

25 November 2014

ASX Code: AGS

## FOUR MILE URANIUM PROJECT UPDATE TO ANNOUNCEMENT DATED 20 NOVEMBER 2014

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Alliance Resources Limited (**Alliance**) has received a number of enquiries from shareholders seeking clarification on the impact of Alliance Craton Explorer Pty Ltd's (**ACE**) decision to 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**).

The election to not contribute to the 2015 Program and Budget does not mean that ACE will cease to have an interest in the Four Mile Project. On the contrary, ACE is required to contribute to future programs and budgets unless it elects not to do so.

By way of example, if ACE elects to not contribute to any future programs and budgets then, based on the assumptions set out below, ACE estimates that:

- its interest in the Four Mile Uranium Project will be diluted from its current 25% interest at 30 November 2014, to approximately 15% by 31 December 2015, to approximately 11% by 31 December 2016, etc., to a 0% interest by October 2026 (**Period**). This is on the basis that its interest will decrease logarithmically to below 3% by the end of the Period (that is, its interest will decrease each year at a decreasing rate), at which point ACE is deemed to have withdrawn from the Joint Venture Mine Development Area; and
- it will receive approximately \$110 million for its share of the uranium oxide concentrate production (approximately 2.5 million lbs) over the Period, excluding royalties, converter fees (if any), transportation costs and tax.

These estimates are based on the following assumptions:

1. a constant uranium oxide price of US\$40.00 over the Period;
2. a constant US\$:AU\$ exchange rate of US\$0.90:AU\$1.00 over the Period;
3. its interest will dilute in accordance with a "standard" formula for dilution as set out in the joint venture agreement which takes into account the total joint venture costs contributed by both parties;
4. the Four Mile mine is in production until 31 October 2026 (including production from Four Mile West for which regulatory approval is yet to be granted);
5. the Four Mile rate of production is 2.5 million lbs per annum consistent with the projected production rate for 2015;
6. expenditure for each calendar year over the Period is at the same rate as projected by the 2015 Program and Budget; and
7. ACE does not make any further contributions to joint venture costs.

Alliance considers the above information is based on reasonable grounds and the assumptions underpinning it are objectively reasonable. Notwithstanding this, nothing in the above information is a promise or representation as to the future. Statements or assumptions in this announcement as to future matters may prove to be incorrect and differences may be material. Alliance does not make any representation or warranty as to the accuracy of such statements or assumptions. Further, no audit or review has been undertaken by an independent third party of the assumptions, data, results, calculations and forward-looking statements contained in or referred to in this announcement.

The mineral resources underpinning the example dilution calculation have been prepared by competent persons in accordance with the JORC Code. There has been no material change to the mineral resource estimate since the ASX announcement dated 20 December 2013 except for depletion of the mineral resource due to mining during 2014. The mineral resource statement at 30 June 2014 was reported in the Company's Annual Report 2014.

The relevant proportions of inferred mineral resources and indicated mineral resources underpinning the example dilution calculation are 44% and 56% respectively.

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production assumptions used in the calculation will be realised. The stated production assumptions are based on the Company's current expectations of future results or events and should not be relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that these estimates will be accurate.

ACE's 25% interest in the area outside the Mine Development Area is not affected by its decision not to contribute to the 2015 Program and Budget and ACE will continue to be free carried with respect to that area until a decision to mine.

For and on behalf of the Board.

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