

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2016

28 October 2016

ASX Code: **AGS**

No. of pages: 15

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 SEPTEMBER 2016

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 September 2016 (9 pages)
- Appendix 5B for the period ending 30 September 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

28 October 2016

ASX Code: AGS

QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

HIGHLIGHTS

- Alliance Resources Limited (Alliance) has entered into an agreement with Tyranna Resources Limited (Tyranna) to acquire 51% equity in the Wilcherry Project in the mineral rich Gawler Craton, South Australia for \$2 million
 - Three priority prospects for gold and tin
 - Project also prospective for copper, zinc, lead, silver, iron, bismuth, tungsten and uranium
 - Substantial database of geophysics, geochemistry and drilling will assist with target generation
 - Alliance has acquired 15.73% of Tyranna's issued share capital and may acquire or subscribe for shares up to 19.9% of Tyranna
 - Post-reporting, Alliance has commenced an orientation auger soil survey at Nepean South
 - Alliance announced that it intends to make a return of capital of 2 cents for each Share held on the relevant Record Date (anticipated to be 23 November 2016), subject to a further Class Ruling by the Australian Taxation Office and approval by shareholders at the Annual General Meeting to be held on 18 November 2016
 - Available cash reserves of \$23 million (unaudited) at 30 September 2016
-

On 23 September 2016, Alliance announced that it had reached agreement with Tyranna to acquire 51% equity in the Wilcherry Project (Project), located 100 km northwest of Whyalla, South Australia for \$2 million.

The agreement gives Alliance the opportunity to secure an advanced project in a mineral rich province and is well funded to explore the Project. Tyranna wishes to retain equity in the Project, reflecting its view of the potential of the Project whilst allowing it to focus on its Jumbuck Gold Project (Jumbuck) discovery situated in the north of the Gawler Craton.

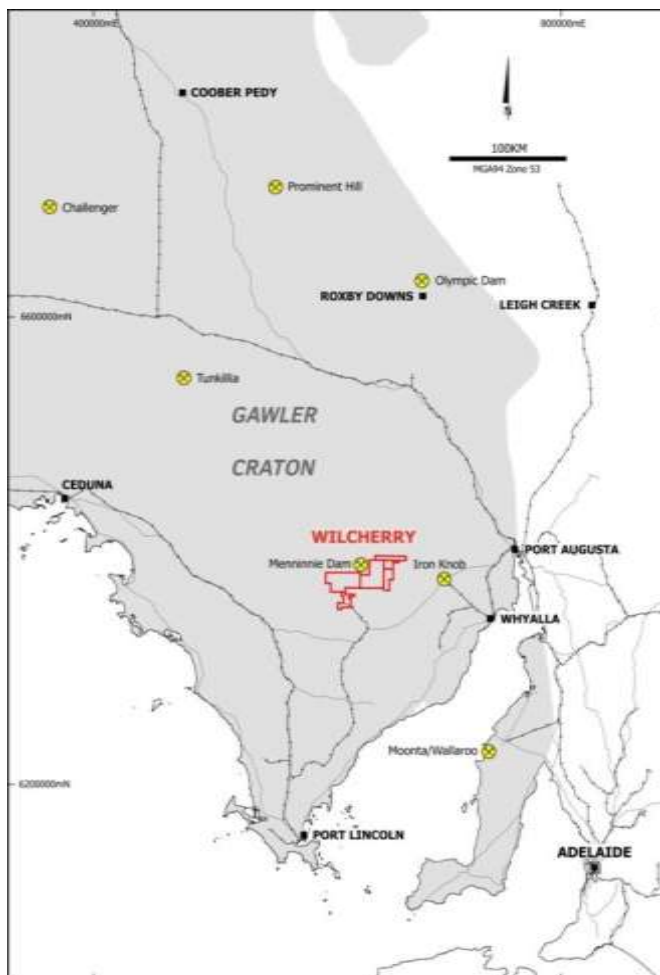
Alliance may acquire or subscribe for shares up to 19.9% of Tyranna's issued capital, principally to gain exposure to Tyranna's Jumbuck Gold Project discovery located in the north of the Gawler Craton approximately 35 km from the +1Moz high grade Challenger Gold Mine. The Directors of Alliance consider Jumbuck has the potential to be a significant gold discovery and view the subscription in Tyranna as a key investment. At 21 October 2016, Alliance announced it had acquired 15.73% of Tyranna.

WILCHERRY PROJECT, SOUTH AUSTRALIA

The Project is located within the southern part of the Gawler Craton in the northern Eyre Peninsula and comprises six exploration licences covering 1,074 km².

The Project is prospective for a range of deposit styles including skarn, intrusion-related, sediment-hosted, shear-hosted and iron oxide copper-gold that may contain economic concentration of a variety of commodities, including gold, tin, copper, zinc, lead, silver, iron, bismuth, tungsten, and uranium.

Alliance intends to initially focus on exploration for gold and tin.



Wilcherry Project location, South Australia

The main terms of the agreement are:

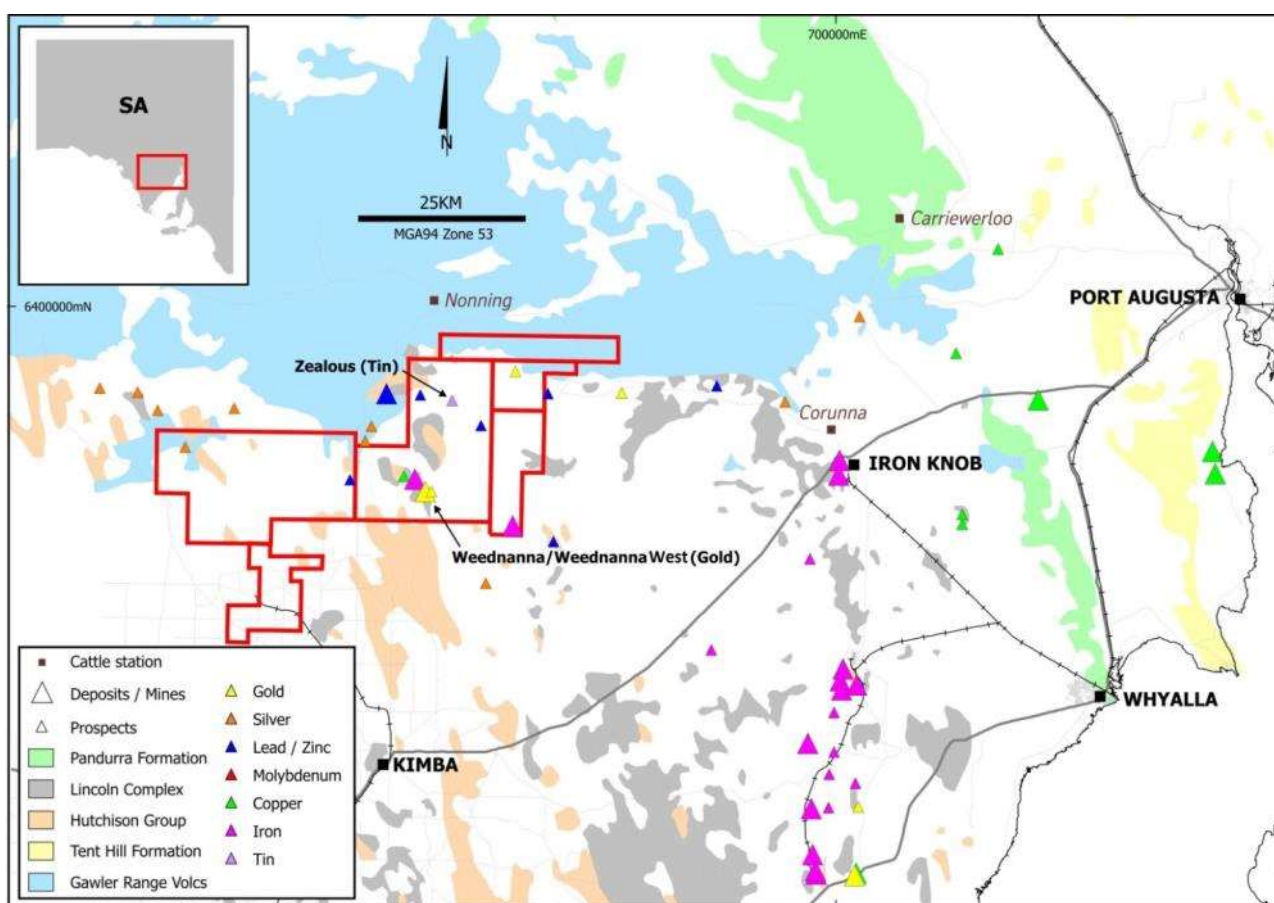
- Alliance may acquire a 51% interest in the Project tenements, property and data for \$2 million;
- Thereafter, both parties to contribute to expenditure in accordance with their equity in the Project, or dilute using a standard dilution formula;
- Alliance to determine the exploration work to be undertaken on the Project tenements and ensure they remain in good standing until it serves notice that it intends to proceed to mining by delivering to Tyranna a feasibility study (Decision to Mine), and
- Should a party's equity fall to 10% or less, the parties agree to negotiate in good faith for the majority party to buy-out the minority party's interest in the Project.

On 10 October 2016, Alliance announced that it has completed its due diligence and has formally notified Tyranna that it will proceed with the acquisition of 51% equity in the Project.

On 21 October 2016, Tyranna announced that it had received \$2 million from Alliance for the sale of 51% equity in the Project. The transfer documents have been lodged with the Department of State Development.

Previous Exploration

The Project area has been explored since the 1970's by companies including Pan Continental Mining, Asarco and Marumba Minerals for uranium and Broken Hill Type base metals associated with the Paleoproterozoic Hutchison Group metasediments. This resulted in the discovery of the Menninnie Dam lead-zinc-silver deposit (not part of the Project) and the Telephone Dam lead-zinc-silver occurrence. These base metal concentrations occur within calc-silicates, marbles and banded iron formations (BIF's) of the Middleback Subgroup. Research by later explorers concluded that the mineralisation was contemporaneous with intrusive rhyolites of identical age to the Gawler Range Volcanics. The BIF sequences of the Hutchison Group also include the high grade hematite deposits of the Middleback Ranges.



Wilcherry Project - prospect locations

During the 1980's The Shell Company of Australia and WMC continued to explore the area for lead and zinc. Shell (later Acacia) in joint venture with Aberfoyle then refocussed exploration onto copper and gold utilising calcrete sampling to identify and prioritise target areas for drill testing.

In 2002, Aquila Resources acquired the Project tenements to explore for IOCG deposits similar to Olympic Dam and in 2006, Trafford Resources Ltd (Trafford), now a wholly owned subsidiary of Tyranna, acquired the Project tenements from Aquila.

Trafford and Tyranna (then known as IronClad Mining Limited (IronClad)) under previous management made a substantial investment on the Project, including but not limited to, defining Direct Shipping (iron) Ore (DSO) in magnetite skarns, BIFs and near surface iron oxide deposits. Trafford's established **Mineral Resources totalled**

224 Mt @ 28.8% iron in seven deposits, with 2.9 Mt @ 55.5% iron being either DSO or Dry Magnetic Separation product (source: Trafford Annual Report 2014).

In 2012, a 10 hole drilling program by IronClad, designed to test an outcrop of high grade hematite at the **Zealous prospect**, 13km NE of Wilcherry Hill, intersected high grade tin (cassiterite) hosted by a magnetite skarn which has been weathered to goethite and limonite. The discovery drill hole (12ZLRC007) returned **7m @ 3.28 % Sn from 52m**. The host rocks are Palaeoproterozoic sediments adjacent to a granite footwall.

The discovery of high grade tin in this region potentially represents a new and significant tin province in South Australia.

Significant tin (Sn) intercepts to date from Zealous prospect:

Hole ID	Northing (GDA04)	Easting (GDA94)	Azimuth	Dip	Depth From (m)	Depth To (m)	Width (m)	Sn (%)
12ZLRC007	6386044	642600	90	-60	42	62	20	1.29
	incl.				52	59	7	3.28
	incl.				55	57	2	6.05
13ZLDH001	6386038	642596	70	-60	119	131.3	12.3	1.10
13ZLRC001	6386114	642528	80	-60	128	138	10	1.23
	incl.				128	133	5	2.29
14ZLRC005	6386117	642548	80	-60	31	78	47	0.32

Refer to Tyranna ASX Announcement dated 2 August 2016 for further details.

The other major prospects are **Weednanna** and **Weednanna West**, 3 km SE of Wilcherry Hill.

In 1997 Acacia, identified a strong gold-in-calcrete anomaly at Weednanna which is coincident with a prominent NNW-trending magnetic anomaly. Successive drilling campaigns identified gold mineralisation associated with skarn alteration and brecciation in the contact aureole of the adjacent granite. Weednanna is now known to be a magnetite breccia in carbonate altered rocks forming a skarn near the contact with a granite intrusion and containing elevated gold, bismuth, tin, uranium, lead and zinc. Weednanna West is a calc-silicate skarn defined by a NW-trending IP anomaly and containing significant gold.

Significant gold (Au) intercepts to date from Weednanna and Weednanna West prospects:

Hole ID	Northing (GDA04)	Easting (GDA94)	Azimuth	Dip	Depth From (m)	Depth To (m)	Width (m)	Au (g/t)
12WDDH001	6372417	638311	0	-90	63	85	22	5.25
06WDRC002	6372421	638353	270	-60	56	88	32	3.44
06WDRC007	6372422	638276	90	-60	52	88	36	5.71
	incl.				68	80	12	11.37
98WDDH001	6372470	638712	270	-55	7	16	9	24.60
98WDDH002	6372280	638755	270	-55	125	132	7	18.50

Refer to Trafford ASX Announcement dated 17 April 2012 for further details.

Project Summary

The Wilcherry Project area is prospective for economic concentrations of gold, tin, copper, zinc, lead, silver, iron, bismuth, tungsten and uranium in a variety of mineralisation styles.

The area is predominantly overlain by a shallow veneer of transported cover that has prevented exploration by early prospectors. Drilling by modern explorers has identified significant mineralised systems hosted within Palaeoproterozoic calcareous and iron-rich metasediments which are intruded by Hiltaba Suite Granites that are responsible for widespread gold, uranium and base metal mineralisation in the Gawler Craton. The recent discovery of high grade tin, which had previously not been recognised in the district, suggests a more complex mineralised history than previously thought.

There are twenty eight (28) existing exploration targets within the Project area. The three highest priority exploration targets at the Project are currently the Weednanna and Weednanna West gold prospects and the Zealous tin prospect.

Planned Work

Initial exploration work will include reviewing the existing database of surface geochemistry (>9,000 samples), geophysics and drilling (>3000 holes); re-analysing historic Fe-ore drilling pulps for economic concentrations of other elements by using portable XRF analyses to prioritise samples prior to ICP-MS analyses and assaying and may include VTEM or similar airborne geophysical survey over Project area to test for conductors associated with massive sulphide (tin, copper-gold, silver-lead-zinc) deposits; 3D inversion modelling and interpretation of aeromagnetic data; infill ground gravity surveys, 3D inversion modelling and interpretation; re-logging of regional drill hole geology and alteration; integration of all data in order to identify and rank conceptual exploration target areas and drill testing of priority targets.

WESTERN AUSTRALIA

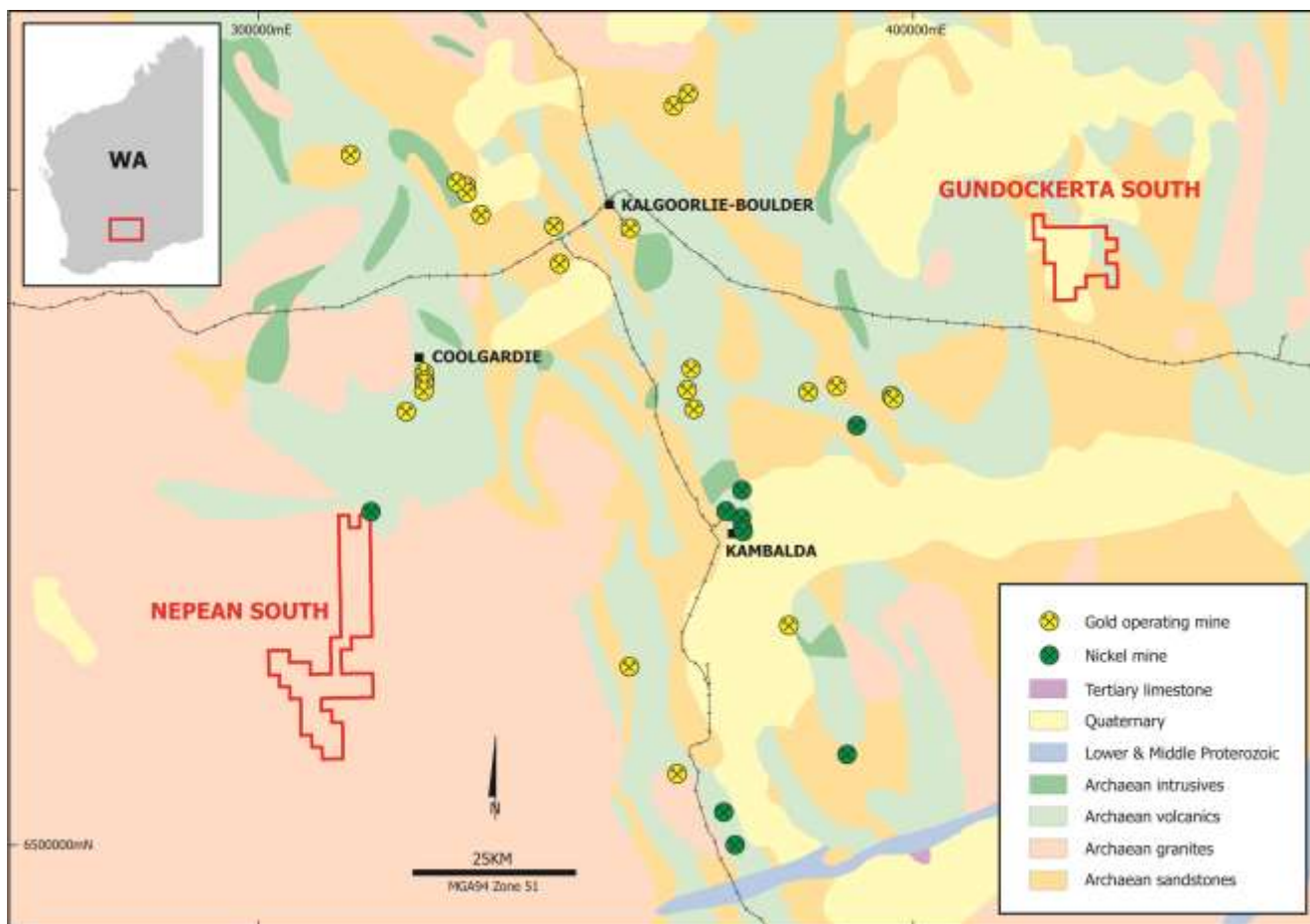
Nepean South Nickel-Copper-Gold Project (Alliance 100%)

Post-reporting, Alliance announced the commencement of exploration activities at its Nepean South project in Western Australia's Eastern Goldfields.

The project is located 26 km southwest of Coolgardie and captures approximately 14 km strike length of ultramafics interpreted to be the southern extension of the sequence hosting the Nepean Nickel Mine (historic production: 1.1 Mt @ 3.0 % Ni for 32,200 t Ni metal).

Following a detailed literature review of the existing geological data Alliance has determined that the area immediately to the south of the Nepean Mine is the highest priority target within the Project and is prospective for both komatiitic-hosted nickel sulphide deposits and greenstone-hosted orogenic gold deposits.

Alliance has commenced a 156 sample orientation auger soil survey on three 400 metre spaced lines in areas of interpreted shallow transported cover. The objective of this orientation survey is to determine the effectiveness of using auger soil sampling as an exploration tool within the target area. Auger soil samples have been collected at 50 metre spaced intervals across areas of known ultramafic rock and will be analysed for gold and base metals.



Western Australian Project locations

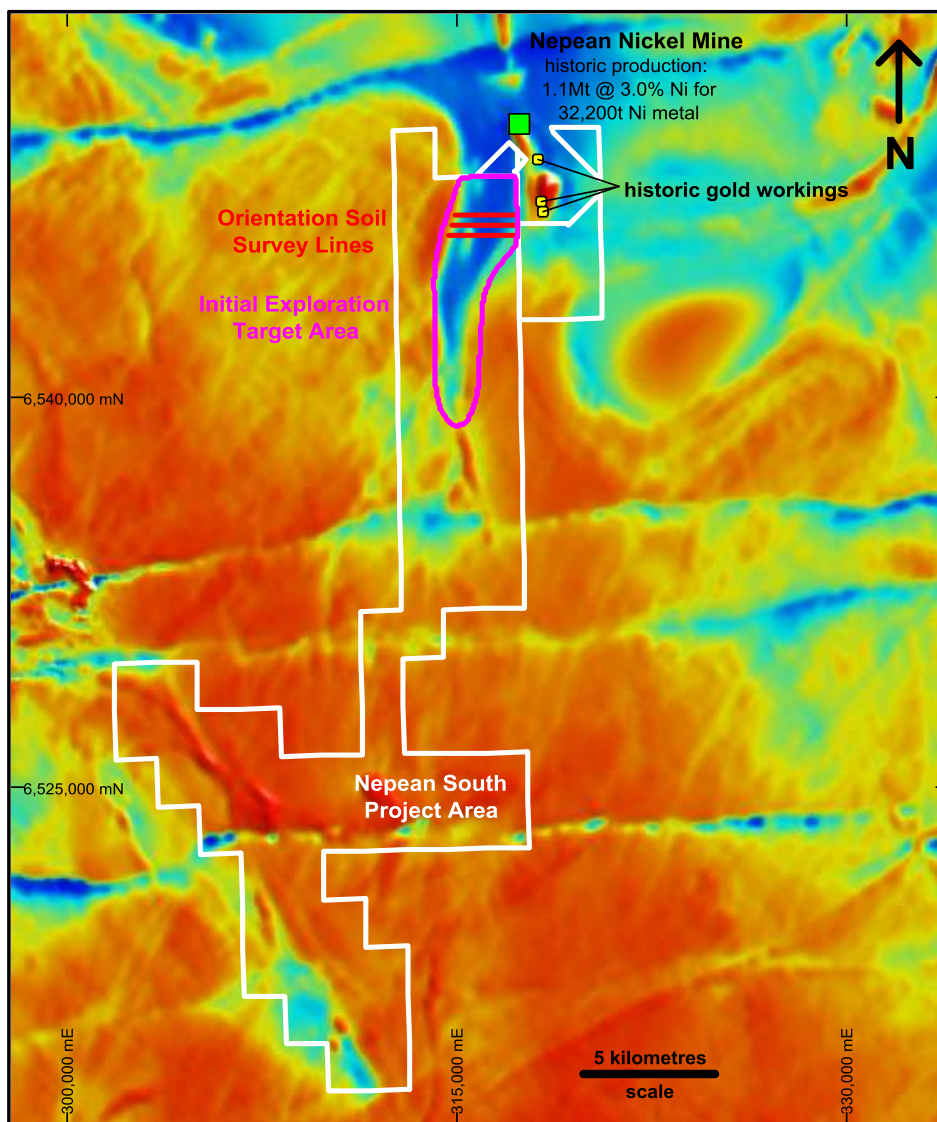
The results of this orientation survey are expected in the coming weeks and, if successful, will lead into several phases of extensional and infill auger soil sampling between now and year end with the objective of defining target areas for drill testing in early 2017.

If the orientation auger soil survey is unsuccessful, Alliance will continue exploration of this priority target area by using a combination of electromagnetic surveys and RAB and/or aircore drilling.

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

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.

A detailed literature review of historic exploration completed within the project area continued during the month.



Nepean South, showing priority exploration target area and orientation soil survey lines on background aeromagnetic image.

NEW SOUTH WALES

During the quarter, detailed literature reviews of historic work completed within the Company's exploration licence applications continued.

CHILE

During the March 2016 quarter, Alliance announced its intention not to exercise its option to purchase the Chilean concessions owned by Mantos Exploration Pty Ltd and Roland Mountford. The Company must keep the Mantos-Mountford concessions in good standing until 31 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
South Australia					
EL4748	Mount Miccollo	100 km W of Port Augusta	Granted	0%	0% (Subject to transfer in Oct 2016)
EL4870	Pinkwillinie	140 km W of Whyalla	Granted	0%	0% (Subject to transfer in Oct 2016)
EL5164	Eurila Dam	80 km W of Whyalla	Granted	0%	0% (Subject to transfer in Oct 2016)
EL5299	Wicherry Hill	45 km N of Kimba	Granted	0%	0% (Subject to transfer in Oct 2016)
EL5470	Uno/Valley Dam	105 km WSW of Port Augusta	Granted	0%	0% (Subject to transfer in Oct 2016)
EL5590	Peterlumbo	140 km W of Port Augusta	Granted	0%	0% (Subject to transfer in Oct 2016)
Western Australia					
E15/1483	Nepean South	26 km southwest of Coolgardie	Granted	0%	100%
E15/1543	Nepean SW	26 km southwest of Coolgardie	Application	100%	100%
P15/6072	Nepean SW	26 km southwest of Coolgardie	Application	100%	100%
E28/2572	Gundockerta Sth	72 km east of Kalgoorlie	Granted	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	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	Alliance is not exercising its option to purchase and its obligations in respect of the tenements will cease on 31/10/16.	0%	0%

CORPORATE

Alliance has available cash reserves of \$23 million (unaudited) at 30 September 2016 and has 417,173,773 ordinary shares on issue.

Alliance holds 11,000,000 ordinary shares in A1 Consolidated Gold Limited and 62,670,556 ordinary shares in Tyranna Resources Limited.

On 22 July 2016, Alliance announced details of the conclusion of the unmarketable parcel share sale facility.

Capital Return

On 16 September 2016, Alliance announced that it intends to make a return of capital of 2 cents for each Share held on the relevant Record Date (anticipated to be 23 November 2016), subject to:

- A further Class Ruling by the Australian Taxation Office (ATO) confirming that the full amount of the proposed distribution represents a Capital Return, with no portion deemed to be a dividend from profits. The Company considers that there is no reasonable basis upon which the Commissioner of Taxation could seek to deem the Capital Return to be an unfranked dividend. The Company will apply to the ATO for a Class Ruling seeking confirmation of the tax treatment for Australian resident shareholders of the Capital Return who hold their Shares on capital account, which will include consideration of whether the ATO will make a determination to deem all or part of the Capital Return to be an unfranked dividend. The Class Ruling is expected to be issued shortly after the Annual General Meeting if the shareholders resolve to approve the Capital Return; and
- Approval by shareholders at the Annual General Meeting to be held on 18 November 2016

The Company recently received tax advice from its advisors that it will be able to utilise its carry forward tax losses to offset the tax gain made on the sale of its interest in the Four Mile Uranium Project as it satisfied the company loss recoupment test at 30 June 2016, being the continuity of ownership test.

The purpose of the proposed Capital Return (of approximately \$8,343,475) is to return to shareholders approximately one third of the Company's cash reserves, while leaving sufficient cash for exploration working capital and acquisition opportunities in the resource sector.

Further details may be found in the Notice of Annual General Meeting and Explanatory Statement which was lodged with ASX on 17 October 2016.

Steve Johnston
Managing Director

Alliance Resources Ltd has projects in Western Australia, New South Wales and South Australia for gold and base metals. 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 and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ALLIANCE RESOURCES LIMITED

ABN

38 063 293 336

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(170)	(170)
(b) development		
(c) production		
(d) staff costs	(222)	(222)
(e) administration and corporate costs	(226)	(226)
1.3 Dividends received (see note 3)		
1.4 Interest received	163	163
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)	3	3
1.9 Net cash from / (used in) operating activities	(452)	(452)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments	(1,219)	(1,219)
(d) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(1,219)	(1,219)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	(24)	(24)
3.10	Net cash from / (used in) financing activities	(24)	(24)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	24,687	24,687
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(452)	(452)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,219)	(1,219)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(24)	(24)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	22,992	22,992

Mining exploration entity and oil and gas exploration entity quarterly report

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	22,992	24,687
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	22,992	24,687

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	222
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	NIL
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

NIL

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	200
9.2 Development	
9.3 Production	
9.4 Staff costs	104
9.5 Administration and corporate costs	131
9.6 Other (provide details if material)	
9.6.1 Investment in Listed Entity (approx. \$2m) Acquisition of 51% of Wilcherry Project (\$2m)	4,000
9.6.2 Proposed Capital Return incl. costs (Subject to Shareholder Approval)	8,400
9.7 Total estimated cash outflows	12,835

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased	E28/2572, WA	Granted 1 July 2016	0%	100%
	E15/1543, WA	Application	0%	0%
	P15/6072, WA	Application	0%	0%

