

21 November 2012

ASX Code: AGS

No. of pages: 3

CHAIRMAN'S ADDRESS – AGM – 21 NOVEMBER 2012

On behalf of the Board of Directors, I am pleased to report the progress of the Company's projects over the past 12 months.

The Four Mile uranium project in South Australia continues to be the Company's flagship asset with long-term production potential.

Subsequent to the settlement of the legal proceedings in relation to Native Title Mining Agreement in February 2012 a 10-year mineral lease over the Four Mile Uranium Project area was granted by the South Australian Minister for Mineral Resources and Energy to Quasar (as to 75%) and Alliance Craton Explorer Pty Ltd (as to 25%). Under the terms of the lease, mine production is required to commence within 2 years.

Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE) progressed the two remaining legal proceedings against Quasar Resources Pty Ltd (Quasar) and its affiliate, Heathgate Resources Pty Ltd (Heathgate), in the Federal Court of Australia. ACE's appeal in the action seeking access to books and records was heard earlier this week and judgement has been reserved. Details of both proceedings are set out in the Directors' Report and on the Company's website. The Board has instructed its legal counsel to do all in their power to ensure these actions proceed in a timely manner. Nevertheless, it will inevitably take some time before all preliminary matters are resolved and the Court sets a trial date.

During the period when work on the Four Mile project was scaled down, the Company sought to consolidate its long-term involvement in - and commitment to - the Four Mile project by entering 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. It 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, 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, it will have an option to subscribe for 25.1% of equity in ACE. The deferred share rights ("DSRs") may be converted under certain circumstances, including completion of the current litigation in relation to the Four Mile project.

A general meeting of shareholders was held on 15 August 2012 at which the issue of DSRs to ITOCHU and their conversion into shares in accordance with the terms of the Deed was approved.

On 24 October 2012, Alliance announced that a decision to recommence development of the Four Mile Project (Quasar 75%, ACE 25%) was made with Quasar voting its 75% interest in favour and ACE voting its interest against Quasar's proposed Start-Up Plan.

The Start-Up Plan comprises:

- Uranium capture at Heathgate Resources Pty Ltd's (Heathgate's) Pannikan satellite plant with elution, precipitation, drying and packing at Heathgate's Beverley processing plant;
- In-situ recovery (ISR) mining operations commencing at Four Mile East in Q2 2013 and at Four Mile West in Q4 2013, and
- First uranium sales are scheduled for Q3 2013.

Quasar's Program and Budget runs for 16 months and includes the following production guidance based on a series of assumptions:

- Production of 2.1Mlb of uranium oxide (sales of 1.31Mlb) over 10 months;
- Cumulative cash expenditure to end 2013 of approximately A\$98 million (ACE share A\$24.5 million);
- Cash operating costs are budgeted to be A\$25.46¹ per lb (if wellfield development costs are excluded) or A\$40.33² per lb (inclusive of wellfield development costs) uranium oxide;
- Sale prices are forecast to be US\$62.58 per lb uranium oxide for 2013;
- A\$12 million of regional delineation drilling³.

Quasar has described the Start-Up Plan as a staged commencement of mining operations, the purpose of which is to permit actual production rates to be considered before full-scale production facilities are constructed.

Notwithstanding this decision to recommence development, ACE still considers the construction of an appropriately sized stand-alone plant at Four Mile would produce a better outcome for ACE.

With regard to the Company's other projects, during the year Alliance has:

- Established a significant copper-gold project in Chile by secured option agreements to explore and the right to acquire a 90% interest in four copper-gold properties in the historic Cabeza de Vaca district in northern Chile. Through its wholly-owned subsidiary, Alliance (Chile) Pty Ltd, the Company has also submitted applications to acquire three exploration licences covering the greater part of the Cabeza de Vaca district. Negotiations to acquire additional mine properties in the district are continuing. The results of a geochemical soil sampling survey at Cabeza de Vaca have been received and geological mapping of the concessions has been completed.
- At the Warrina copper-gold project in South Australia, completed an induced polarisation survey over the BigNE area, indicating anomalous IP chargeability is evident at depth beneath the main magnetic-gravity anomaly to the north and the magnetotelluric anomaly to the south-east. All geophysical information is being modelled and integrated for planning of at least one deep (approximately 1,000 metre) drillhole.
- Completed electrical geophysical surveys over six priority gravity anomalies at the East Frome Copper-Base Metals project in New South Wales. The results of these surveys indicate basement chargeability anomalies at two prospects and it is planned to drill test these in 2013.

¹ Excludes regional delineation drilling costs.

² Excludes regional delineation drilling costs.

³ ACE and Quasar disagree about the nature of the regional delineation drilling. Quasar asserts it is a mining development cost for which ACE must pay its share. ACE asserts it is an exploration cost for which Quasar must pay in full.

On behalf of the Board of Directors, we thank our shareholders and stakeholders for their continued support and acknowledge their patience.

We look forward to a positive and timely resolution of the outstanding legal and other issues relating to the Four Mile project.

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About Alliance Resources

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



Ian Pamensky
Company Secretary