

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 JUNE 2012

27 July 2012

ASX Code: **AGS**

No. of pages: 14

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 JUNE 2012

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 June 2012 (8 pages)
- Appendix 5B for the period ending 30 June 2012 (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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HIGHLIGHTS

STRATEGIC ALLIANCE WITH ITOCHU CORPORATION

- Alliance Resources Limited (“Alliance”) and ITOCHU Corporation have agreed to form a strategic alliance.
- As part of the alliance ITOCHU Corporation, through its wholly owned subsidiary NURA 3 Pty Ltd (“ITOCHU”) will have the right to subscribe for 59,735,223 shares in Alliance or 14.9% of the issued share capital in Alliance Craton Explorer Pty Ltd (“ACE”) (a wholly owned subsidiary of Alliance) and, subject to exercising its rights, an option to acquire a further 25.1% in ACE (“Transaction”).
- Alliance anticipates that, if ITOCHU exercises both its right to subscribe for shares and the option, the funds raised through this arrangement will be sufficient to fully fund the construction of a standalone in-situ recovery and uranium processing plant at the Four Mile Project (if that were the best option).
- A General Meeting of shareholders is scheduled for 15 August 2012 to vote on a resolution to approve the issue of the rights referred to above to ITOCHU.
- A summary of the material terms of the Transaction is included in the Explanatory Memorandum to shareholders which accompanied the notice of general meeting dispatched on 17 July 2012.

FOUR MILE URANIUM PROJECT (Alliance 25%)

Legal Proceedings

- **Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide)**
 - On 26 March 2012 orders were made refusing ACE’s application. Reasons were handed down on 4 April 2012.
 - On 1 May 2012 ACE appealed that part of the decision dismissing ACE’s application for disclosure of documents.
- **Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide)**
 - On 30 April 2012 ACE applied for the recall and variation of orders made on 26 March 2012 for Heathgate and Quasar to give further discovery. The application was heard on 10 May 2012 and was dismissed on 17 May 2012.
 - On 2 May 2012 ACE lodged an appeal against the judgment for limited discovery. In view of the reasons for the decision made on 17 May the appeal was withdrawn on 5 June 2012.

- **Offer of Mineral Lease**

- During the quarter Quasar (as to 75%) and ACE (as to 25%) were granted a 10 year mineral lease over the Four Mile project area.

CHILE COPPER-GOLD PROJECT (Alliance 90%)

- Exploration targets include copper-gold in breccia pipes and porphyry-hosted copper-gold-molybdenum
- Geochemical soil sampling program over the Ceci-Paola concessions commenced in June 2012, with 30% coverage by quarter's end

WARRINA COPPER-GOLD PROJECT (Alliance 100%)

- A study is in progress to determine the optimum geophysical method for obtaining improved spatial resolution of the magnetotelluric conductor prior to drill testing.

CORPORATE

- Cash reserves of \$31.1 million (unaudited) at 30 June 2012.

STRATEGIC ALLIANCE WITH ITOCHU CORPORATION

On 23 May 2012 Alliance announced that the company had agreed to enter into a strategic alliance with ITOCHU Corporation. ITOCHU Corporation is a *Fortune Global 500* company based in Japan with net income exceeding A\$3.7 billion and a market capitalisation of approximately A\$16 billion. ITOCHU Corporation has extensive global interests in the uranium sector and is one of the major uranium traders in the world.

Under the terms of the strategic alliance, ITOCHU, through its wholly owned subsidiary NURA 3 Pty Ltd ("ITOCHU"), will have the right to subscribe for 59,735,223 shares in Alliance or 14.9% of the issued share capital in ACE under a Deferred Share Rights Deed ("Deed"). In addition, if ITOCHU exercises its right to take up shares, ITOCHU will have an option ("Option") to subscribe for 25.1% of equity in ACE. The Deferred Share Rights ("DSRs") and Option may be converted under certain circumstances, including completion of the current litigation in relation to the Four Mile Project. The Transaction remains subject to shareholder approval. A General Meeting of shareholders is scheduled for 15 August 2012 to vote on a resolution for approving the issue of DSRs to ITOCHU.

The Deed provides ITOCHU with the right to nominate a director to the Board of Alliance. However, Alliance understands that ITOCHU does not intend to make a nomination until it has exercised its right to subscribe for the shares in Alliance or ACE.

A summary of the material terms of the Transaction were included in the Explanatory Memorandum to shareholders which accompanied the notice of general meeting dispatched on 17 July 2012.

The provisions of the Deed are confidential but are wholly consistent with ACE's legal obligations with respect to the Four Mile Project.

Key elements of the agreement include the following:

- Within six months of all litigation in relation to the Four Mile Project being finally determined ("Final Determination") ITOCHU may convert its DSRs into 59,735,223 ordinary shares in Alliance or 14.9% of the post conversion share capital of ACE at a price that will be determined by applying a 10% discount to the two month volume weighted average price of Alliance shares at the time of conversion.
- Where the DSRs are converted, ITOCHU may, within a 12 month period from Final Determination, acquire a further 25.1% interest in ACE at a 5% discount to value of ACE shares determined by reference to the two month volume weighted average price of Alliance shares at the time of exercise.
- If ITOCHU has not converted the DSRs following Final Determination Alliance may redeem them.
- If it were considered the appropriate option for the Project at that time, Alliance anticipates that the funds raised on conversion of the DSRs and exercise of the Option will be sufficient to fully fund the construction of a standalone in-situ recovery and uranium processing plant at Four Mile.

FOUR MILE URANIUM PROJECT (Alliance Craton Explorer Pty Ltd 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

Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide). Proceedings issued on 16 November 2009.

On 26 March 2012 orders were made refusing ACE's application. Reasons were handed down on 4 April 2012.

On 1 May 2012 ACE appealed that part of the decision dismissing ACE's application for disclosure of documents on the basis that they are jointly owned having been prepared by Quasar, as manager, on behalf of both itself and ACE. At a callover on 18 July 2012 the parties indicated their preferred date for hearing the appeal, as being in the week commencing 19 November 2012.

Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide). Filed on 12 July 2010.

On 26 March 2012 orders were made for Quasar and Heathgate to give further discovery. Reasons were handed down on 4 April 2012.

On 30 April 2012 ACE applied for the recall and variation of those orders on the basis that they were narrower than the reasons contemplated. That application was heard on 10 May 2012 and was dismissed on 17 May 2012.

On 2 May 2012 ACE lodged an appeal against the judgment for limited discovery on the basis that wider discovery should be available to ACE. In view of the reasons for decision made on 17 May the appeal was withdrawn on 5 June 2012.

For further details of the various legal proceedings, refer to Alliance's web site, www.allianceresources.com.au under 'Latest Status Update'.

Offer of Mineral Lease

On 26 April 2012 Quasar (as to 75%) and ACE (as to 25%) were granted a 10 year mineral lease over the Four Mile project area by the South Australian Minister for Mineral Resources and Energy.

Exploration & Development

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.

Quasar advised in its Manager's monthly report for March to May 2012 that the engineering studies commenced in January continued. These studies included evaluation of the Four Mile project with respect to impacts from the period of delay on knowledge, regulations, equipment condition, technical developments and available infrastructure.

There were no well-field activities reported by Quasar in its Manager's monthly reports for March to May 2012.

Contributions to Development

Alliance paid \$429,760.44 towards the cost of development of the Four Mile project during the quarter (\$15,395,748.98 project-to-date)¹.

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.

CHILE COPPER-GOLD PROJECT (Alliance (Chile) Pty Ltd 90%²)

During the quarter Alliance's wholly owned subsidiary Alliance (Chile) Pty Ltd (Alliance Chile) secured an option agreement to explore and acquire 100% interest in the Japonesa copper-gold property in the Cabeza de Vaca district close to the mining centre of Copiapo. Negotiations to acquire an additional thirteen mine properties in the district are in an advanced stage.

The properties in the Cabeza de Vaca district of Atacama Region III are located in northern Chile's iron-oxide copper-gold belt and 27 kilometres southeast of La Candelaria mine (479Mt at 0.95% copper, 0.22g/t gold 3.1g/t silver³) owned by Freeport-McMoran Copper & Gold Inc.

Following orientation geochemical soil sampling survey and spectrometer traverses undertaken in March 2012, a geochemical soil sampling program over the Ceci-Paola concessions commenced in June 2012 and will be followed by geological mapping of the concessions at a scale of 1:2000. An IP geophysical survey is planned for September 2012. At the end of the quarter approximately 30% of the sample collection had been completed (Figure 1)

Surface and underground mine workings, hydrothermal alteration, copper showings and geochemical rock chip sampling, define a 10 km square area on the Cabeza de Vaca properties that contains numerous distinct zones of copper-gold mineralization associated with quartz-tourmaline breccias and sheeted vein systems.

The Company's exploration strategy is two-phase:

1. To define and exploit the remaining "near surface" copper-gold mineralisation associated with the breccia pipes. The Cabeza de Vaca breccia pipes district has a history of small scale artisanal mining, the pipes having been high-graded in the oxide and secondary enrichment zones above the water table. The best remaining mineralisation is probably in the hypogene sulphide zone below the water table.
2. To explore the potential for porphyry style copper-gold-molybdenum mineralisation at depth below the breccia pipe zone.

The geological model is that of mesothermal mineralised hydrothermal breccia pipes and veins, which coalesce with depth into a large scale mineralised feeder system. Alliance believes that a large porphyry system is the source of, and may lie at relatively shallow depth below, the 10 square kilometre area of alteration and mineralized breccia pipes.

² Under the terms of an agreement between Alliance Chile and Minera Abre Fuego Ltda (MAF), Alliance Chile holds 90% and MAF 10% respectively of the exploration, prospecting or mining rights within defined areas of the project. Alliance Chile has the right to acquire the whole of MAF's interest in the areas at an agreed price following the establishment of an Inferred mineral resource. These areas were selected by MAF after two years reconnaissance and the inspection of over sixty different mineralised areas in central and northern Chile.

³ Source: Moreno, T. & Gibbons, W. (eds) 2007. *The Geology of Chile*. The Geological Society, London.

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 JUNE 2012

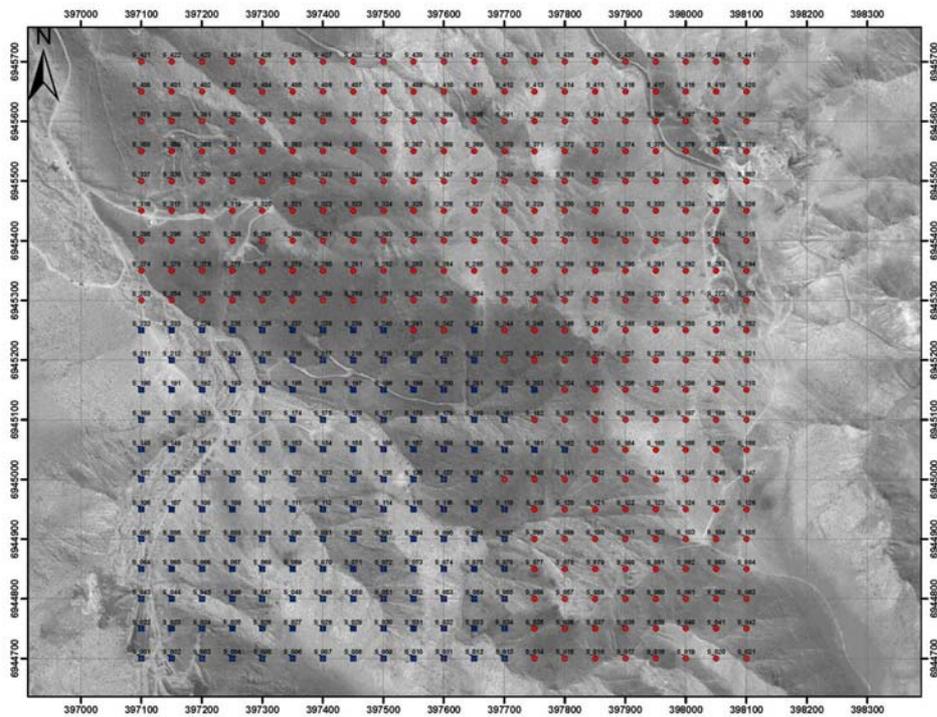


Figure 1 - Geochemical soil sampling grid over the Ceci-Paola concessions at Cabeza de Vaca. Blue dots show samples taken to the end June 2012

WARRINA COPPER-GOLD PROJECT (Alliance (SA) Pty Ltd 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 characterised by an isolated magnetic high that trends northeast for over 10 kilometres associated with a significant offset gravity anomaly.

As previously reported, 3D inversion modelling of the full-tensor magnetotelluric (MT) data from the 2011 survey at BigNE 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 about 360 metres vertical depth. Conductive overburden dominates the MT response, and this plus the combination of widely-spaced data (400m grid) and the non-uniqueness of the inversion procedure limit the spatial precision with which the target can be imaged. A study is in progress to determine the optimum geophysical method for obtaining improved spatial resolution of the target prior to drill testing.

A 200m x 200m spaced gravity survey completed during the previous quarter confirmed the residual gravity anomaly centred a few hundred metres northwest of the MT conductor and diamond hole BNE05 (Figure 2).

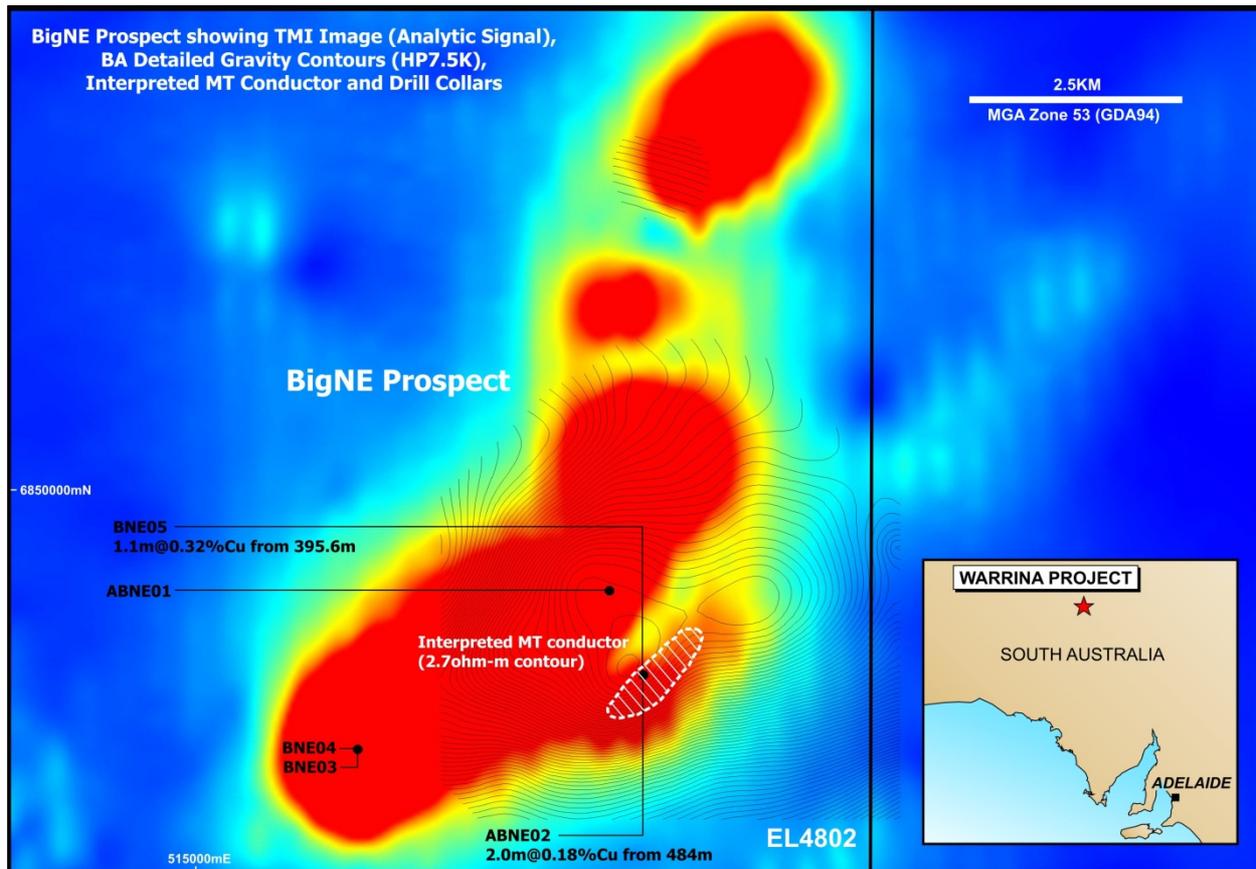


Figure 2 - BigNE Prospect, Warrina Project

Diamond hole BNE05 (6847775N/520290E (MGA53)), drilled in 2008, is within the north-western flank of the interpreted conductive body, 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. A 12m intersection of metapelites between 719m and 731m down hole depth averages 3151 ppm Zn.

EAST FROME COPPER-BASE METALS PROJECT (Alliance (NSW) Pty Ltd 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.

Induced polarisation (IP) electrical geophysical surveys over six priority gravity anomalies were completed during the quarter. A 3D IP survey for a total of 14 line kilometres was completed over anomaly A at Umberumberka, a geophysical anomaly defined by near coincident magnetic and gravity anomalies in the central project area.

Following completion of this work, 2D IP lines were completed over Anomaly H1, H3 and H4 in the southern project area and Anomalies N and NE in the northern project area for a total of

10.9 line kilometres. The results of these surveys are currently being integrated into previous information to determine future investigation strategies for these sites.

CORPORATE

Alliance has cash reserves of \$31.1 million (unaudited) at 31 June 2012 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

References to Joint Ore Reserves Committee (JORC) Code

The information in this report that relates to Exploration Results is based on information compiled by Mr Andrew Bowden who is a Chartered geologist and fellow of the Geological Society of London, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time. Mr Bowden is a part-time employee of Alliance Resources Ltd 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 Bowden 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 2012

Consolidated statement of cash flows

		Current quarter	Year to date (12 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	(294)	(836)
	(b) development ⁽¹⁾	(430)	(544)
	(c) production	-	-
	(d) administration	(1,235)	(4,822)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	405	1,897
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	108	481
Net Operating Cash Flows		(1,446)	(3,824)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(13)
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)	(1,446)	(3,837)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,446)	(3,837)
	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	(1,446)	(3,837)
1.20	Cash at beginning of quarter/year to date	32,537	34,928
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	31,091	31,091

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 (ELA215/11) and ML6387 and manages the Project. In the period from 1 July 2011 to 30 June 2012 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	339
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	180
4.2 Development ⁽²⁾	125
4.3 Production	-
4.4 Administration	1,300
Total	1,605

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 (which has now occurred). 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	29,177	28,910
5.2 Deposits at call	1,829	3,542
5.3 Bank overdraft	0	-
5.4 Other (provide details) – Term Deposit	85	85
Total: cash at end of quarter (item 1.22)	31,091	32,537

+ 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	ML6402 ELA 2011/00215	Four Mile Replaces EL3666 (Four Mile) 25%	25% 25%

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>	<i>(Unlisted Managing Director Options)</i> 1,000,000 1,000,000	Exercise price A\$ \$0.30 \$0.50	Expiry date 30 Apr 2014 30 Apr 2015

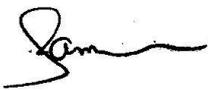
+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

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: 27 July 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.