

# QUARTERLY REPORT

FOR THE PERIOD ENDING 31 MARCH 2013

24 April 2013

ASX Code: **AGS**

No. of pages: 10

## QUARTERLY REPORT - FOR THE PERIOD ENDED 31 MARCH 2013

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### DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 31 March 2013 (4 pages)
- Appendix 5B for the period ending 31 March 2013 (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](http://www.allianceresources.com.au)

**24 APRIL 2013**

**ALLIANCE RESOURCES LTD**

**ASX: AGS**

**ABN: 38 063 293 336**

**Market Cap: A\$54.6 M (A\$0.16)**

**Shares on issue: 341,172,309**

**Cash: \$27.5 M (31 Mar 2013)**

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**Projects:**

**Four Mile (25%):** uranium

**Warrina:** copper-gold

**East Frome:** copper, base-  
metals

**Cabeza de Vaca, Chile:**  
copper-gold

**Share Registry:**

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Services  
GPO Box 2975  
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## QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2013

### HIGHLIGHTS

#### FOUR MILE URANIUM PROJECT (25% owned)

##### Project Start-Up

Commencement of the project is still delayed. Quasar Resources Pty Ltd previously advised Alliance that the scheduling of the Program and Budget is being revised.

It is the view of Alliance management that the scheduling of the Program and Budget is dependent on approvals for a Program for Environment Protection and Rehabilitation (PEPR) and a Radiation Management Plan (RMP) by the relevant statutory authorities.

##### Legal Proceedings

#### Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide)

On 12 March 2013 ACE's appeal was dismissed with costs awarded to Quasar and Heathgate.

Post reporting, ACE lodged an application for special leave to appeal to the High Court of Australia.

#### Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide)

A directions hearing has been scheduled for 23 May 2013.

#### WARRINA COPPER-GOLD PROJECT (100% owned)

Post reporting, drilling commenced to test the BigNE prospect magnetotelluric conductor where Alliance is targeting Olympic Dam style breccia-hosted iron-oxide copper-gold mineralisation. Drilling is in progress.

#### CHILE COPPER-GOLD PROJECT (90% owned)

Alliance has been unsuccessful to date in acquiring additional mine properties in the Cabeza de Vaca district to get the project to a sufficient size to warrant further field work and is considering its options.

## **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.

### **Project Start-Up**

On 24 October 2012 Alliance announced that a decision to recommence development of the Four Mile Uranium Project 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.

Commencement of the Project is still delayed. Quasar previously advised Alliance that the scheduling of the Program and Budget is being revised.

It is the view of Alliance management that the scheduling of the Program and Budget is dependent on approvals for a Program for Environment Protection and Rehabilitation (PEPR) (formerly known as an Environmental Management Plan) and a Radiation Management Plan (RMP) for the Four Mile Mine by the South Australian Department of Manufacturing, Innovation, Trade, Resources and Energy and the South Australian Environment Protection Authority, respectively.

### **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, by way of pre-action discovery, 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 should be permitted to have access to 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.

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 and the decision reserved.

On 12 March 2013 ACE's appeal was dismissed with costs awarded to Quasar and Heathgate.

On 9 April 2013 (post reporting) ACE lodged an application for special leave to appeal to the High Court of Australia.

#### **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 Four Mile 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 those 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 which, under the joint venture agreement with Quasar, ACE is obliged not to disclose, the Court ordered that the statement of claim, the defences and replies be treated as confidential.

As a result of information which became available during the discovery process, ACE is in the process of amending its statement of claim, drafts of which have been provided to the other parties, to particularise the various allegations against Quasar and Heathgate.

A directions hearing has been scheduled for 23 May 2013 at which the Court will consider whether to allow ACE's amendments to the statement of claim and whether the confidentiality order should continue.

## **Exploration & Development**

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

## **Contributions to Development**

ACE paid \$82,114 towards the cost of development of the Four Mile Project during the quarter (\$15,666,334 project-to-date)<sup>i</sup>.

### **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 a discrete magnetic high that trends northeast for over 10 kilometres associated with a significant offset gravity anomaly and magnetotelluric (MT) conductor.

An experimental induced polarisation (IP) line over the BigNE area gravity-magnetic-MT anomalies indicates anomalous IP chargeability is evident at depth beneath the main magnetic-gravity anomaly to the north and the MT conductor to the south east.

Drilling commenced on 12 April 2013 (post-reporting) to test the MT conductor and is in progress.

### **CHILE COPPER-GOLD PROJECT (Alliance (Chile) Pty Ltd 90%)<sup>ii</sup>**

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.

Alliance has been unsuccessful to date in acquiring additional mine properties in the district to get the project to a sufficient size to warrant further field work and is considering its options.

### **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 \$27.54 million (unaudited) at 31 March 2013 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.

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

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<sup>i</sup> 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.

<sup>ii</sup> 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.

# 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 March 2013**

### Consolidated statement of cash flows

		Current quarter	Year to date (9 Months)
		\$A'000	\$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(77)	(601)
	(b) development <sup>(1)</sup>	(82)	(271)
	(c) production	-	-
	(d) administration	(576)	(3,926)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	275	928
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	92	319
<b>Net Operating Cash Flows</b>		<b>(368)</b>	<b>(3,551)</b>
<b>Cash flows related to investing activities</b>			
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)	-	-
<b>Net investing cash flows</b>		<b>-</b>	<b>-</b>
1.13	<b>Total operating and investing cash flows (carried forward)</b>	<b>(368)</b>	<b>(3,551)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>1.13</b>	<b>Total operating and investing cash flows (brought forward)</b>	<b>(368)</b>	<b>(3,551)</b>
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
	<b>Net (decrease) increase in cash held</b>	<b>(368)</b>	<b>(3,551)</b>
1.20	Cash at beginning of quarter/year to date	<b>27,908</b>	<b>31,091</b>
1.21	Exchange rate adjustments to item 1.20	-	-
<b>1.22</b>	<b>Cash at end of quarter</b>	<b>27,540</b>	<b>27,540</b>

**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 January 2013 to 31 March 2013 Alliance continued to make payments in order to preserve its participatory rights in the Four Mile Project. Alliance disputes the validity of the 2009 programme and budget and contends that cash calls made by Quasar include amounts not payable by Alliance and, in making each 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**

		<b>Current quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	196
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
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**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	782
4.2 Development <sup>(2)</sup>	600
4.3 Production	0
4.4 Administration	1,032
<b>Total</b>	<b>2,414</b>

**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	27,438	27,785
5.2 Deposits at call	17	38
5.3 Bank overdraft	0	0
5.4 Other (provide details) – Term Deposit	85	85
<b>Total: cash at end of quarter (item 1.22)</b>	<b>27,540</b>	<b>27,908</b>

+ 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	<b>Preference securities</b>			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	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	<b>+Convertible debt securities</b>			
	<i>(description)</i>			
7.6	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through securities matured, converted			
7.7	<b>Options</b>		<b>Exercise price</b>	<b>Expiry date</b>
	<i>(description and conversion factor)</i>		<b>A\$</b>	
	<i>(Unlisted Managing Director Options)</i>			
	1,000,000	Unlisted	\$0.30	30 Apr 2014
	1,000,000	Unlisted	\$0.50	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	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (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:

Date: 24 April 2013

**Company Secretary**

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.