

# QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2013

31 October 2013

ASX Code: **AGS**

No. of pages: 10

## QUARTERLY REPORT - FOR THE PERIOD ENDED 30 SEPTEMBER 2013

### DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 September 2013 (4 pages)
- Appendix 5B for the period ending 30 September 2013 (5 pages)

**For and on behalf of the Board**



**Bob Tolliday**  
**Company Secretary**

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

**31 OCTOBER 2013**

ALLIANCE RESOURCES LTD

ASX: AGS

ABN: 38 063 293 336

Market Cap: \$46.0 M (\$0.135)

Shares on issue: 341,172,309

Cash: \$24.4 M (30 Sep 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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## QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2013

### HIGHLIGHTS

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

##### Project Start-Up Plan

Program for Environment Protection and Rehabilitation for ML 6402 has been approved.

Environment Protection Authority also approved a Licence for Mining and Mineral Processing, including Radiation Management and Radioactive Waste Management plans.

Final regulatory approval for project as required under the Commonwealth Environment Protection and Biodiversity Conservation Act conditions was obtained.

##### Development and Environment

Geological interpretation for the planning of future wellfields at Four Mile East continued.

Engineering design and procurement of various infrastructure items continued.

##### Exploration

Airborne gravity gradiometry and aeromagnetic surveys were completed over portions of EL5017.

##### Legal Proceedings

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

ACE's application for special leave to appeal to the High Court of Australia was refused with costs awarded to Quasar and Heathgate.

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

At a directions hearing held on 16 October 2013 (post reporting) the matter was set down for trial commencing 30 June 2014.

## **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 (Project). Quasar Resources Pty Ltd (**Quasar**) is the registered holder of 75% and acts as the manager of the Project.

### **Project Start-Up Plan**

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 Start-Up Plan and Proposed Program and Budget<sup>1</sup>.

On 16 August 2013, Alliance announced that the Program for Environment Protection and Rehabilitation (PEPR) for ML 6402 had been approved as PEPR No. PEPR2013/014 in accordance with Section 70B(5) of the Mining Act 1971 (SA). The Environment Protection Authority (EPA) South Australia has also approved a Licence for Mining and Mineral Processing, including Radiation Management and Radioactive Waste Management plans.

On 3 September 2013, Alliance announced that the Four Mile Uranium Mine Monitoring, Mine Closure and Community Engagement Plans as submitted on 27 June 2013 as required under the Commonwealth Environment Protection and Biodiversity Conservation Act (EPBC Act) conditions were approved on 2 September 2013. This is the final regulatory approval for the Four Mile Uranium Mine.

ACE received notification of DMITRE's receipt of the rehabilitation bond in late September 2013.

The South Australian Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) has advised that, in addition to the approval of the PEPR and the EPA Licence for Mining and Mineral Processing and the plans under the EPBC Act, the following key steps remain to be completed prior to commencement of mining operations:

- modification to the existing Beverley and Beverley North PEPR's to accommodate the integration of Four Mile operations;
- submission of key design, construction and commissioning reports to DMITRE and EPA at progressive stages of mine development.

Quasar is yet to provide Alliance with an updated schedule of activities and cash flow projections, taking into account later commencement and completion dates from those set out in its Start-Up Plan and Program and Budget.

### **Four Mile Development and Environment**

Geological interpretation continued for the purpose of planning the location of delineation and production holes for future wellfields at Four Mile East.

Column leach testing of a core sample from AK051 (drilled in 2008) commenced during the quarter.

Engineering design of the FME injection booster pumps, filters and dosing infrastructure continued. The FME laydown area was completed. Procurement of additional pipework, valves and fittings for the FME to Pannakin trunkline continued. Discussions continued with a supplier for the installation of an overhead powerline from Beverley to FME.

Baseline water sampling from monitor bores at Four Mile East (FME) and Four Mile West continued.

<sup>1</sup> The "Four Mile (ML6402) Start-Up Plan 04-August-2012" and "Four Mile (ML6402) Proposed Program and Budget for the Period September 2012 to December 2013, 4 August 2012".

## Exploration

FALCON airborne gravity gradiometry and aeromagnetic surveys were completed over portions of EL5017 during the quarter. The surveys totalled 3,087 line kilometres of data. The logistics and processing report for the surveys were received and interpretation of the survey data commenced during the quarter.

## Legal Proceedings

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

These proceedings against Quasar and Heathgate sought orders, by way of pre-action discovery, for ACE to access books, records and agreements pertaining to the Four Mile Project.

On 26 March 2012 orders were made refusing ACE's application.

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

On 9 April 2013 ACE lodged an application for special leave to appeal to the High Court of Australia and on 11 September 2013 ACE's application for special leave to appeal was refused with costs awarded to Quasar and Heathgate.

### **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 amended its statement of claim to particularise the various allegations against Quasar and Heathgate. The amended statement of claim was filed and served on Quasar and Heathgate on 24 May 2013. The defences to the amended statement of claim were filed on 19 July 2013. ACE filed its replies on 26 August 2013.

At a directions hearing held on 16 October 2013 (post reporting) the matter was set down for trial commencing 30 June 2014. The trial is expected to run for 5 weeks.

## Contributions to Development

ACE paid \$348,903 towards the cost of development of the Four Mile Project during the quarter (\$16,639,994 project-to-date)<sup>i</sup>.

## **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.

No fieldwork was conducted during the quarter. The option to purchase the Japonesa 1/5 concession was allowed to lapse.

The Company continued to negotiate for additional properties in the district.

## **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. Alliance surrendered EL6836 during the quarter.

## **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. The target is Olympic Dam style breccia-hosted iron-oxide copper-gold mineralisation at the BigNE prospect, characterised by a discrete magnetic high associated with a significant offset gravity anomaly and magnetotelluric (MT) conductor.

Analyses of the core from BNE05X, drilled in the previous quarter to test the MT conductor, were received and did not report any significant results. No further work is planned.

Alliance surrendered EL4997, south of the main tenement (EL4802), during the quarter.

## **CORPORATE**

Alliance has cash reserves of \$24.4 million (unaudited) at 30 September 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 20.75% of Octagonal's issued share capital.

Further information relating to the Company and its various mining and 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.

<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")

**30 September 2013**

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (12 Months)
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(70)	(70)
	(b) development <sup>(1)</sup>	(349)	(349)
	(c) production	-	-
	(d) administration	(892)	(892)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	233	233
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	140	140
<b>Net Operating Cash Flows</b>		<b>(938)</b>	<b>(938)</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>(938)</b>	<b>(938)</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>(938)</b>	<b>(938)</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>Net (decrease) increase in cash held</b>	<b>(938)</b>	<b>(938)</b>
1.20	Cash at beginning of quarter/year to date	<b>25,359</b>	<b>25,359</b>
1.21	Exchange rate adjustments to item 1.20	-	-
<b>1.22</b>	<b>Cash at end of quarter</b>	<b>24,421</b>	<b>24,421</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 July 2013 to 30 September 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	282
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-imburements 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	130
4.2 Development <sup>(2)</sup>	1,382
4.3 Production	0
4.4 Administration	1,069
<b>Total</b>	<b>2,581</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	23,555	25,271
5.2 Deposits at call	0	3
5.3 Bank overdraft	0	0
5.4 Other (provide details) – Term Deposit	866	85
<b>Total: cash at end of quarter (item 1.22)</b>	<b>24,421</b>	<b>25,359</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	EL6836 EL4997 Japonesa, Chile	Option to purchase 100% 100% 0%	0% 0% 0%
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> (description)			
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> (description)			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	<b>Options</b> (description and conversion factor)	(Unlisted Managing Director Options) 1,000,000 1,000,000	<b>Exercise price A\$</b>  \$0.30 \$0.50	<b>Expiry date</b>  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	<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: 31 October 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.