

27 October 2015

ASX Code: AGS

OPTION TO PURCHASE MANTOS TENEMENTS MONARDES BASIN, CHILE

HIGHLIGHTS

- Alliance acquires option to purchase a strategic tenement holding along strike from its Monardes copper-uranium project.
 - The tenements increase the total area under option to Alliance from 18 km² to approximately 200 km² within a major metallogenic province.
 - The option with Mantos increases the strike length of the prospective Cretaceous Monardes Formation available to Alliance to 22 km.
 - An initial program of ten reverse circulation drill holes for 2,000 metres is scheduled for early 2016 to test for copper-uranium mineralisation along strike and down dip within the eastern anomalous unit.
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The Directors of Alliance Resources Limited are pleased to report that Alliance (Chile) Pty Ltd (**Alliance**) has secured an option to purchase tenements (**Project Tenements**) registered in the names of Mantos de Fuego SpA, a wholly owned subsidiary of Mantos Exploration Pty Ltd (**Mantos**)¹, and Roland Mountford, located along strike from Alliance's Monardes Project in the eastern margin of the Monardes basin, located in Region III, 95 km east of Copiapo in northern Chile.

The key terms of the option are:

1. Mantos has granted Alliance an option to purchase the Project Tenements for a purchase price of A\$2,500,000 exercisable at any time prior to 31 October, 2016 (**Term**) payable in shares in Alliance Resources Limited (**AGS**) (calculated by reference to VWAP for the 15 trading days after Alliance gives notice of exercise) or cash or a combination of cash and shares;
2. Alliance will pay Mantos an option fee of \$200,000 cash within 7 days of signing a formal option agreement;
3. Alliance will have the exclusive right to carry out due diligence to confirm the status of the Project Tenements and to conduct exploration over the Project Tenements during the Term to evaluate whether it wishes to exercise the option;
4. During the Term Alliance must keep the Project Tenements in good standing and will pay all tenement costs including renewal fees and fees necessary to replace a tenement which is incapable of renewal;

¹ DJ Carmichael Pty Ltd acted as corporate adviser to Mantos in relation to the transaction.

5. Alliance may extend the Term by 6 months on two occasions by procuring AGS to issue fully paid ordinary shares to the value of \$200,000 (calculated on the basis set out in paragraph 1) to Mantos or by paying the Company \$200,000 cash.
6. If Alliance exercises the Option it will enter into a royalty agreement under which Mantos will be entitled to a royalty equivalent to one percent (1%) of the Net Smelter Return for minerals produced by Alliance for sale from the Project Tenements. Alliance will be granted:
 - a. a right to purchase the royalty based on an agreed valuation or, where agreement cannot be reached, at the market value as determined by an independent valuer; and
 - b. a last right of refusal.

The Project Tenements increase the total area under option to Alliance from 18 km² to approximately 200 km² providing Alliance with a strategic option holding within a major metallogenic province. Refer Figure 1.

Background

Alliance acquired an option to purchase 100% of the Monardes mining concessions in 2014 and has two exploration concessions to the west of the Monardes concessions, named Vega. The concessions are located within the eastern margin of the Monardes Basin adjacent to the Maricunga Belt metallogenic province of Atacama Region III.

In early 2014, Alliance's geologists mapped a quartz-pebble conglomerate containing a small artisanal excavation for copper at 465150E, 6970140N which was also locally anomalous with uranium and associated with the contact between a basalt and carbonate veining within a coarse grained arkose to pebble conglomerate striking N10°E and dipping 70°SE within the Lower Cretaceous Monardes Formation. The Monardes Formation comprises an oxidised red-bed sequence of sandstones and conglomerates. The pebble conglomerate is reduced over much of the mineralised area.

Rock chip sampling results from eleven separate discontinuous outcrops of 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).

An airborne radiometric survey (uranium channel spectrometer) confirmed the potential strike length of the known (eastern) anomalous unit and identified a second parallel unit of anomalism some 300m to 500m west of the known unit. The combined strike length of both units is 9 km within the Monardes concessions.

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%).

An initial program of ten reverse circulation drill holes for 2,000 metres is scheduled for early 2016 to test for copper-uranium mineralisation along strike and down dip within the eastern anomalous unit.

The option with Mantos, if exercised, increases the strike length of the prospective Cretaceous Monardes Formation available to Alliance to 22 km.

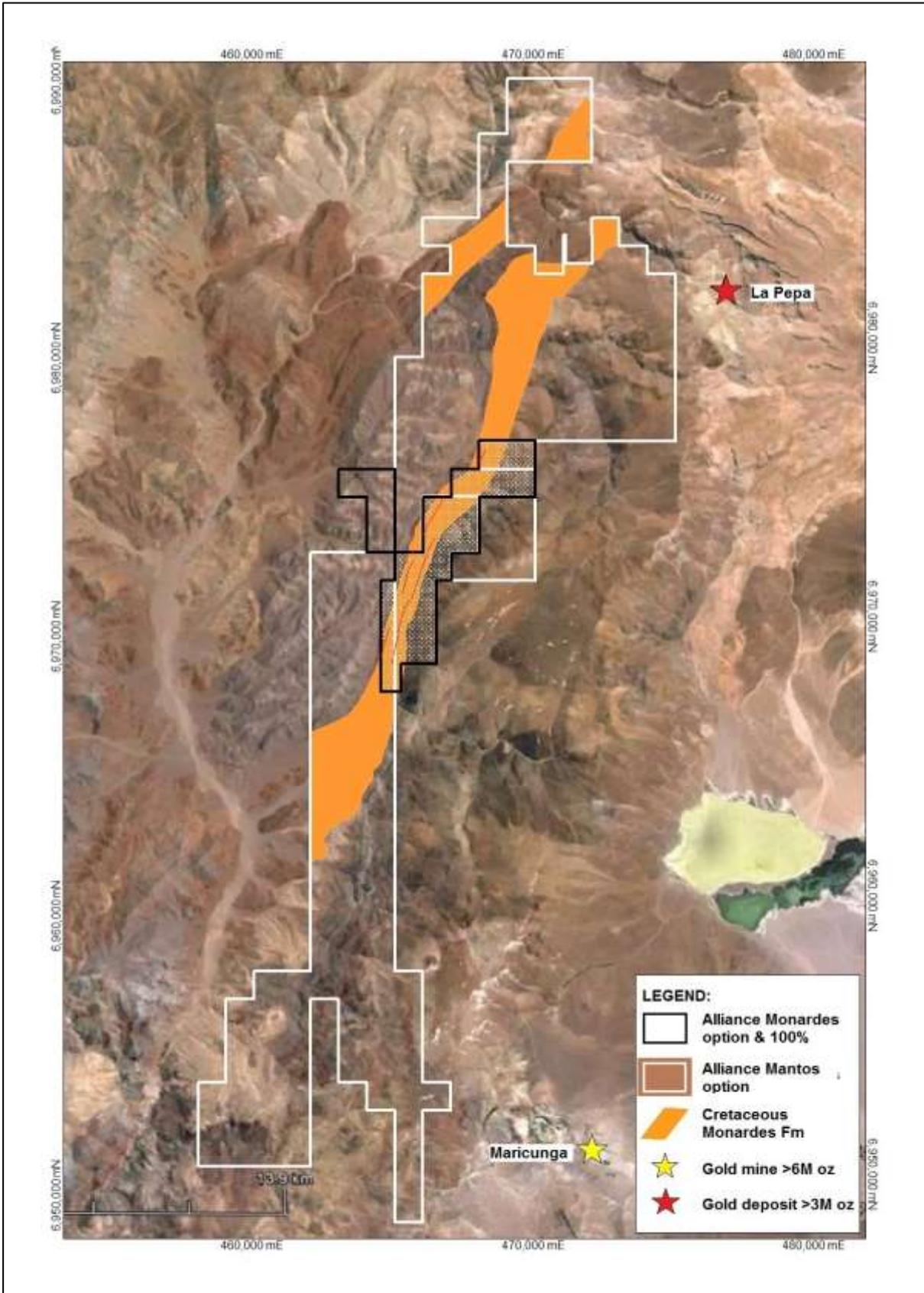


Figure 1: Monardes Project, Chile

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

Steve Johnston
Managing Director

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

Competent Person's Statement

The information in this report that relates to the Exploration Results is based on information compiled by Mr Stephen Johnston who is a Member of The Australasian Institute of Mining and 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 2012 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.