

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 JUNE 2016

27 July 2016

ASX Code: **AGS**

No. of pages: 11

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 JUNE 2016

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 June 2016 (5 pages)
- Appendix 5B for the period ending 30 June 2016 (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

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QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2016

HIGHLIGHTS

- Nepean South and Gundockerta South tenements in Western Australia granted
 - Review of Nepean South commences for nickel-copper-gold
 - Three tenement applications lodged in New South Wales for gold and base metals
 - Available cash reserves of \$24.7 million (unaudited) at 30 June 2016
 - Conclusion of the unmarketable parcel share sale facility. Payments will be dispatched to the participating shareholders on 29 July 2016
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WESTERN AUSTRALIA

Nepean South Nickel-Copper-Gold Project (Alliance 100%)

Exploration licence 15/1483 (Nepean South) was granted on 1 April 2016.

The project is located 26 km southwest of Coolgardie and captures approximately 14 km of ultramafics interpreted to be the southern extension of the sequence hosting the Nepean nickel (Ni) sulphide mine. The northern tenement boundary is located 900m from the Nepean mine.

The area has been selected on the basis of encouraging Ni intercepts from previous rotary air blast (RAB) drilling.

During the quarter, Alliance commenced a literature review of the existing geological data. The Company intends to conduct further geochemical surveys, review the existing geophysical data, conduct further geophysical surveys, and if warranted, drill testing of targets for massive Ni sulphides.

Gundockerta South Nickel-Copper-Gold Project (Alliance 100%)

Exploration licence 28/2572 was granted on 1 July 2016 (post-reporting).

The project is located 72 km east of Kalgoorlie and captures approximately 10 km of interpreted bedrock ultramafics. The northern tenement boundary is located 2.8 km along strike from the Lake Yindarlgooda Ni sulphide prospect.

The area has been selected on the basis of encouraging nickel and copper anomalism from previous RAB drilling and the presence of cumulate textured ultramafics.

In the western half of the tenement application, CRA Exploration Pty Ltd (CRAE) and Resolute Ltd (E25/84, 1991-97) explored for gold mineralisation associated with the sediment and tuffs within the Yindarlgooda rift. The

margins of the rift were considered highly prospective for gold deposits associated with intrusives and komatiite-hosted Ni sulphide mineralisation. CRAE completed regional stream sediment sampling, soil sampling and RAB and aircore drilling on anomalies (41 holes for 1387m). The best result was 12m at 0.55% Ni from 20m in hole 94GRD014 (6585900mN, 425500mE MGA) adjacent to what CRAE interpreted to be the basal margin of an ultramafic channel. Although this intercept lacks coincident Ni-Cu anomalism, cumulate ultramafic textures have been logged in the CRAE drilling.

Heron Resources Ltd (Heron) (E28/1079, 2003-09) explored for Ni laterite and Ni sulphide mineralisation. Work completed included data compilation, soil geochemistry, limited rock chip geochemistry and 25 reverse circulation drill holes for 1212m.

Alliance plans to review the existing information, conduct a geophysical survey along the ultramafic channel in the vicinity of CRAE drill hole 94GRD014, and if warranted, drill testing of targets for massive Ni sulphides.

In the eastern half of the tenement application, Aruma Resources Ltd (Aruma) (E28/1833, 2009-2012) carried out a Hyvista survey and RAB drilling of 61 holes for 1980m, assaying for gold, copper (Cu) and nickel. The best result was 3m of 0.21% Ni and 0.21% Cu from 11m in hole HPBR023 (6591998mN, 430500mE MGA).

Pioneer Resources Ltd (Pioneer) (E28/2315, 2013-14) carried out a soil geochemical survey of 617 samples using portable XRF analysed and compiled geochemical data of previous explorers. These showed coincident Ni and Cu anomalism over the aeromagnetic highs, with the northern anomaly supporting the encouraging drilling result previously reported by Aruma. Pioneer geologists subsequently carried out field verification of the Ni anomalies and concluded that they were lithologically derived, on a topographic high over an exposed mafic-ultramafic intrusive complex.

Despite there being no recognition of cumulate textured ultramafics by either Aruma in its drilling or Pioneer in its field checking, Alliance considers the coincident Ni and Cu results in the Aruma drill hole to be worthy of further investigation.

Refer to ASX announcement dated 25 November 2015 for further details and competent person's consent.

NEW SOUTH WALES

During the reporting period, Alliance lodged the following exploration licence applications in NSW:

Mt Pleasant Molybdenum-Tungsten-Copper Gold Project (Alliance 100%)

Exploration licence 5277 is located 30 km south of Mudgee and contains the Mt Pleasant porphyry style molybdenum-tungsten occurrence hosted by acid to intermediate volcanics and granite. Mineralisation is stockwork in style over a 3 to 4 km² area.

Alliance has selected the area to assess the potential of the Mt Pleasant prospect and surrounding areas for porphyry-style copper-gold mineralisation.

There has been no drilling at this project since 1983.

Previous exploration programmes indicate a large tonnage, low grade, currently sub-economic, stockwork molybdenum-tungsten occurrence exists at the Mt Pleasant project. Whilst the majority of previous drilling has focused on a 500m x 300m zone (Central Ridge zone), Alliance has noted from a review of the CSR drilling results

that locally high copper grades were intersected in some of the earlier drilling in the area marginal to the main molybdenum-tungsten occurrence. These intersections have not received adequate investigation by previous explorers.

Proposed work includes reviewing the existing data with emphasis on hydrothermal alteration assemblages and geological/geochemical vectoring for possible extensions to known mineralisation or new discovery beneath cover and at depth; non-destructive re-sampling of available drill cores (portable XRF and PIMA tools); further geophysics and diamond drilling.

Exploration licence 5293 adjoins EL 5277 and was applied for to pick up additional ground with potential to host porphyry copper-gold in the vicinity of the Mt Pleasant molybdenum prospect.

Refer to ASX announcement dated 3 May 2016 for further details and competent person's consent.

Garema Gold Project (Alliance 100%)

Exploration licence 5294 is located 25 km south of Forbes and captures approximately 20 km of interpreted Ordovician sediments containing the historic Pinnacles Mining Centre, where a number of mines were worked between 1883 and 1936 with total recorded production of >158kg of gold hosted by quartz veins in metasediments and syenites over a strike length of about 7km. The main gold mines were Ironbarks reef (76kg), Croakers reef (14kg), Soldier's reef (5.3kg) and Wheogo Mountain reef (3kg).

Previous exploration defined a 7km by 500m +10 ppb gold in soil anomaly over this district. Gold-arsenic-mercury mineralisation is accompanied by sericite-pyrite alteration.

The extrapolation of the SW trending Parkes Fault Zone (PFZ) borders the tenement in the west. The PFZ is associated with numerous significant gold deposits and polymetallic gold occurrences over a strike length of 100 km between Forbes and Tomingley and up to 10 km east of the PFZ.

Alliance has selected the area on the basis of its structural position within the PFZ and the existing gold occurrences, which the Company considers have not been thoroughly test at depth, along strike, or below Quaternary cover.

Proposed work includes reviewing the existing data generated by previous explorers, a first phase of geological mapping, geochemical sampling and geophysical surveying at depth, or along strike from, existing mineral occurrences and a second phase of reverse circulation and/or diamond coring of targets generated in the first phase.

Refer to ASX announcement dated 7 June 2016 for further details and competent person's consent.

Bogan Gate West Gold-Base Metals Project (Alliance 100%)

Post-reporting, Alliance lodged application for exploration licence 5307, located approximately 45 km west of Parkes in New South Wales. The tenement is situated on the western limb of the Tullamore Syncline, a north-south trending Devonian rift that separates the Project area from the Goonumbla Volcanics which host the Northparkes copper-gold deposits to the northeast.

The Raggatt Volcanics occur in the northern portion of the tenement area and are considered as possible outliers to the Goonumbla Volcanics. The Raggatt Volcanics comprises a trachyandesite succession of flows, pyroclastics, epiclastic sediments and impure limestone horizons and display a similar magnetic signature to the Goonumbla Volcanics, which hosts several skarn type poly-metallic occurrences.

The area covered by the tenement contains several historic mineral occurrences, including the Cookeys Plains copper-barite occurrence in the west of the Project area hosted by rhyolitic porphyry; the Bakers copper-iron prospect & adjacent Botfield lead-zinc anomaly in the northeast of the Project area hosted by Raggatt Volcanics and Todds Working in the north of the Project area associated with iron-enriched sandstones of the Cookeys Plains Formation and which are anomalous in zinc.

Alliance has selected the area on the basis of the Project's potential for a number of mineral deposit types including skarn hosted poly-metallic, epithermal gold, porphyry related copper-gold and rare earths associated with the peralkaline Ganantagi granite in the west of the Project area.

There has been no substantive fieldwork on this Project since Duval Mining in 1981-82.

Proposed work includes reviewing and compiling the existing data generated by previous explorers, geological mapping & geochemistry (portable XRF and conventional); geophysical survey(s), e.g. ground magnetics, induced polarisation and drilling of targets generated by the geochemistry and geophysics.

Refer to ASX announcement dated 13 July 2016 for further details and competent person's consent.

BUSINESS DEVELOPMENT

During the quarter, the Company has been reviewing acquisition, farm-in and ground acquisition opportunities in New South Wales, South Australia, Western Australia, Queensland and Victoria. This work is continuing.

CHILE

During the previous quarter, Alliance announced the surrender of its Chilean projects and its intention not to exercise its option to purchase concessions owned by Mantos Exploration Pty Ltd and Roland Mountford. The Company must keep the Mantos-Mountford concessions in good standing until October 2016.

TENEMENTS

Tenement	Name	Location	Nature of interest	Beneficial percentage acquired or disposed of during the quarter	Beneficial percentage held at end of quarter
Western Australia					
E15/1483	Nepean South	26 km southwest of Coolgardie	Granted 01/04/16	0%	100%
E28/2572	Gundockerta Sth	72 km east of Kalgoorlie	Application	0%	100%
New South Wales					
EL5277	Mt Pleasant	30 km south of Mudgee	Application	0%	100%
EL5293	Mt Pleasant SE	30 km south of Mudgee	Application	0%	100%
EL5294	Garema	25 km southwest of Forbes	Application	0%	100%
EL5307	Bogan Gate West	45 km west of Parkes	Application ⁽¹⁾	0%	100%
Chile					
Mantos (Rosa 1-7; Rossana 1-7; Paulina 1-7, 3b; Wilma 1-13; Fran 1-16; Margarita 1-15; Susana 3,4,10,11; Juliet 1-4, 7, 8; Fran 1 Al Diez)	Monardes Basin (Mantos)	95km east of Copiapo, Chile	Option to purchase 100%. Alliance has previously announced it will not exercise the option	0%	0%

1. Post-reporting

CORPORATE

Alliance has available cash reserves of \$24.7 million (unaudited) at 30 June 2016 and has 417,173,773 ordinary shares on issue.

Alliance holds 8,800,000 ordinary shares in A1 Consolidated Gold Limited.

On 22 July 2016, Alliance announced details of the conclusion of the unmarketable parcel share sale facility. Proceeds from the sale have now been received and relevant payments will be dispatched to the participating shareholders on 29 July 2016.

Steve Johnston
Managing Director

Alliance Resources Ltd has projects in Western Australia for nickel, copper and gold and in New South Wales for gold, base metals, molybdenum and tungsten. 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 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 an officer 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 Competent Persons 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 June 2016

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	(92)	(1,110)
	(b) development	-	-
	(c) production	-	(6)
	(d) administration	(265)	(3,117)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	178	640
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	(7)	232
Net Operating Cash Flows		(186)	(3,361)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(200)
	(b) equity investments	-	-
	(c) other fixed assets	-	(38)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments ⁽¹⁾	-	73,975
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Listed investment return)	-	121
Net investing cash flows		-	73,858
1.13	Total operating and investing cash flows (carried forward)	(186)	70,497

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(186)	70,497
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	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 (Capital Distribution)	-	(50,061)
	Net financing cash flows	-	(47,607)
	Net (decrease) increase in cash held	(186)	22,890
1.20	Cash at beginning of quarter/year to date	24,873	1,797
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	24,687	24,687

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	157
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-imburements 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

NIL

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	110
4.2 Development	0
4.3 Production	0
4.4 Administration	240
Total	350

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	24,687	24,873
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other – Term Deposit/Performance Bonds	0	0
Total: cash at end of quarter (item 1.22)	24,687	24,873

+ 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	EL15/1483, WA EL5277, NSW EL5293, NSW EL5294, NSW EL5307, NSW	Granted 1/04/16 Application Application Application Application	0% 100% 100% 100% 100%

Refer P.4 of Quarterly (Activities) Report for Period Ended 30 June 2016 for further details.

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	+Ordinary securities	417,173,773	417,173,773	
7.4	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			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	Unlisted Options		Exercise price A\$	Expiry date
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Notes:

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

Sign here:



Date: 27 July 2016

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.