

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2011

26 October 2011

ASX Code: **AGS**

No. of pages: 11

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 SEPTEMBER 2011

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 September 2011 (5 pages)
- Appendix 5B for the period ending 30 September 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

26 October 2011

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HIGHLIGHTS

FOUR MILE URANIUM PROJECT JOINT VENTURE (Alliance 25%)

Legal Proceedings

- Native Title Mining Agreement - Jurisdiction - Supreme Court of South Australia
 - The parties agreed to a voluntary mediation but no resolution has been achieved.
 - A trial date has been set of 5 December 2011. It is expected that the trial will run for between 5 and 10 days.
- 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.
 - The application for further discovery was heard by the Court on 12 May 2011 and 31 August 2011. Judgment has been reserved.
 - No date has been set for the next directions hearing.

Arkaroola Protection Area

- 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 EL3666 in which Alliance has a 25% interest, and will therefore not be available for exploration or mining after the expiry of EL3666.

WARRINA COPPER-GOLD PROJECT (Alliance Resources 100%)

- A magneto-tellurics survey is scheduled at the BigNE prospect during early November 2011 to assist with identifying potential conductors.

CORPORATE

- Cash reserves of \$34.48 million (unaudited) at 30 September 2011.
- On 19 October 2011 (post-reporting) Alliance announced the appointment of Mr Stephen Johnston as Managing Director.

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 to appeal the decision ordering discovery of documents for which privilege had been claimed.

As a result of matters disclosed in those documents, ACE made a further application to amend its statement of claim which was granted on 12 August 2011. Quasar and Heathgate then applied to amend their respective defences. Those applications were heard on 23, 26 and 27 September and were allowed in part only with most of ACE's objections being upheld.

The parties agreed to a voluntary mediation which commenced on 15 September 2011 and is continuing. To date, no resolution has been achieved.

On 10 October 2011 a comprehensive timetable was set by the Court for the completion of the remaining interlocutory steps leading to a trial date of 5 December 2011. It is expected that the trial will run for between 5 and 10 days.

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 resumed on 31 August 2011. Judgment has been reserved. No date has been set for the next directions hearing.

For further details of the various legal proceedings, refer to Alliance's web site, 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.

An application for a replacement of EL3666, which expires in the December quarter, was lodged.

There were no well-field or engineering activities reported by Quasar in its Manager's monthly joint venture reports for July to September 2011.

Contributions to Development

Alliance paid \$10,027 towards the cost of development of the Four Mile project during the quarter (\$14,862,196 project-to-date)¹.

Arkaroola Protection Area

On 22 July 2011, 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 shows the impact of this announcement.

However the Area does cover approximately 38% of EL3666 in which Alliance has a 25% interest. Based on the announcement, that area will not be available when application for a subsequent licence 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 EL3666 which is highly prospective for primary uranium, copper, gold, tin and base metals.

WARRINA COPPER-GOLD PROJECT (Alliance Resources 100%)

The Warrina Project is located 60 km to the 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.

A magneto-tellurics (MT) contractor has been secured and a survey is scheduled at the BigNE prospect during November 2011. The aim of this work is to identify potential conductors to assist with targeting of drill holes.

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

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.

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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.

A MIMDAS (electrical geophysical) survey has been planned over six priority gravity anomalies with the aim of identifying potential conductors to assist with targeting of drill holes. This work will be undertaken when a contractor can be secured.

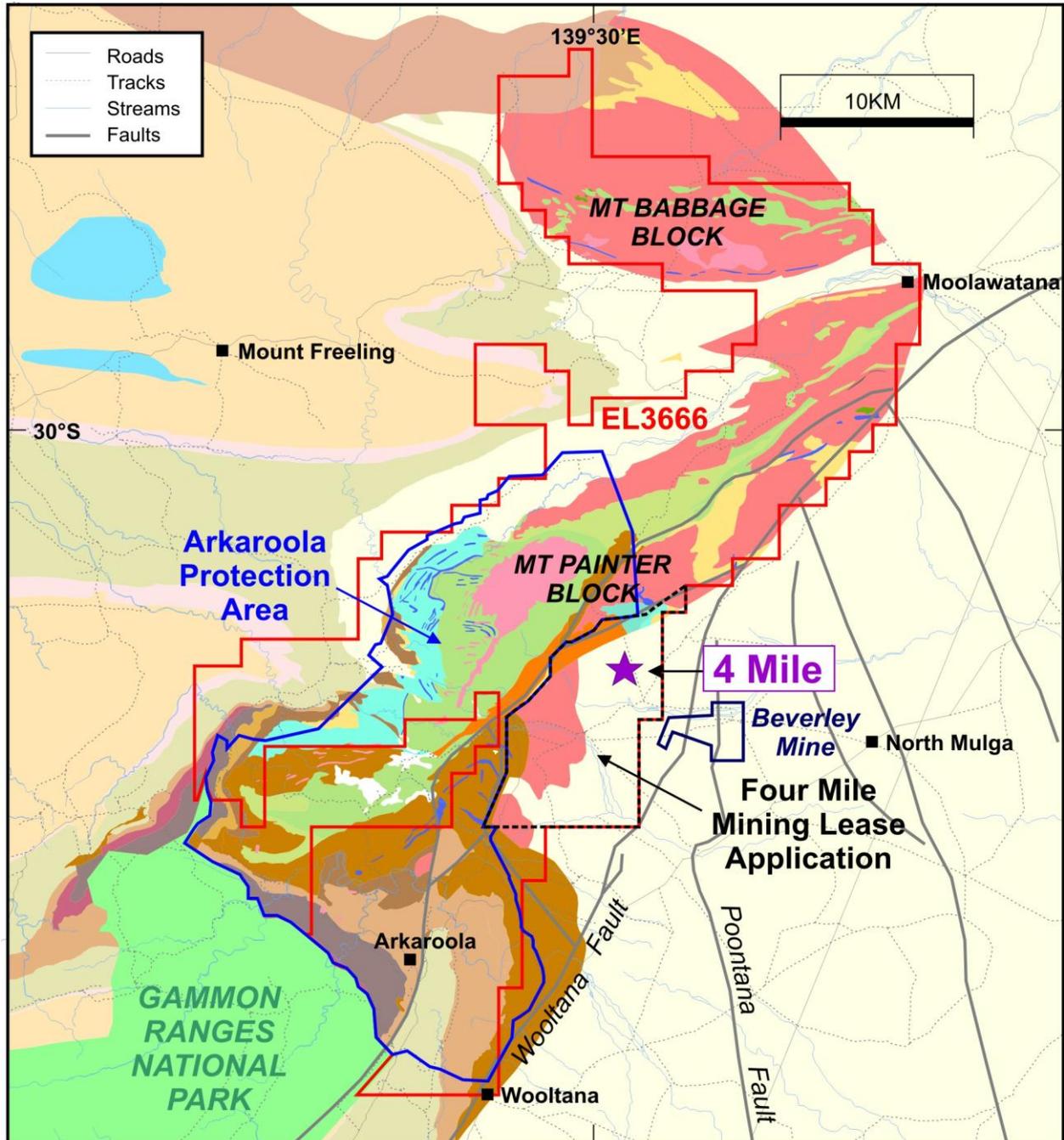


Figure 1: Exploration Licence 3666 showing the Four Mile MLA and proposed Arkaroola Protection Area.

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CORPORATE

Alliance has cash reserves of \$34.48 million (unaudited) at 30 September 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.

On 19 October 2011 (post-reporting) Alliance announced the appointment of Mr Stephen Johnston as Managing Director of Alliance. Mr Johnston has more than 30 years' industry experience within the Australian mining industry across executive, managerial and technical roles in a range of commodities including gold, base metals and uranium. He has been employed by the Alliance since 2003 in varying capacities including as General Manager and Chief Executive Officer.

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
Managing Director

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 September 2011

Consolidated statement of cash flows

		Current quarter	Year to date (3 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	(73)	(73)
	(b) development ⁽¹⁾	(10)	(10)
	(c) production	-	-
	(d) administration	(1,056)	(1,056)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	476	476
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	216	216
Net Operating Cash Flows		(447)	(447)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
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		-	-
1.13	Total operating and investing cash flows (carried forward)	(447)	(447)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(447)	(447)
	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	(447)	(447)
1.20	Cash at beginning of quarter/year to date	34,928	34,928
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	34,481	34,481

Notes:

1. Includes 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 2011 to 30 September 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.

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	154
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	200
4.2 Development ⁽²⁾	78
4.3 Production	-
4.4 Administration	1,275
Total	1,553

Notes:

2. Includes estimated cash calls for the Four Mile Project based on an updated programme and budget received from Quasar Resources Pty Ltd, 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	275	179
5.2 Deposits at call	6,121	6,664
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Term Deposit	28,085	28,085
Total: cash at end of quarter (item 1.22)	34,481	34,928

+ 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	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		
7.7	Options <i>(description and conversion factor)</i>		Exercise price A\$	Expiry date
7.8	Issued during quarter			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.9	Exercised during quarter				
7.10	Expired during quarter				
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: 26 October 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.