

QUARTERLY REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2012

30 January 2013

ASX Code: **AGS**

No. of pages: 13

QUARTERLY REPORT - FOR THE PERIOD ENDED 31 DECEMBER 2012

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 31 December 2012 (7 pages)
- Appendix 5B for the period ending 31 December 2012 (5 pages)



Bob Tolliday
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

FOUR MILE URANIUM PROJECT (Alliance 25%)

Four Mile Project Start-Up

- A decision to recommence development of the Four Mile Project (Quasar Resources Pty Ltd (**Quasar**) 75%, Alliance Craton Explorer Pty Ltd (**ACE**) 25%) was made on 24 October 2012 (previously reported).
- The approved Start-Up Plan and Program and Budget runs for 16 months and includes the following guidance: production of 2.128 million lb of uranium oxide over 10 months with cash operating costs of A\$25.46 per lb (if wellfield development costs are excluded) or A\$40.33 per lb (inclusive of wellfield development costs) of uranium oxide.
- Quasar reported the Program and Budget is being revised with respect to the schedule, since the Program and Budget was adopted at a later point in time than originally contemplated.

Legal Proceedings

- **Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide)**
 - The appeal as to 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, was heard on 19 and 20 November 2012 with the decision reserved.
- **Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide)**
 - No date has been set for the next directions hearing.

WARRINA COPPER-GOLD PROJECT (Alliance 100%)

- A drilling program has been designed to test the magnetotelluric conductor to a depth of 1200m. Several drilling contractors were invited to submit expressions of interest and post reporting, a contract was awarded. Drilling is scheduled to commence in April 2013.

CHILE COPPER-GOLD PROJECT (Alliance 90%)

- Negotiations to acquire an additional fifteen mine properties in the Cabeza de Vaca district continued.

CORPORATE

- Cash reserves of \$27.9 million (unaudited) at 31 December 2012.
- Mr Bob Tolliday was appointed as CFO and Company Secretary during the reporting period.

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 ML6402 and EL5017. Quasar Resources Pty Ltd (**Quasar**) is the registered holder of the remaining 75% and is the manager of the Project.

Four Mile Project Start-Up

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 and Program and Budget.

The Start-Up Plan and Program and Budget proposed:

- 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 is for a 16 month period and included the following production guidance based on a series of assumptions:

- Production of 2.128 million lb of uranium oxide (sales of 1.306 million lb) over 10 months;
- Cumulative cash expenditure (capital and operating) to end 2013 of A\$97.8 million (ACE share A\$24.45 million);
- Cash operating costs were 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; and
- Sale prices were forecasted to be US\$62.58 per lb uranium oxide for 2013³;

¹ Excludes regional delineation drilling costs.

² Excludes regional delineation drilling costs.

³ Forecast as at October 2012 reflecting third party forecasts of the spot uranium oxide price for 2013.

- A\$12 million of regional delineation drilling⁴.

Quasar has described the Start-Up Plan and Program and Budget 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 to produce a better outcome for ACE.

During the quarter, Quasar reported the following:

- The scheduling of the Program and Budget (as set out above) is being revised, since the Program and Budget was adopted at a later point in time than Quasar had originally contemplated.
- Submission of a draft Environmental Management Plan for the Four Mile Mine to the South Australian Department of Manufacturing, Innovation, Trade, Resources and Energy for adequacy assessment.
- Submission of a Radiation Management Plan for Four Mile to the South Australian Environment Protection Authority.

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.

ACE issued proceedings against Quasar and Heathgate for an order giving ACE access to books, records and agreements pertaining to the Four Mile joint venture.

On 9 October 2009 ACE formally requested Quasar and Heathgate to provide ACE with access to joint venture documentation. While Quasar agreed to provide copies of some records, ACE considered its response to be inadequate. Alliance believes it is entitled to access all joint venture documentation. Heathgate, which Alliance believes holds joint venture documents in its capacity as “proposed mine manager”, elected not to respond to the request. It is anticipated that access to the joint venture books, records and agreements will enable Alliance to analyse and better understand the original and revised programs and budgets for Four Mile.

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

⁴ 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 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. The appeal was heard on 19 and 20 November 2012 with the decision reserved.

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

ACE is seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile Uranium Project from Quasar arising from Quasar's and Heathgate's failure to disclose to ACE information concerning the prospectivity of part of that tenement. ACE contends that Quasar engaged in misleading or deceptive conduct in contravention of section 52 of the *Trade Practices Act 1974* (Cth) and section 9 of the *Fair Trading Act 1999* (Vic) and that Heathgate assisted or participated in the contraventions committed by Quasar.

ACE also contends that Quasar, with the assistance or participation of Heathgate, breached its obligations under the joint venture agreement, its fiduciary obligations owed to ACE and misused confidential information when Quasar sought, and obtained, a one-year extension of the earn-in period and, subsequently, the transfer of a 75% interest in the exploration licence.

As the statement of claim contains confidential information, the Court has ordered that the statement of claim, the defences and replies be treated as confidential until further order.

ACE has applied to the Court for:

- (i) leave to interrogate (that is, have questions answered on oath) Heathgate and Quasar,
- (ii) an order that Heathgate and Quasar provide complete copies of documents that have been provided to ACE wholly or with certain passages concealed (or redacted),
- (iii) an order that Heathgate and Quasar provide ACE with further documents which ACE considers to be relevant to the proceedings.

The parties are now in the final stages of discovery. No date has been set for the next directions hearing.

Exploration & Development

Quasar advised in its Manager's monthly report for September to November 2012 that the Program and Budget and Start-Up Plan reflect the results of the engineering studies.

There were no wellfield activities reported at Four Mile East or Four Mile West.

Contributions to Development

ACE paid \$43,808 towards the cost of development of the Four Mile Project during the quarter (\$15,584,220 project-to-date)⁵.

CHILE COPPER-GOLD PROJECT (Alliance (Chile) Pty Ltd 90%)⁶

Alliance's wholly owned subsidiary Alliance (Chile) Pty Ltd (**Alliance Chile**) has secured several option agreements to explore and acquire 100% interest in copper-gold properties in the Cabeza de Vaca district of Atacama Region III, located in northern Chile's iron-oxide copper-gold belt and 27 kilometres southeast of La Candelaria mine owned by Freeport-McMoran Copper & Gold Inc.

During the quarter, negotiations to acquire an additional fifteen mine properties in the district continued.

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.

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, a significant offset gravity anomaly and a magnetotelluric (MT) conductor (Figure 1).

An experimental induced polarisation (IP) line over the BigNE area gravity-magnetic-MT anomalies was completed in the previous quarter, the results indicating anomalous IP chargeability is evident at depth beneath the main magnetic-gravity anomaly to the north and the MT anomaly to the south east.

⁵ ACE 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 ACE's participatory rights in the Four Mile project.

⁶ 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.

During the quarter a drilling program was designed to test the MT conductor to a depth of 1200m. Several drilling contractors were invited to submit expressions of interest and post reporting, a contract was awarded. It is planned to commence drilling in April 2013.

An Exploration Work Approval has been submitted to DMITRE for approval.

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.

No fieldwork was conducted during the quarter.

CORPORATE

Alliance has cash reserves of \$27.9 million (unaudited) at 31 December 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 20.7% of Octagonal's issued share capital.

Mr Bob Tolliday was appointed as CFO and Company Secretary during the reporting period.

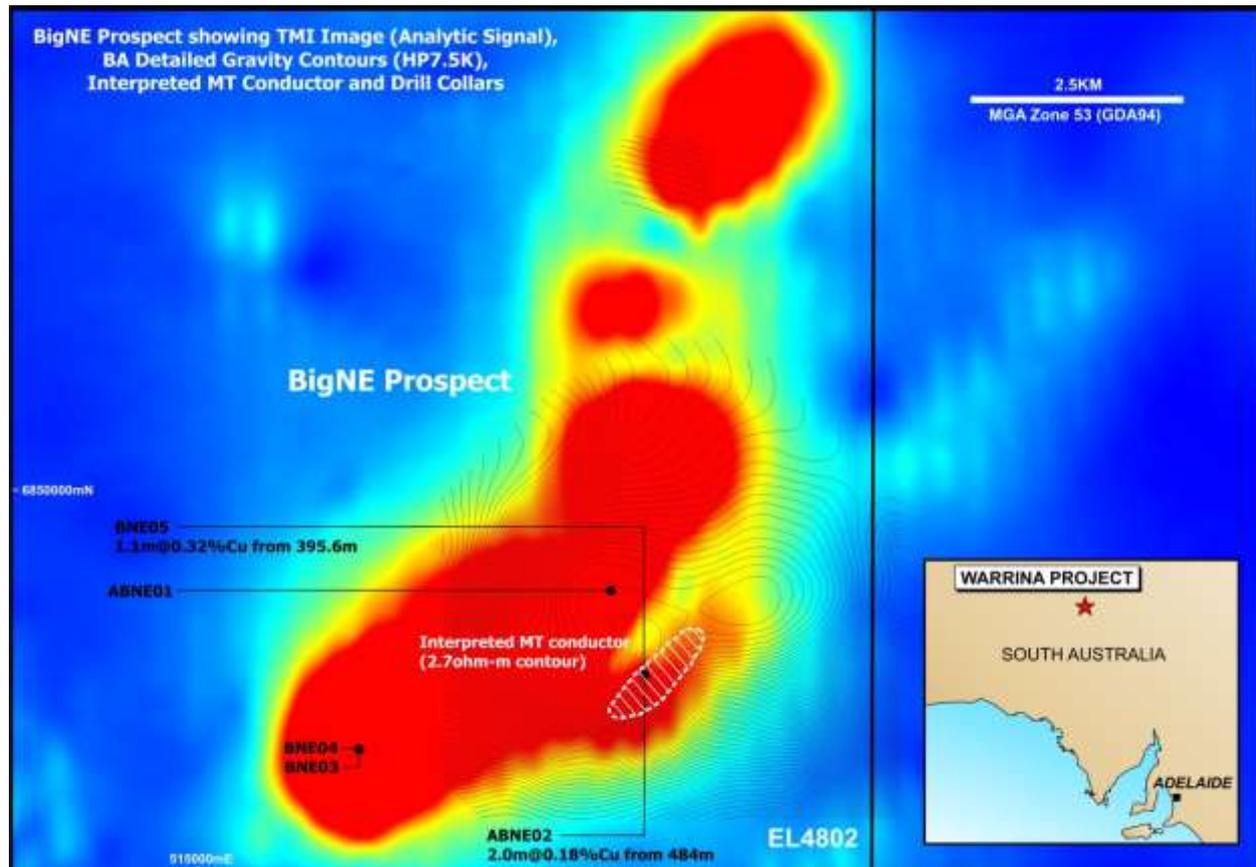


Figure 1: BigNE Prospect, Warrina Project

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 Stephen Johnston who is a Corporate Member of the Australasian Institute of Mining & Metallurgy. Mr Johnston is a full-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 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 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (6 Months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(317)	(524)
	(b) development ⁽¹⁾	(44)	(189)
	(c) production	-	-
	(d) administration	(1,346)	(3,350)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	311	653
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	141	227
Net Operating Cash Flows		(1,255)	(3,183)
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)	(1,255)	(3,183)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,255)	(3,183)
	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	(1,255)	(3,183)
1.20	Cash at beginning of quarter/year to date	29,163	31,091
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	27,908	27,908

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 was not presented to or approved by the Four Mile Project management committee) and a programme and budget adopted by Quasar (with Alliance dissenting) in October 2012. Quasar is registered as the holder of 75% of EL5017 and ML6387 and manages the Project. In the period from 1 October 2012 to 31 December 2012 Alliance continued to make payments in order to preserve its participatory rights in the Four Mile Project. Alliance disputes the validity of the both programmes and budgets and the cash calls made by Quasar based on them 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	338
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	600
4.2 Development ⁽²⁾	2,031
4.3 Production	0
4.4 Administration	1,032
Total	3,663

Notes:

2. Includes estimated cash calls for the Four Mile Project based on the programme and budget adopted by Quasar Resources Pty Ltd, in October 2012 and Quasar's advice as to the delay in implementing that programme. Alliance disagrees with the programme and budget and, further, contends that the budget includes amounts which are payable wholly by Quasar. Accordingly, it voted against adoption of the programme and budget. In making future payments Alliance will continue to 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	27,785	28,735
5.2 Deposits at call	38	343
5.3 Bank overdraft	0	0
5.4 Other (provide details) – Term Deposit	85	85
Total: cash at end of quarter (item 1.22)	27,908	29,163

+ 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	Kamikaze A1 / II (Chile)	0%	0%

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			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	<i>(Unlisted Managing Director Options)</i>		Exercise price A\$	Expiry date
		1,000,000	Unlisted	\$0.30	30 Apr 2014
		1,000,000	Unlisted	\$0.50	30 Apr 2015
7.8	Issued during quarter				
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: 30 January 2013

Print name:

BOB TOLLIDAY

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.