

QUARTERLY REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2011

31 January 2012

ASX Code: **AGS**

No. of pages: 11

QUARTERLY REPORT - FOR THE PERIOD ENDED 31 DECEMBER 2011

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 31 December 2011 (5 pages)
- Appendix 5B for the period ending 30 December 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

31 January 2012

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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**
 - Litigation adjourned while the parties take steps to satisfy conditions precedent in accordance with a settlement between the parties.
- **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)**
 - An application for leave to interrogate was heard by the Court on 4 March and judgment has been reserved.
 - An 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.

WARRINA COPPER-GOLD PROJECT (Alliance Resources 100%)

- A magnetotelluric (MT) survey was completed at the BigNE prospect during the quarter to assist with identifying potential conductors.
- Post-reporting, Alliance announced that 3D inversion modelling of the MT data indicates a NE-trending, NE-plunging conductor with approximate dimensions of 1500(l) x 300(w) x 1200(d) metres commencing at 360 metres vertical depth.
- Previous drilling in the north-western flank of the interpreted conductive body does not appear to have tested its most conductive part.
- An additional MT and/or detailed gravity survey is planned in 2012 to better define the target for drill testing.

CORPORATE

- Cash reserves of \$33.485 million (unaudited) at 31 December 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 5 December 2011, Alliance announced that the litigation concerning the native title agreement for the Four Mile Project (NTMA) before the South Australian Supreme Court, had been adjourned while the parties took steps to satisfy conditions precedent in accordance with a settlement between them. The conditions precedent include registration of a NTMA. The terms of the settlement are otherwise confidential. A hearing has been scheduled for 10 February 2012 at which the proceedings will be discontinued if the conditions have been satisfied or, if not satisfied, the Court will give further instructions to the parties.

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)

An application by ACE for leave to interrogate the other parties was heard by the Court on 4 March and judgment has been reserved. Agreement was reached on the provision of redacted documents and an application by ACE for further discovery was part heard on 12 May 2011 and 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

Work on the Project remains scaled down until the Four Mile Project native title mining agreement (NTMA) litigation is finalized, an agreed NTMA is registered and a mining lease is issued.

An application for a replacement of EL3666, which was lodged with the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) in late 2011, is in progress.

Preliminary interpretation and 3D modelling of the high resolution seismic data collected over the Four Mile Mining Lease application area, including the Four Mile deposits, during early 2011 continued.

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

FOUR MILE URANIUM PROJECT JOINT VENTURE (Alliance 25%) continued....

Contributions to Development

Alliance paid \$12,918 towards the cost of development of the Four Mile project during the quarter (\$14,875,114 project-to-date)¹.

WARRINA COPPER-GOLD PROJECT (Alliance Resources 100%)

The Warrina Project is located 70 km to the northeast of Coober Pedy in the Gawler province of South Australia. Alliance is targeting Olympic Dam style breccia-hosted iron-oxide copper-gold mineralisation. The BigNE prospect is a very large geophysical target located in the eastern half of EL4802 (replacing EL3533) characterised by an isolated magnetic high that trends northeast for over 10 kilometres associated with a significant offset gravity anomaly.

A 3D full-tensor 400 x 400 metre magnetotelluric* (MT) survey at the Warrina project was successfully completed during December 2011.

Post-reporting, 3D inversion modelling of the MT data has identified a NE-trending, NE-plunging conductor with approximate dimensions of 1500(l) x 300(w) x 1200(d) metres, centred at approximately 6847600N/520400E (MGA53) commencing at 360 metres vertical depth (Figure 1). Diamond hole BNE05 (6847775N/520290E (MGA53)), drilled in 2008, is within the north-western flank of the interpreted conductive body (Figure 2), but does not appear to have tested its most conductive part. BNE05 (total depth 846.3 metres) intersected eight narrow (averaging <2 metres) and discontinuous intervals of anomalous copper between 385.4 and 786.0 metres associated with hematite-carbonate veins, breccia with veins containing minor sulphide mineralisation, within dominantly metapsammitic and metapelitic units. The peak interval was 1.1 metres grading 0.32% copper from 395.6 metres.

An additional MT and/or detailed gravity survey is planned in 2012 to better define the target for drill testing.

*MT is a passive surface geophysical method used to determine the electrical resistivity of the earth's subsurface to great depth. It is effective for mapping conductive zones and deep-seated structures and is applicable for mineral, geothermal and oil & gas explorations. In recent years, advances in the acquisition, processing and interpretation of natural-source electromagnetic data has resulted in increased precision of the mapping of subsurface electrical conductivity distribution.

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.

QUARTERLY REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2011

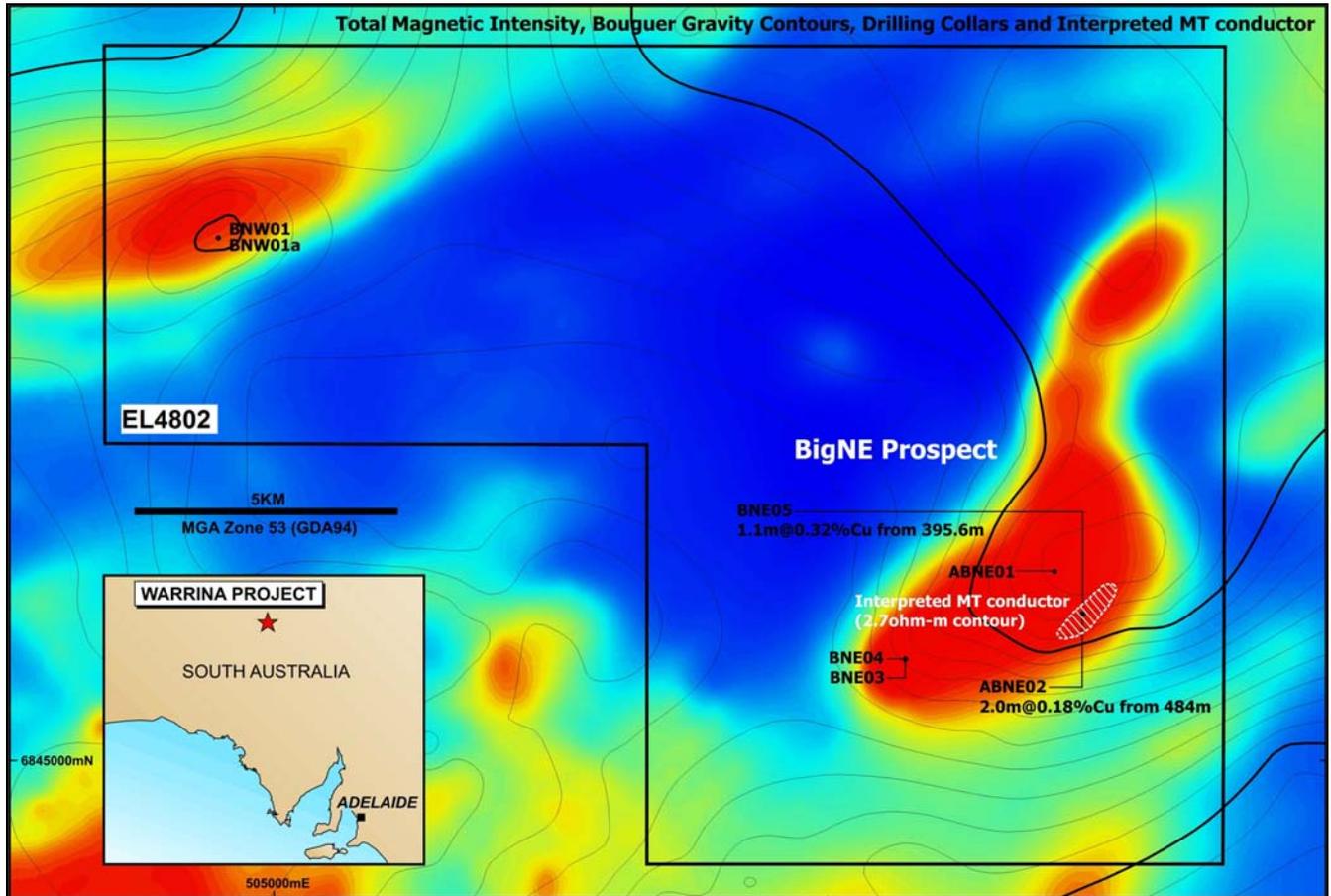


Figure 1: Warrina Project – Background image is total magnetic intensity overlain by Bouguer gravity contours, drill collars and interpreted MT conductor.

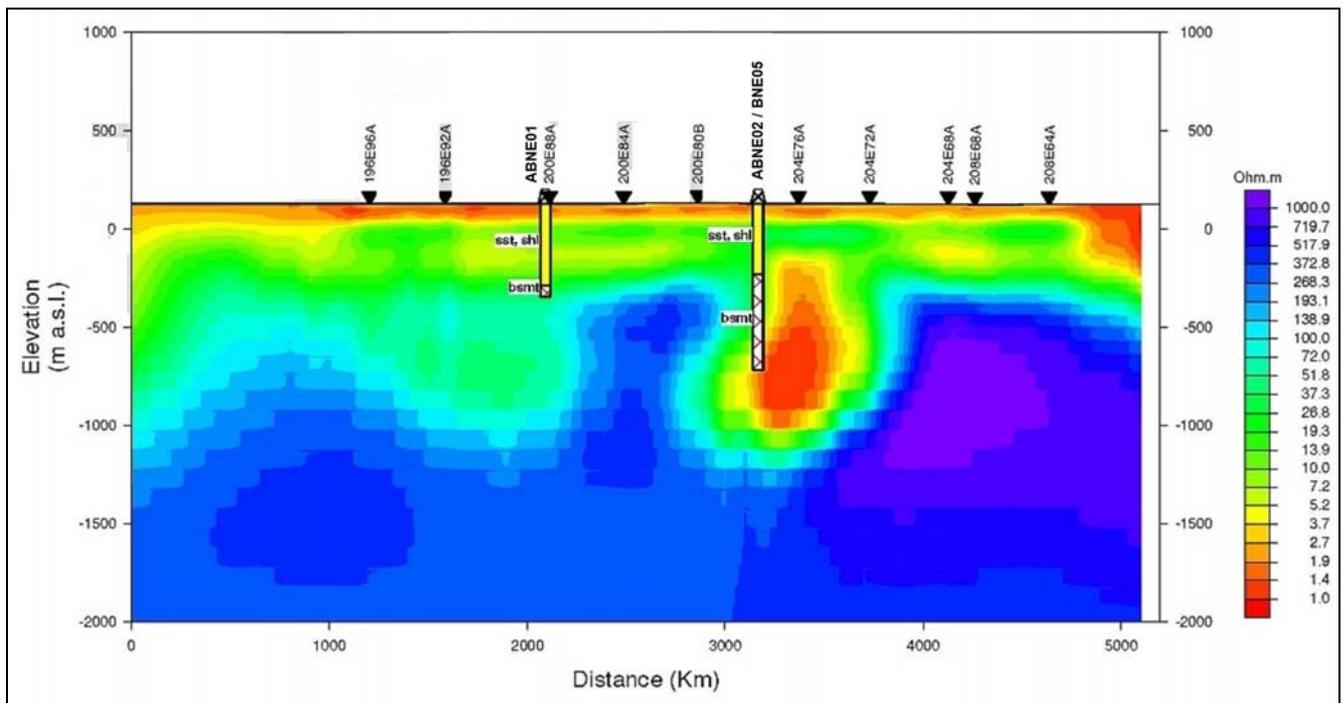


Figure 2: Warrina Project – Resistivity cross-section, showing existing drill holes, NW to left.

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.

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 and land access obtained.

CORPORATE

Alliance has cash reserves of \$33.485 million (unaudited) at 31 December 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.

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 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")

31 December 2011

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	(301)	(374)
	(b) development ⁽¹⁾	(13)	(23)
	(c) production	-	-
	(d) administration	(1,314)	(2,370)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	595	1,071
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	37	253
Net Operating Cash Flows		(996)	(1,443)
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)	(996)	(1,443)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)		
		(996)	(1,443)
	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	(996)	(1,443)
1.20	Cash at beginning of quarter/year to date	34,481	34,928
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	33,485	33,485

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 31 December 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	249
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	161
4.2 Development ⁽²⁾	79
4.3 Production	-
4.4 Administration	1,250
Total	1,490

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	28,364	275
5.2 Deposits at call	5,036	6,121
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Term Deposit	85	28,085
Total: cash at end of quarter (item 1.22)	33,485	34,481

+ 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	341,172,309	341,172,309		
7.4				
+Ordinary securities 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			Exercise price A\$	Expiry date
Options <i>(description and conversion factor)</i>				
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: 31 January 2012

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.