

18 August 2014

ASX Code: AGS

Four Mile Uranium Mine Q2 2014 Production and Operating Costs

HIGHLIGHTS

- Q2 2014 cash costs \$26.67 per pound (total costs \$38.33 per pound)
 - Operating costs have decreased in response to production ramp up
 - July 2014 production 264,668 pounds (exceeding forecast by 11%) at an estimated average cash cost of \$22.41 per pound (total costs April to July 2014 \$34.35 per pound)
 - Spot uranium price recently breaks through US\$30 level for the first time in over three months
-

The Directors of Alliance Resources Limited report total production of 408,156 pounds from the Four Mile Uranium Mine for April to June (Q2) 2014 at an average cash operating cost of \$26.67 per pound produced (excluding shipping, marketing and royalties as no sales have occurred).

Total costs for the same period are estimated by Alliance to average \$38.33 per pound produced, including mining and processing, short-term¹ capital costs (FME drilling and wellfield construction, program management and regulatory costs), long-term² capital costs (trunkline, overhead powerline, engineering & construction management and asset (equipment) sales) but excludes shipping, marketing and royalties (as no sales have occurred) and regional delineation drilling³.

Based on the latest expenditure report (for May and June 2014) provided to Alliance Craton Explorer Pty Ltd (ACE) by Quasar Resources Pty Ltd (Quasar) on 8 August 2014, operating costs have decreased in response to FME001 and FME002 wellfields ramping up.

The July 2014 production is 264,668⁴ pounds, exceeding the production forecast for that month by 11%, at an estimated cash operating cost of \$22.41 per pound produced (excluding shipping, marketing and royalties as no sales have occurred).

¹ Short-term capital costs proportioned as mine production to date divided by FME mineral resource of 29Mlb multiplied by 70% ISR extraction, with the exception of FME drilling and wellfield construction costs from Oct 2008 to Nov 2012, which were proportioned as wellfield production to date divided by First Stage Mining Area potentially leachable resource of 2.8Mlb (sources: Quasar's Manager's monthly report for Nov 2012 and Quasar's Revised Start-Up Plan dated 20 Dec 2013).

² Long-term capital costs proportioned as life-of-mine production to date divided by total mineral resource of 71Mlb (Four Mile East 29Mlb, Four Mile West 42Mlb) multiplied by 70% ISR extraction.

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.

⁴ Quasar reported the July 2014 production was 264,668 pounds after final adjustments.

Estimated total costs⁵ from April to July 2014 are estimated by Alliance to average \$34.35 per pound produced.

The spot uranium price has increased in recent weeks with the UxC Broker Average Price (BAP) breaking through the US\$30 level for the first time in over three months. The UxC BAP was US\$30.94 per pound on 13 August 2014 (equivalent to A\$33.27 per pound at 1 AUD = 0.93 USD).

Further information about Alliance Resources Ltd, please visit www.allianceresources.com.au

Steve Johnston
Managing Director

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.

The total mineral resource estimate for the Four Mile Uranium Project is 9,800,000 tonnes at an average grade of 0.33% U₃O₈ containing 32,000 tonnes (71,000,000 lb) U₃O₈ at a grade-thickness cut-off of 0.10m%. Refer to Alliance's ASX announcement dated 20 December 2013 for details of the mineral resource estimate and competent persons' consents.

⁵ Total costs include all costs specified in paragraph 2 of this announcement.