

20 November 2014

ASX Code: AGS

## FOUR MILE URANIUM PROJECT ACE NOT CONTRIBUTING TO 2015 PROGRAM AND BUDGET

The Board of Directors of Alliance Resources Limited (“**Alliance**”) has, reluctantly, resolved that its wholly owned subsidiary Alliance Craton Explorer Pty Ltd (“**ACE**”) should elect not to contribute to the Four Mile Uranium Project 2015 Program and Budget for the period 1 December 2014 to 31 December 2015 (**2015 Program and Budget**). This decision has been forced upon it due to Quasar Resources Pty Ltd’s (“**Quasar**”) refusal to sell ACE’s share of product from Four Mile (thereby depriving ACE of funds that it would have used to defray those expenses). The impacts of this decision are:

- ACE will have no outgoings associated with Four Mile after December 2014 until 1 January 2016 (but may recommence contributions as at 1 January 2016); and
- ACE’s interest in the Four Mile Mine Development Area will reduce from 25% to approximately 15% by 31 December 2015 (based on the 2015 Program and Budget forecast expenditure).

This decision does not preclude ACE participating in programs and budgets beyond 31 December 2015, albeit at its reduced equity at that time and ACE will maintain its 25% interest, and continue to be free carried for exploration, in the area outside the Four Mile Mine Development Area.

ACE estimates its share of production from Four Mile as:

- from commencement of mining to 30 November 2014, 367,119<sup>1</sup> pounds (lbs) with an estimated value of \$16.3 million<sup>2</sup>; and
- from 1 December 2014 to 31 December 2015, 502,422 lbs with an estimated value of \$22.3 million<sup>2</sup>;

being a total of 869,541 lbs with an estimated value of \$38.6 million<sup>2</sup>.

<sup>1</sup> Includes Alliance estimate of 198,000 lbs for October 2014 and budget estimate of 145,000 lbs for November 2014 (100% production)

<sup>2</sup> Assuming a uranium spot price of US\$40.00/lb and 1 AUD = 0.9 USD

For and on behalf of the Board.

**Steve Johnston**  
**Managing Director**

## Background

As previously announced, on 6 November 2014, Quasar used its majority vote (with ACE voting against) to approve the 2015 Program and Budget.

According to the 2015 Program and Budget, ACE's share of cash expenditure is \$26,937,500. As at 7 November 2014, Alliance's cash reserves totalled \$2,467,426. The Program and Budget does not provide for the receipt of any revenue in 2015. Quasar has made it clear that it intends to stockpile all Four Mile production from both the 2014 Program and Budget (which had included projected sales of 1.5 million lb of uranium concentrates in 2014) and the 2015 Program and Budget. ACE has always proceeded on the basis that revenue from the sale of its share of minerals would cover a substantial part, if not all, of its future cash calls. Once it became apparent this would not be the case, ACE directed Quasar, as its agent, to sell its share of the uranium concentrate which had been shipped to Canada for conversion. Quasar has refused to comply with that direction.

As a result of that refusal and the matters pleaded by ACE in the proceedings recently commenced in the Supreme Court of South Australia, ACE will receive no revenue from the sale of its minerals which it can use to meet cash calls under the 2015 Program and Budget. Therefore, it had no option but to elect not to contribute to that 2015 Program and Budget.

Prior to making that election, ACE sought a 28 day extension of time in which it must make its election. Quasar did not respond to that request.