

# QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2015

28 October 2015

ASX Code: **AGS**

No. of pages: 12

## QUARTERLY REPORT - FOR THE PERIOD ENDED 30 SEPTEMBER 2015

### DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 September 2015 (6 pages)
- Appendix 5B for the period ending 30 September 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](http://www.allianceresources.com.au)

28 October 2015

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## QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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### HIGHLIGHTS

#### SALE OF INTEREST IN FOUR MILE URANIUM PROJECT

- Alliance accepted an 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 (**Sale**).
- A general meeting of Alliance shareholders was held in Melbourne on Friday, 11 September 2015. Both resolutions, (1) Disposal of the Main Undertaking and (2) Return of Capital, were carried on a show of hands.
- The sale was completed on 18 September 2015 and, as a consequence, a notice of discontinuance of Supreme Court of South Australia proceeding number SCCIV-14-1480 was filed on the same day.

#### CAPITAL RETURN

- On 12 October 2015 (post-reporting), trading in Alliance shares began on an 'ex Capital return basis'. The Record Date for the Capital Return was 14 October 2015 and payment is to be processed on 28 October 2015.
- On 21 October 2015 (post-reporting), Alliance announced that the Australian Taxation Office (ATO) issued a Class Ruling (CR 2015/81) that confirms the full amount of the distribution represents a Capital Return with no portion deemed to be a dividend from profits.

#### MONARDES COPPER-URANIUM PROJECT, CHILE

- Post-reporting, 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 km<sup>2</sup> to approximately 200 km<sup>2</sup> 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.

#### CORPORATE

- Alliance has cash reserves of \$76.3 million at 30 September 2015 and 417,173,773 ordinary shares on issue at 9 October 2015.

## SALE OF INTEREST IN FOUR MILE URANIUM PROJECT

The Four Mile Uranium Project (**Project**) area is located 550 kilometres north of Adelaide in South Australia.

On 13 July 2015, Alliance announced that it had accepted an 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 (**Sale**).

The Sale was subject to a number of conditions precedent, including 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.

On 11 August 2015, Alliance lodged a Notice of Meeting and Explanatory Statement with ASX and which was also sent to all shareholders of the Company.

The purpose of the meeting was to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

**Resolution 1: Disposal of main undertaking:** *THAT for the purposes of Listing Rule 11.2, and for all other purposes, approval is given for the disposal of all of Alliance Craton Explorer Pty Ltd's interest in the Four Mile Uranium Project, in accordance with the terms of the Sale and Purchase Agreement, a summary of which is contained in the Notice of Extraordinary General Meeting & Explanatory Statement (Sale).*

The Board of Alliance unanimously considered the Sale to be in the best interests of Alliance's shareholders and recommended that shareholders approve the Sale.

The Company engaged PPB Advisory to provide an Independent Expert's Report on the Sale and the Capital Return. The Independent Expert advised that, in its view, the Sale is "fair" and "reasonable" to shareholders of Alliance.

The Company has also received tax advice in relation to the Sale to the effect that the Company will not be required to pay income tax on the Sale proceeds if the Company is able to utilise its tax losses or pay GST if the Sale is a supply of a going concern. The Company should be able to utilise its tax losses if it satisfies the company loss recoupment tests, being the continuity of ownership test, or, failing that, the same business test.

**Resolution 2: Return of Capital:** *THAT, subject to the passing of Resolution 1 and Completion under the Sale and Purchase Agreement, for the purposes of Section 256B and 256C of the Corporations Act and for all other purposes, the issued share capital of the Company be reduced by \$48,097,970 (assuming 400,816,419 shares on issue as at the Record Date) by returning to Shareholders on a pro-rata basis \$0.12 for each Share held on the Record Date, as more fully described in the Notice of Extraordinary General Meeting & Explanatory Statement.*

The Independent Expert advised that, in its view, the Capital Return is "fair" and "reasonable" to shareholders of Alliance.

A general meeting of Alliance shareholders was held at the offices of HWL Ebsworth, Level 26, 530 Collins Street, Melbourne on Friday, 11 September 2015 at 3pm (AEST). Both resolutions were carried on a show of hands. As a consequence, all conditions precedent in relation to the Sale were fulfilled.

The sale was completed on 18 September 2015 and, as a consequence, a notice of discontinuance of Supreme Court of South Australia proceeding number SCCIVB-14-1480 was filed on the same day.

## ATO Class Ruling Release

On 21 October 2015 (post-reporting), Alliance announced that the Australian Taxation Office (ATO) issued a Class Ruling (CR 2015/81) that confirms the full amount of the distribution represents a Capital Return with no portion deemed to be a dividend from profits. The Class Ruling is consistent with the information previously provided in the Explanatory Statement for the general meeting held on 11 September 2015. The Class Ruling is available at the following link on the ATO website: <https://www.ato.gov.au/law/view/pdf/pbr/cr2015-081.pdf> or the Alliance Resources Ltd website via the Investor Centre – ATO Class Ruling October 2015 tab.

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## **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.

Alliance acquired an option to purchase 100% of the Monardes mining concessions in 2014 and has two exploration concessions to the west of Monardes, 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 eastern anomalous unit and identified a second parallel unit of anomalism some 300m to 500m west of the eastern 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 2.3 km 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.

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

## Option to Purchase Mantos Tenements

On 27 October 2015 (post-reporting), Alliance announced that Alliance (Chile) Pty Ltd (**Alliance**) 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**), and Roland Mountford, located along strike from Alliance's Monardes Project.

The key terms of the option are:

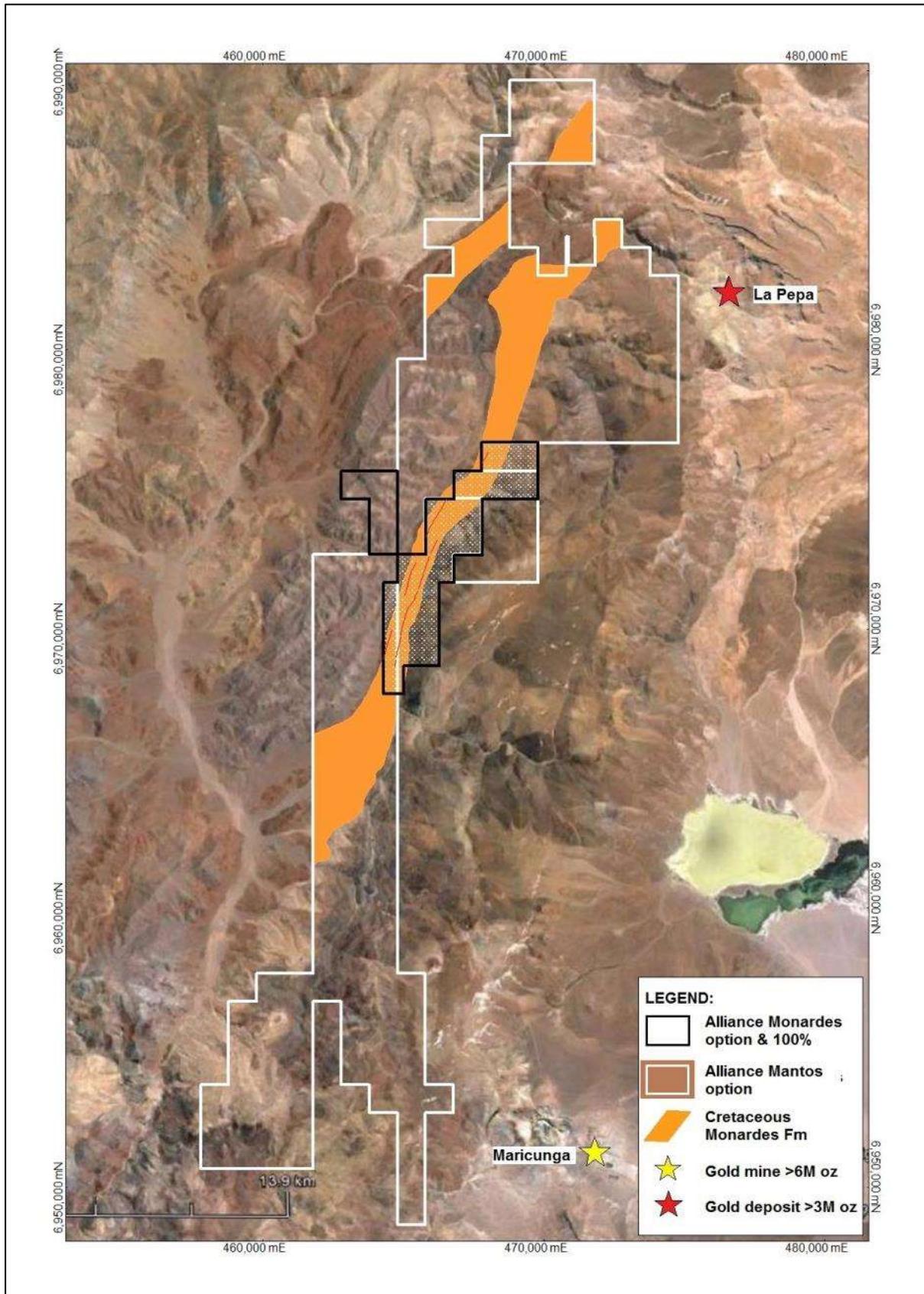
1. Mantos has granted Alliance an option to purchase the Project Tenements for a purchase price of A\$2,500,000 exercisable at any time prior to 31 October, 2016 (**Term**) payable in shares in Alliance Resources Limited (**AGS**) (calculated by reference to VWAP for the 15 trading days after Alliance 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;
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 km<sup>2</sup> to approximately 200 km<sup>2</sup> providing Alliance with a strategic option holding within a major metallogenic province.

The option with Mantos, if exercised, increases the strike length of the prospective Cretaceous Monardes Formation available to Alliance to 22 km. Refer Figure 1.

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

The 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.



**Figure 1: Monardes Project, Chile**

## CORPORATE

The Capital Return of \$0.12 per share was approved at a general meeting of Alliance shareholders on 11 September 2015.

On 12 October 2015 (post-reporting), trading in Alliance shares began on an 'ex Capital return basis'.

The Record Date for the Capital Return was 14 October 2015 and payment is to be processed on 28 October 2015.

Alliance issued 301,173 ordinary shares during the quarter resulting from the exercise of unlisted options with an expiry date of 30 September 2015. A further 16,056,181 ordinary shares were allotted on 9 October 2015 from the exercise of unlisted options at the end of September 2015 (417,173,773 ordinary shares on issue at 9 October 2015).

Alliance has available cash reserves of \$76.3 million as at 30 September 2015.

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
<b>Chile (Alliance (Chile) Pty Ltd)</b>				
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%	
Cinchado 6 & 7	Sierra Cinchado	25km east of Copiapo	100%	
<b>South Australia (Alliance Craton Explorer Pty Ltd)</b>				
EL5017	Four Mile	300km NE of Port Augusta, South Australia	0%	25%
ML6402	Four Mile	300km NE of Port Augusta, South Australia	0%	25%

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](http://www.allianceresources.com.au)

**Steve Johnston**  
Managing Director

### 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.

# 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 September 2015**

### Consolidated statement of cash flows

		Current quarter	Year to date (12 Months)
		\$A'000	\$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(67)	(67)
	(b) development	-	-
	(c) production	(6)	(6)
	(d) administration	(1,975)	(1,975)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	36	36
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	86	86
<b>Net Operating Cash Flows</b>		<b>(1,926)</b>	<b>(1,926)</b>
<b>Cash flows related to investing activities</b>			
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 <sup>(1)</sup>	73,975	73,975
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Transfer to deposit)	-	-
<b>Net investing cash flows</b>		<b>-</b>	<b>-</b>
1.13	<b>Total operating and investing cash flows (carried forward)</b>	<b>72,049</b>	<b>72,049</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>1.13</b>	<b>Total operating and investing cash flows (brought forward)</b>	<b>72,049</b>	<b>72,049</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	2,454	2,454
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Cost of Capital Raising/Prospectus)	-	-
	<b>Net financing cash flows</b>	<b>2,454</b>	<b>2,454</b>
	<b>Net (decrease) increase in cash held</b>	<b>74,503</b>	<b>74,503</b>
1.20	Cash at beginning of quarter/year to date	<b>1,797</b>	<b>1,797</b>
1.21	Exchange rate adjustments to item 1.20	-	-
<b>1.22</b>	<b>Cash at end of quarter</b>	<b>76,300</b>	<b>76,300</b>

**Notes:**

- On 13 July 2015 Alliance Resources Limited (Alliance) announced that it had accepted an offer from Quasar Resources Pty Ltd to purchase Alliance Craton Explorer Pty Ltd's interest in the Four Mile Project for A\$73.975 million. The sale was completed on 18 September 2015. Refer ASX Announcement 18 September 2015 for further details.

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

		<b>Current quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	108
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

+ See chapter 19 for defined terms.

**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
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**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	400
4.2 Development	0
4.3 Production <sup>1</sup>	0
4.4 Administration	700
<b>Total</b>	<b>1,100</b>

Notes:

**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	75,430	927
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details) – Term Deposit	870	870
<b>Total: cash at end of quarter (item 1.22)</b>	<b>76,300</b>	<b>1,797</b>

+ 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	EL5017	Joint Venture interest sold	25%	0%
	ML6402	Joint Venture interest sold	25%	0%
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 <b>Preference +securities</b> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	401,117,592	401,117,592		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	301,173	301,173	15 cents	15 cents
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

		Unlisted Options 0	Unlisted	<b>Exercise price A\$ \$0.15</b>	<b>Expiry date</b> 30 September 2015
7.7	<b>Options</b> <i>(description and conversion factor)</i>				
7.8	Issued during quarter				
7.9	Exercised during quarter	16,357,354 <sup>(2)</sup>	Unlisted	\$0.15	30 September 2015
7.10	Expired during quarter	43,286,756	Unlisted	\$0.15	30 September 2015
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

**Notes:**

- At 30 September 2015 there were 16,056,181 exercised options that were subsequently converted into issued ordinary shares on 9 October 2015.

**Compliance statement**

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



Sign here:

Date: 28 October 2015

**Company Secretary**

Print name:

**BOB TOLLIDAY**

**Notes**

- 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.
- 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.
- 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.
- The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 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.