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## CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING

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On behalf of the Board of Directors, I would like to welcome you to the Alliance Resources Ltd Annual General Meeting for 2016.

This been a year of great change for our company as we have reverted to being an explorer for minerals and metals, and have now become the majority partner in a flagship project.

In this address, I will outline some of the changes that your company has undertaken, where we are going, and dispel some of the myths about the 4 Mile settlement.

The general economic climate has been volatile this year, although we have seen resurgence in the price of gold and base metals. Having a large cash balance at the beginning of the year, we resolved to search for and acquire or farm in to a flagship asset. This has taken time, as we instructed our MD, Steve Johnston, to hasten slowly with the search, not just accept any asset to gain new projects – we wanted a flagship asset with upside potential. Your company has analysed dozens of opportunities and finally settled upon the Wilcherry Project. I will talk more about this flagship project later.

Last year, we saw the sale of our interests in 4 Mile Uranium for approximately \$74 million and after seeking a tax ruling and shareholder approval, we returned approximately \$50 million to shareholders in October 2015. Our company has had to retain the balance of funds until the end of the tax year, June 2016, until it could verify that the continuity of ownership test was passed, and a further return of capital to shareholders could be contemplated rather than funds being used to pay any potential tax that might have been assessed had we failed the test. After the date of 30 June passed, your directors met with its accountants and consultants, verified that the continuity of ownership test was passed, and determined to make a further capital return and accordingly that a further tax class ruling would be required.

As a note, I was advised that if I, as the largest shareholder, had disposed of my shareholding, that the continuity of ownership may not have been passed, and the company was likely to have to pay tax. I did not sell any Alliance shares in the year. Your directors have resolved that your Company can make a further 2c per share capital return, leaving sufficient funds available for exploration and working capital. The tax class ruling is being prepared and is anticipated to be issued provided the shareholder resolution approving the capital return is passed.

Prior to the end of the financial year, the board restructured and Mr John Dunlop retired from the Board. The Company, Board and Management wishes to express their appreciation for the many years of dedicated work by Mr Dunlop.

At the same time, in order to save costs until an appropriate flagship project was found, all directors took substantial salary decreases and the secretarial and administrative support company operated by Gandel Metals Pty Ltd took a substantial fee decrease. These fees will be reassessed in January to ensure they reflect commercial terms.

To the extent I am permitted, I would like to address the 4 Mile litigation and the ensuing settlement secured by your company. A few shareholders that purchased Alliance shares at higher prices wished for a higher price to be achieved upon the sale of the company's interest which, due to dilution, had diminished from 25% to approximately 20%. There are still rumblings on social media that the asset was worth more and that the company should have fought on. I have several things to say about this.

Firstly, all directors believed that the price achieved for the settlement was fair and reasonable in the circumstances.

Secondly, if the Board had not accepted that offer, it is most likely that the cash calls would have continued and we would have been forced to dilute further. It is my belief that, ultimately, our company could have run out of money and been forced into administration or worse, liquidation, as I believe that while the litigation continued it would not have been able to raise funds to fight on.

In that case, there would be no 12c return, no 2c return, no flagship project and no future.

As a Director of the Company, I was the only major shareholder to put money in to support the last rights issue to enable the company to fight on and ultimately secure the settlement.

Thirdly, it is interesting to note that the settlement deal was done at a time that the spot uranium price was \$36 per pound and in recent times it has dipped below \$20 a pound. The economics look a little different now.

As a final note on the subject of 4 Mile, I would also like to thank John Dunlop, Tony Lethlean, Steve Johnston, Bob Tolliday, Andrew Bowden and Ana Carapina for the years of dedicated work and their fierce determination to achieve an appropriate return for shareholders. It would have been far easier and less stressful for directors and management to quit their roles and move on to other pastures, but we all sought the best result for our shareholders with the highest of integrity, and in my opinion the team should be congratulated for being persistent and not giving up.

That being said the settlement has been reached, we have moved on and we wish our former partners success in South Australia.

I would now like to move on to where we are and where we are going.

We have recently welcomed on board a number of savvy funds that identified the disconnect between cash held by the company and its market cap. These funds are smart operators who recognise opportunity as they step in to look after their own shareholders. Assuming the resolution is passed today, they, as Alliance shareholders, will be receiving the benefit of that disconnect between the market cap and cash held, the 2c per share capital return plus the upside of discovery in a new tenement package and investments.

Your company has finally located a flagship opportunity in South Australia. We have looked at dozens of projects and finally decided that the opportunity presented by Tyranna Resources was worth pursuing. In Tyranna's former life, Trafford Resources and Ironclad Resources spent in excess of \$55 million drilling magnetite iron minerals resources at Wilcherry. Your company has acquired a majority interest in that tenement package of a thousand square kilometres for \$2 million. We believe the Weednanna gold prospect is exciting and requires more work, as does the tin prospect at Zealous. The tenements have potential for a number of metals and we have now assembled an exploration team capable of unlocking that potential.

We are in the process of establishing a systematic exploration program for this region – not simply rushing in to drill – and we will explore the tenements utilising the most up-to-date exploration techniques. We will be flying the tenements with a new technology called Xcite EM, which has the potential to identify conductive material up to 300m deep at a substantially cheaper cost than existing VTEM systems. I am excited about our prospects and look forward to bringing results to shareholders.

In addition, your company considers there is potential for a significant gold discovery at Jumbuck, and as a result has purchased approximately 18% of Tyranna Resources, which holds tenements that surround the million-ounce Challenger goldmine. Recent drilling at Jumbuck has returned material gold results, and we look forward to more good results. I'm delighted to advise that Alliance has the right to appoint a director to the Tyranna board.

In summary, a lot has changed at Alliance. We are focusing on our strengths and are back into exploration and delivering results. I look forward to the coming year and to discovering ore bodies which will benefit South Australia, our shareholders, and other stakeholders.

**Ian Gandel**  
Chairman

## **About Alliance Resources**

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).