

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 JUNE 2015

30 July 2015

ASX Code: **AGS**

No. of pages: 11

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 JUNE 2015

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 June 2015 (5 pages)
- Appendix 5B for the period ending 30 June 2015 (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

30 July 2015

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QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2015

HIGHLIGHTS

FOUR MILE URANIUM PROJECT (25%¹)

Post-reporting, Alliance announced that it had accepted a revised offer from Quasar Resources Pty Ltd (**Quasar**) to purchase all of Alliance Craton Explorer Pty Ltd's (**ACE**) interest in the Project, including ACE's share of uranium oxide concentrates already mined, for a total consideration of \$73.975 million (**Transaction**). The Transaction is subject to shareholder approval, the consent of the SA Minister to the transfer of ACE's interest in the tenements and the Commonwealth Treasurer having no objection to the acquisition of ACE's interest in the Project by Quasar. The Board of Alliance unanimously considers the Transaction to be in the best interests of Alliance's shareholders and recommends that shareholders approve the Transaction.

In accordance with the conditions of the sale agreement, ACE and Quasar jointly filed an application for a stay of the current proceedings on 14 July 2015 and the Supreme Court of South Australia granted the stay on 16 July 2015. If shareholders do not approve the sale either ACE or Quasar may apply for an order lifting the stay.

- Quarterly production (100%) estimated to be 436,941 lbs of uranium ore concentrate (**UOC**) at an estimated cash operating cost of \$33.33 per lb produced.
- Total production (100%) since commencement of mining to 30 June 2015 estimated to be 2,441,092 lbs of UOC at an estimated cash operating cost of \$30.27 per lb produced.
- ACE estimates its share of production to be 579,149 lbs of UOC.
- ACE issued with Permit to Possess Nuclear Material (uranium oxide concentrate).
- Inferred Mineral Resource Estimate for the Four Mile Northeast uranium prospect, at a cut-off of 0.1 m% U₃O₈, is 7.5 million tonnes averaging 0.30% U₃O₈, containing 50.0 million pounds U₃O₈

CHILEAN COPPER-GOLD-SILVER-URANIUM PROJECTS

- No work was undertaken during the reporting period, however a budget is in preparation subject to completion of the sale of Four Mile.

CORPORATE

- Alliance has cash reserves of \$1.798 million at 30 June 2015 and has 400,816,419 ordinary shares on issue.

FOUR MILE URANIUM PROJECT (Alliance Craton Explorer Pty Ltd 25%¹)

The Four Mile Uranium Project (**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%¹ of ML6402 and EL5017. Quasar Resources Pty Ltd (**Quasar**) is the registered holder of 75% and acts as the manager of the Project. ACE is not contributing to the current program and budget for the Project and, as a consequence, is diluting its interest in the Mine Development Area¹.

Quasar Offer to Purchase ACE'S Interest in Four Mile Project

On 2 July 2015, Alliance announced that it had received an offer from Quasar to purchase all of ACE's interest in the Project, including ACE's share of uranium oxide concentrates already mined (worth an estimated \$25 million), for a total consideration of \$71.3 million. Alliance rejected that offer.

On 13 July 2015, Alliance announced that it had accepted a revised offer from Quasar to purchase all of ACE's interest in the Project, including ACE's share of uranium oxide concentrates already mined, for a total consideration of \$73.975 million. The sale is subject to shareholder approval, the consent of the SA Minister to the transfer of ACE's interest in the tenements and the Commonwealth Treasurer having no objection to the acquisition of ACE's interest in the Project by Quasar. The Board of Alliance unanimously considers the sale to be in the best interests of Alliance's shareholders and has recommended that shareholders approve it.

Legal Proceedings

On 12 November 2014, ACE terminated Quasar's appointment as sales and marketing agent of ACE's share of Four Mile product and instituted proceedings in the Supreme Court of South Australia seeking a declaration that the termination is valid and orders that ACE's share of product be delivered up to ACE (**Proceedings**). The Proceedings were heard on 20-28 May 2015. The presiding judge, His Honour Justice Stanley, has reserved his decision. In accordance with the conditions of the sale agreement, ACE and Quasar jointly filed an application for a stay of the Proceedings on 14 July 2015 and the Supreme Court of South Australia granted the stay on 16 July 2015. If shareholders do not approve the sale either ACE or Quasar may apply for an order lifting the stay.

ACE Issued with Permit to Possess Nuclear Material

On 4 June 2015, Alliance announced that, pursuant to section 13 of the *Nuclear Non-Proliferation (Safeguards) Act 1987*, the Acting Director General ASNO had issued ACE with a Permit to Possess Nuclear Material (uranium oxide concentrate (**UOC**)), which took effect on 27 May 2015. ACE has also lodged a Transport Management Plan for the transport of UOC and an application for permission to export UOC.

Production

Quarterly production (100%) is estimated by ACE to be 436,971 pounds² (lbs) of UOC at an estimated cash operating cost of \$33.33 per lb³ produced (excluding some shipping costs, marketing costs, convertor costs and royalties as no sales have occurred).

Total production (100%) of UOC since commencement of mining to 30 June 2015 is estimated by ACE to be 2,441,092 lbs of UOC at an estimated cash operating cost of \$30.27 per pound produced (excluding some shipping costs, marketing costs, convertor costs and royalties as no sales have occurred).

¹ Reducing to approximately 15% by 31 December 2015. Refer ASX announcement dated 20 November 2014

² ACE estimate based on Quasar's production reports and correspondence to 29 July 2015.

³ ACE estimate based on Quasar's actual costs for April and May 2015 and ACE estimate for June 2015.

ACE's share of UOC production is estimated to be 579,149 lbs.

Quarterly production of UOC is 89% of budget over the same period. Total production of UOC since commencement is 91% of budget over the same period.

Shipping & Sales

No shipping or sales of UOC were reported during the quarter.

Mineral Resource Estimate – Four Mile Northeast

On 26 June 2015, Alliance announced an Inferred Mineral Resource Estimate for the Four Mile Northeast (FMNE) uranium prospect, at a cut-off of 0.1 m% U₃O₈, as 7.5 million tonnes averaging 0.30% U₃O₈, containing 50.0 million pounds U₃O₈. Refer to ASX announcement dated 26 June 2015 for further details of the Mineral Resource Estimate and competent person's consent.

Refer to ASX announcement dated 26 June 2015 for further details of the mineral resource estimate and competent person's consent.

Contributions to Development

In accordance with its decision, announced to ASX on 20 November 2014, not to contribute to the 2015 Program and Budget, ACE paid nothing towards the cost of development of the Project during the quarter (\$31,330,343 to-date).

CHILEAN COPPER-GOLD-SILVER-URANIUM PROJECTS

Alliance Chile Pty Ltd has two projects in Atacama Region III, located in northern Chile's iron-oxide copper-gold belt with potential for copper, gold, silver and uranium.

Monardes Copper-Uranium Project (Alliance (Chile) Pty Ltd 100% or Right To Earn 100%)

The Monardes project is located in the eastern margin of the Monardes basin, 95 km east of Copiapo.

No work was undertaken during the reporting period. A budget is in preparation but is subject to completion of the sale of Four Mile.

As previously reported:

- Alliance completed a detailed airborne magnetic and radiometric survey (radiometric channel spectrometer) which has identified two parallel uranium anomalous units with a combined strike length of 9 km, together with results of rock chip sampling which reported significant copper and uranium.
- Rock chip sampling results from eleven separate discontinuous outcrops of mineralised pebble conglomerate on the **eastern anomalous unit** reported copper mineralisation over 1.8 km with 17 samples reporting copper >3000ppm (including a highest copper value of 3.36%) and 9 samples reporting uranium >300ppm (including a highest uranium value of 2660ppm).

- Preliminary rock chip sampling results from five separate discontinuous outcrops on the **western anomalous unit** reported copper mineralisation over 2.3km with 4 samples reporting copper >3000ppm (including a highest copper value of 3.34%).

The discovery of high grade uranium and copper mineralisation in a reduced conglomerate within a lower red-bed sandstone sequence represents a previously unrecognised or underexplored exploration target requiring systematic follow-up.

Further work is warranted, including: costeaning, drilling and associated sampling and analysis to investigate the continuity, mineralogy and grade of the known copper-uranium mineralisation along strike and down dip and follow-up of radiometric anomalies along the full strike length of the newly identified anomalous units from the airborne survey.

Refer to ASX announcements dated 27 October 2014 and 30 January 2015 for further details and competent person's consent.

Sierra Cinchado Copper-Silver Project (Alliance (Chile) Pty Ltd 100%)

This Sierra Cinchado project is located 25 km east of Copiapo. The project area has a number of mine workings which appear to be prospective for Manto style copper and silver.

No work was undertaken during the reporting period, however a budget is in preparation subject to completion of the Four Mile Transaction.

CORPORATE

Alliance has available cash reserves of \$1.798 million (as at 30 June 2015) and has 400,816,419 ordinary shares on issue.

Alliance holds 22,000,000 ordinary shares in Octagonal Resources Ltd (Octagonal) which equates to 8.9% of Octagonal's issued share capital.

TENEMENTS

Tenement	Name	Location	Beneficial percentage held at end of quarter	Beneficial percentage acquired or disposed of during the quarter
South Australia (Alliance Craton Explorer Pty Ltd)				
EL5017	Four Mile	300km NE of Port Augusta, South Australia	25%	
ML6402	Four Mile	300km NE of Port Augusta, South Australia	25% ⁽¹⁾	
Chile (Alliance (Chile) Pty Ltd)				
Monardes 1-3, 4-9-1/20; Huachi 1/20	Monardes Basin	95km east of Copiapo	0% (option to purchase 100%)	
Vega 1 and 2	Monardes Basin	95km east of Copiapo	100%	
2 concessions	Sierra Cinchado	25km east of Copiapo	100%	

(1) Reducing to approximately 15% by 31 December 2015 in respect of the Four Mile Mine Development Area as a result of Alliance Craton Explorer Pty Ltd electing not to contribute to the Four Mile 2015 Program and Budget. Refer ASX announcement dated 20 November 2014.

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

Steve Johnston
Managing Director

Competent Person's Statement

The information in this report that relates to the Chilean Projects Exploration Results is based on information compiled by Mr Andrew Bowden who is a Chartered Geologist and Fellow of the Geological Society of London, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time. Mr Bowden is a part-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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bowden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 June 2015

Consolidated statement of cash flows

		Current quarter	Year to date (12 Months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(20)	(542)
	(b) development	-	-
	(c) production ^{(1) & (2)}	(2,171)	(10,881)
	(d) administration ⁽²⁾	763	(9,251)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	22	198
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	45	231
Net Operating Cash Flows		(1,361)	(20,245)
Cash flows related to investing activities			
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)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(1,361)	(20,245)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,361)	(20,245)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,493
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	1,278
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Cost of Capital Raising/Prospectus)	-	(268)
	Net financing cash flows	-	4,503
	Net (decrease) increase in cash held	(1,361)	(15,742)
1.20	Cash at beginning of quarter/year to date	3,158	17,539
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,797	1,797

Notes:

1. Includes cash calls for the Four Mile Project based on programmes and budgets adopted by Quasar (with Alliance dissenting) in October 2012 and January 2014. Quasar is registered as the holder of 75% of EL5017 and ML6387 and manages the Project. In the period from 1 April 2015 to 30 June 2015, consistent with its election not to contribute to the current program and budget, Alliance has no liability to contribute to Project costs. Alliance disputes a number of matters, including but not limited to, the validity of past and present programmes and budgets and continues to reserve all of its rights with respect to those matters.
2. Approximately \$2.1M of the production expenditure shown this June 2015 quarter represents a correction to the December 2014 quarter when cash call #70 from the 2014 Program and Budget was inadvertently mis-allocated to administration expenses (which accordingly has been credited this quarter).

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter
		\$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	237
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

In the March 2015 quarter, the Proceeds of Borrowings of \$1.278M as outlined in 1.16 above was repaid in full via the issue of fully paid ordinary shares.

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	30
4.2 Development ⁽²⁾	0
4.3 Production ⁽²⁾	0
4.4 Administration	684
Total	714

Notes:

3. Alliance Craton Explorer Pty Ltd ("ACE") elected not to contribute to the Four Mile 2015 Program and Budget and, accordingly, has no commitment to fund Four Mile costs for the 13 months commencing 1 December 2014. Refer ASX announcement dated 20 November 2014 for further details.

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	927	2,288
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details) – Term Deposit	870	870
Total: cash at end of quarter (item 1.22)	1,797	3,158

+ 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				
Preference securities <i>(description)</i>				
7.2				
Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	400,816,419	400,816,419		
7.4				
+Ordinary securities Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5				
+Convertible debt securities <i>(description)</i>				
7.6				
Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Unlisted Options 59,644,110	Unlisted	Exercise price A\$ \$0.15	Expiry date 30 September 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	1,000,000	Unlisted Managing Director Options	\$0.50	30 Apr 2015
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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 below).
- 2 This statement does ~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here:  Date: 30 July 2015
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.