

# QUARTERLY REPORT

FOR THE PERIOD ENDED 30 JUNE 2011

29 July 2011

ASX Code: **AGS**

No. of pages: 11

## QUARTERLY REPORT - FOR THE PERIOD ENDED 30 JUNE 2011

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### DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 June 2011 (5 pages)
- Appendix 5B for the period ending 30 June 2011 (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](http://www.allianceresources.com.au)

29 July 2011

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## HIGHLIGHTS

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### **FOUR MILE URANIUM PROJECT JOINT VENTURE (Alliance 25%)**

#### **Legal Proceedings**

- Native Title Mining Agreement - Jurisdiction - Supreme Court of South Australia
  - On 4 July 2011 the Court refused Quasar's and Heathgate's applications for the leave of the Court to appeal the decision regarding the documents for which privilege had been claimed.
  - White J has set a timetable which, if all parties comply with it, will lead to trial in late September 2011. The next directions hearing is on 3 August 2011.
- Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide)
  - Awaiting judgment.
- Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide)
  - The application for leave to interrogate was heard by the Court on 4 March and judgment has been reserved. Agreement was reached on the provision of redacted documents and the application for further discovery was part heard on 12 May 2011 but adjourned to allow written submissions to be made. The directions hearing will resume on 31 August 2011.

#### **Arkaroola Protection Area (post-reporting)**

- The Four Mile (both East and West) deposits, the Four Mile South prospect and the area of the mining lease application are outside, and not affected by, the Arkaroola Protection Area announced by the South Australian government on 22 July 2011.
- The Arkaroola Protection Area does cover approximately 38% of exploration licence (EL) 3666 in which Alliance has a 25% interest and will not be available for exploration or mining after the expiry of EL3666.

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

- Detailed gravity surveys were completed during the quarter over five gravity anomalies at East Frome. MIMDAS (electrical geophysical) surveys are planned over the gravity anomalies and will commence as soon as a revised schedule is confirmed with the contractor.

#### **CORPORATE**

- Cash reserves of \$34.76 million (unaudited) at 30 June 2011.

## **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**

#### **Native Title Mining Agreement - Jurisdiction - Supreme Court of South Australia**

On 4 July 2011 the Court refused Quasar's and Heathgate's applications for the leave of the Court to appeal the decision regarding the documents for which privilege has been claimed.

White J has set a timetable which, if all parties comply with it, would lead to trial in late September 2011. The next directions hearing is on 3 August 2011.

#### **Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide)**

The application was heard on 22-23 February 2010 and the parties are awaiting judgment.

#### **Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide)**

The application for leave to interrogate was heard by the Court on 4 March and judgment has been reserved. Agreement was reached on the provision of redacted documents and the application for further discovery was part heard on 12 May 2011 but adjourned to allow written submissions to be made. The directions hearing will resume on 31 August 2011.

For further details of the various legal proceedings, refer to Alliance's web site, [www.allianceresources.com.au](http://www.allianceresources.com.au) under 'Latest Status Update'.

### **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 April to June 2011.

### **Contributions to Development**

Alliance paid \$330,216 towards the cost of development of the Four Mile project during the quarter (\$14,852,169 project-to-date)<sup>1</sup>.

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<sup>1</sup> 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.

## **Arkaroola Protection Area**

On 22 July 2011 (post-reporting), the Premier of South Australia, the Hon Mike Rann MP announced the establishment of the Arkaroola Protection Area (Area) that will, as a first step, be reserved from operation under the South Australian Mining Act by proclamation. In due course it is proposed to enact legislation protecting the Area and an application for World Heritage Listing will follow.

As a consequence, future exploration and mining titles will not be granted in the designated Area.

The Four Mile (both East and West) deposits, the Four Mile South prospect and the area of the mining lease application (MLA) are outside the Area and are not affected by this announcement. Figure 1 is Alliance's understanding of the impact of this announcement.

However the Area does cover approximately 38% of exploration licence (EL) 3666 in which Alliance has a 25% interest. Based on the announcement, that area will not be available when application for a subsequent licence<sup>2</sup> is lodged later this year.

While Alliance is pleased that the Four Mile Project is unaffected, it is disappointed that it will be denied the opportunity to more fully explore a significant part of EL 3666 which is highly prospective for primary uranium, copper, gold, tin and base metals.

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## **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.

Detailed gravity surveys were completed during the quarter over five gravity anomalies at East Frome.

MIMDAS (electrical geophysical) surveys are planned over the gravity anomalies and will commence as soon as a revised schedule is confirmed with the contractor. The aim of this work is to identify potential conductors to assist with targeting of drill holes.

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## **CORPORATE**

Alliance has cash reserves of \$34.76 million (unaudited) at 30 June 2011 and has 341,172,309 ordinary shares on issue.

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

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<sup>2</sup> Incorrectly referred to as a renewal in Alliance's ASX announcement dated 25 July 2011.

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FOR THE PERIOD ENDING 30 JUNE 2011

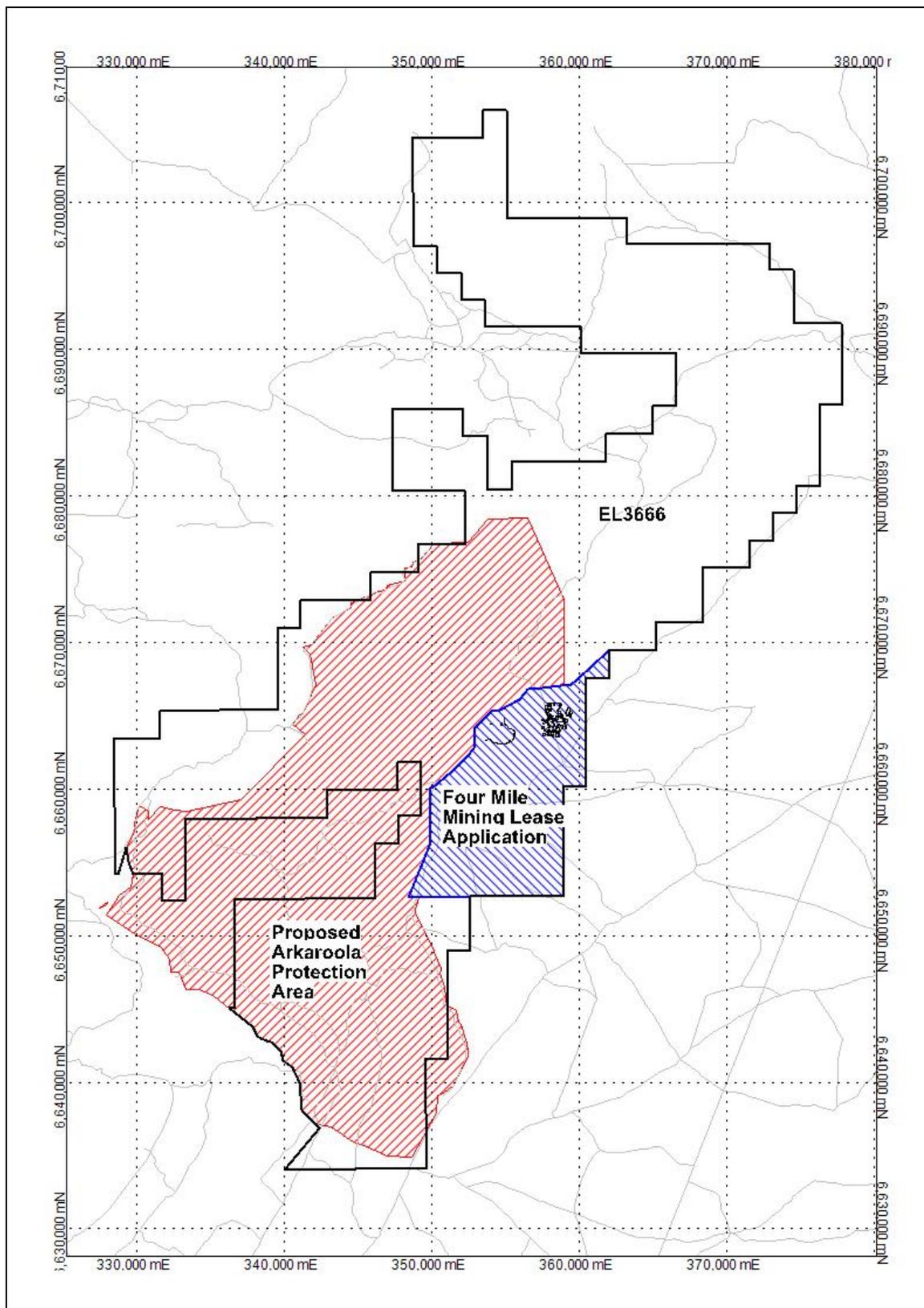


Figure 1: Exploration Licence 3666 showing Four Mile MLA and proposed Arkaroola Protection Area

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FOR THE PERIOD ENDING 30 JUNE 2011

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)

**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.

# 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 June 2011**

### Consolidated statement of cash flows

		Current quarter	Year to date (12 Months)
		\$A'000	\$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(19)	(258)
	(b) development <sup>(1)</sup>	(330)	(880)
	(c) production	-	(580)
	(d) administration	(1,374)	(5,182)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	351	1,854
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	63	616
<b>Net Operating Cash Flows</b>		<b>(1,309)</b>	<b>(4,430)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(16)	(60)
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)	-	714
<b>Net investing cash flows</b>		<b>16</b>	<b>929</b>
1.13	<b>Total operating and investing cash flows (carried forward)</b>	<b>(1,325)</b>	<b>(3,501)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>1.13</b>	<b>Total operating and investing cash flows (brought forward)</b>	<b>(1,325)</b>	<b>(3,501)</b>
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
	<b>Net (decrease) increase in cash held</b>	<b>(1,325)</b>	<b>(3,501)</b>
1.20	Cash at beginning of quarter/year to date	<b>36,253</b>	<b>38,429</b>
1.21	Exchange rate adjustments to item 1.20	-	-
<b>1.22</b>	<b>Cash at end of quarter</b>	<b>34,928</b>	<b>34,928</b>

**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 30 June 2011 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**

		<b>Current quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	191
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
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### 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	144
4.2 Development <sup>(2)</sup>	78
4.3 Production	-
4.4 Administration	1,080
<b>Total</b>	<b>1,302</b>

**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.

### 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	179	148
5.2 Deposits at call	6,664	8,045
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Term Deposit	28,085	28,060
<b>Total: cash at end of quarter (item 1.22)</b>	<b>34,928</b>	<b>36,253</b>

+ 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			
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	<b>Preference securities</b> <i>(description)</i>			
7.2		Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions		
7.3	<b>+Ordinary securities</b>	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	<b>+Convertible debt securities</b> <i>(description)</i>			
7.6		Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted		
7.7	<b>Options</b> <i>(description and conversion factor)</i>		<b>Exercise price A\$</b>	<b>Expiry date</b>
7.8	Issued during quarter			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <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: 29 July 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.