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FOUR MILE URANIUM PROJECT OPTIMISATION STUDY

Alliance Resources Ltd (**Alliance**) has now received the final Optimisation Study prepared by Adelaide Control Engineering Pty Ltd (**ACE**) for a new 5 million pounds per annum stand alone In-Situ Recovery (**ISR**) and uranium processing plant for the Four Mile Uranium Project in South Australia.

The study was based on criteria and assumptions supplied by Alliance Resources and prepared using data sourced from freely available information from the Primary Industries and Resources South Australia (PIRSA) web site, standard industry information, data generated by the Four Mile Scoping Study Report and other ISR mine experience.

The key findings of the study are:

- the capital cost for a complete standalone 5 million pound per annum In-situ Recovery (ISR) processing plant, including all direct and indirect costs, is estimated to be \$210.1 million to an accuracy of +/- 25%;
- the operating costs for a 5 million pound per annum In-situ Recovery (ISR) process plant are estimated to be \$21.53 AUD/lb.

Alliance considers that by utilising existing field well patterns at Four Mile East there is potential for the capital cost to be reduced to \$181 million with an undiscounted payback time of approximately 12 months. ACE has reviewed Alliance's findings and agrees that a capital cost reduction of \$29 million is reasonable.

Scope of Estimate

Battery Limits for the Optimisation Study standalone plant capital cost estimate include:

- Processing plant
- Power station
- Gas pipeline (20km)
- Complete ISR well field
- Pregnant liquor and barren liquor ponds
- Evaporation pond
- Administration building
- Process plant buildings and structures
- Process plant workshop / stores
- Workshop equipment
- Mobile equipment
- Laboratory equipment
- Capital spares
- Consumables
- 160 man camp
- Access roads and fencing
- Owners costs and first fills

Discussion

The increase in the estimated capital cost of the Optimisation Study compared with the previous Scoping Study estimate for the 5 million pounds per annum processing plant is \$42 million, due to increases in the estimates for well fields, equipment, EPCM and electrical works.

The undiscounted payback time for the additional capital required for the 5Mlb per annum standalone plant (\$210 million) compared with Quasar's estimate for the 3Mlb pound per annum satellite plant (\$98 million) based on the difference in operating costs (\$17.27 per pound) is approximately 16 months.

A comparison of the Scoping Study and Optimisation Study capital and operating⁽¹⁾ costs as estimated by Como-ACE and those estimated by Quasar⁽²⁾ is shown in the following table:

ISR Case	Study Type	ACE Estimate		Quasar Estimate	
		Capital (A\$M)	Operating (A\$/lb U ₃ O ₈)	Capital (A\$M)	Operating (A\$/lb U ₃ O ₈)
Satellite Plant ⁽³⁾ @ 3Mlbpa	Scoping	96	31.33 ⁽⁴⁾	98 ⁽⁵⁾	38.80 ⁽⁶⁾
Standalone Plant @ 5Mlbpa	Scoping	168	21.73		
Standalone Plant @ 5Mlbpa	Optimisation	210	21.53		

1. Operating costs include royalties (State, Native Title and third party).
2. 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.
3. 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.
4. The 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.
5. 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).
6. 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.

Alliance, in considering the study's findings, estimates there is potential for the capital cost to be reduced by approximately \$29 million to \$181 million by making use of existing well field patterns at Four Mile East and deducting this cost from the ACE well fields. Under this scenario, the undiscounted payback time for the additional capital required for the 5Mlb per annum standalone plant and utilizing existing well field patterns at Four Mile East (\$181 million) compared with Quasar's estimate for the 3Mlb pound per annum satellite plant (\$98 million) based on the difference in operating costs (\$17.27 per pound) is approximately 12 months. ACE has reviewed Alliance's findings and agrees that a capital cost reduction of \$29 million is reasonable.

The Board will consider the findings of the Optimisation Study as part of the company's longer term strategy to maximise the potential of Four Mile.

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

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