash flows	-	-
	Net (decrease) increase in cash held	(1,299)	(2,561)
1.20	Cash at beginning of quarter/year to date	37,167	38,429
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	35,868	35,868

Notes:

1. Includes

- a. cash calls for the Four Mile Project based on an updated programme and budget received from Quasar Resources Pty Ltd (Quasar), in May 2009 (which has never been presented to or approved by the joint venture management committee). Quasar is registered as the holder of 75% of EL3666 and manages the Project. In the period from 1 July 2010 to 31 December 2010 Alliance continued to make 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 (as scaled back pending the issue of a mining licence) and in making the payments has reserved all of its rights ; and
- b. payments to contractors for maintaining the underground decline in Maldon while on care and maintenance.

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	270
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-imbursments 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

+ See chapter 19 for defined terms.

Appendix 5B Mining exploration entity quarterly report

- 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

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	165
4.2 Development ⁽²⁾	210
4.3 Production	-
4.4 Administration	1,080
Total	1,455

Notes:

2. Includes:

- a. estimated cash calls for the Four Mile Project based on an updated programme and budget received from Quasar Resources Pty Ltd (Quasar), in May 2009 (which has not been presented to or approved by the joint venture management committee) as scaled back pending the issue of a mining licence. In making these payments Alliance will reserve its rights as it has done in previous quarters; and
- b. payments to contractors for maintaining the underground decline in Maldon 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	336	292
5.2 Deposits at call	7,472	8,815
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Term Deposit	28,060	28,060
Total: cash at end of quarter (item 1.22)	35,868	37,167

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	Various	Maldon Resources Pty Ltd (Maldon) – Alliance Resources Limited sold it's 100% share of Maldon, including all Maldon Tenements – Effective Date 21 December 2010	100%	-
6.2	Interests in mining tenements acquired or increased				

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			
7.5	+Convertible debt securities			
	<i>(description)</i>			
7.6	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through securities matured, converted			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	<i>(Unlisted Options)</i>		Exercise price A\$	Expiry date
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	3,200,000 3,000,000	Unlisted Unlisted	\$1.60 \$1.60	31 Oct 2010 31 Oct 2010
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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 ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: 
Company Secretary

Date: 31 January 2011

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.

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+ See chapter 19 for defined terms.