

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 JUNE 2018

27 July 2018

ASX Code: **AGS**

No. of pages: 13

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 JUNE 2018

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ended 30 June 2018 (7 pages)
- Appendix 5B for the period ended 30 June 2018 (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 2018

HIGHLIGHTS

WILCHERRY PROJECT JOINT VENTURE

- Alliance increases its interest in the Wilcherry Project Joint Venture Exploration Area to 75.01%
- Nine additional zones of gold mineralisation (shoots) have been 3D modelled ahead of the maiden Weednanna mineral resource estimate based on gold intercepts in the historical drilling database, including the following >50 g/t-m Au gold intercepts:
 - **9m @ 25.1 g/t Au from 7m in 98WDDH001, incl. 4m @ 53.9 g/t Au from 10m**
 - **7m @ 21.2 g/t Au from 125m in 98WDDH002**
 - **13m @ 8.0 g/t Au from 88m in 18WDRC006, incl. 3m @ 29.6 g/t Au from 98m**

Thirteen gold shoots have been identified and all are unconstrained by drilling in at least one direction and have the potential to increase in size with further drilling

- A major quartz vein up to 20 metres thick has been identified in the immediate hangingwall to gold mineralisation at Weednanna Shoot 1, including:
 - **48m @ 2.0 g/t Au from 54m in 00WDRC072, incl. 7m @ 5.4 g/t Au from 69m and 2m @ 16.0 g/t Au from 98m**
- Preliminary assessment of regional gold potential within trucking distance to Weednanna indicates historic intercepts >1 g/t gold, including:
 - **5m @ 2.46 g/t gold from 159m in 08MAW008, incl. 3m @ 3.30 g/t gold from 161m (Mawson)**
 - **1m @ 4.09 g/t gold from 14m in 99UDSR029 (Ultima Dam South)**

Gold mineralisation at Mawson is reported over 1,500m and is open to the north, up-dip and at depth

- Fourth phase of RC drilling returned high-grade gold results from **Weednanna Shoots 4 and 5** including:
 - **16m @ 3.2 g/t Au from 84m in 18WDRC003 (Shoot 4)**
 - **12m @ 10.2 g/t Au from 92m in 18WDRC005, incl. 4m @ 28.1 g/t Au from 96m (Shoot 4)**
 - **4m @ 12.4 g/t Au from 52m in 18WDRC006 (Shoot 4)**
 - **4m @ 11.6 g/t Au from 76m in 18WDRC020 (Shoot 4)**
 - **8m @ 2.2 g/t Au from 164m in 18WDRC016 (Shoot 5)**

- Diamond drilling of regional EM targets for base metals continued

CORPORATE

- Cash reserves of \$5.3 million at 30 June 2018

WILCHERRY PROJECT JOINT VENTURE, SOUTH AUSTRALIA

Alliance Resources Limited's wholly owned subsidiary Alliance Craton Explorer Pty Ltd increased its interest in the Wilcherry Project Joint Venture (WPJV) Exploration Area to 75.01% by sole funding expenditure for the quarter ended 30 June 2018.

Weednanna Gold Prospect - 3D Modelling Project

Post-reporting, Alliance announced the completion of the Weednanna 3D geological modelling in support of the maiden mineral resource estimate (in preparation).

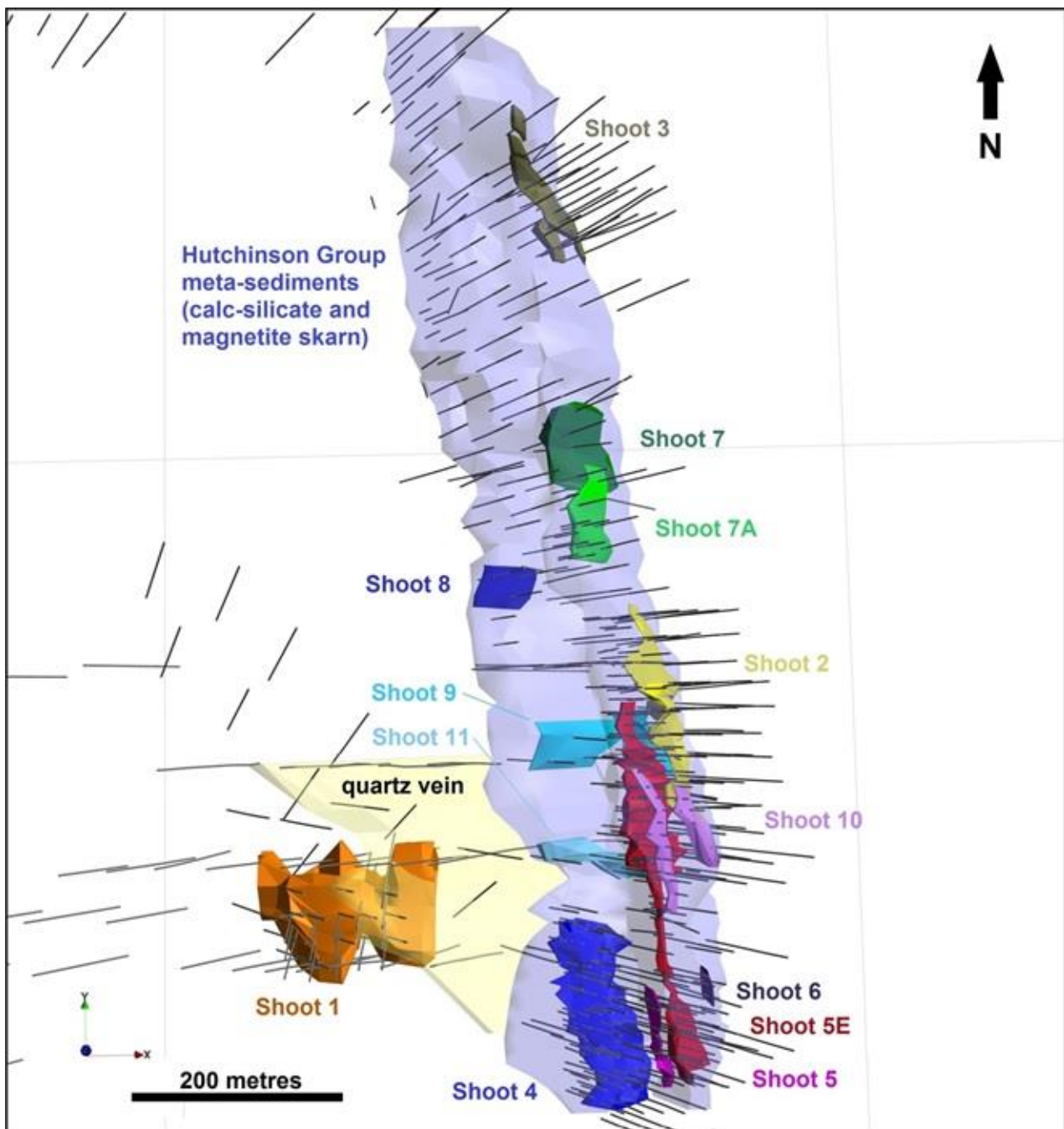


Figure 1: Weednanna 3D Model showing gold mineralised shoots and geology

As Alliance's understanding of the lithological and structural controls on the distribution of gold has evolved the significance of additional gold mineralisation has been recognised from drilling intercepts in the historical database.

Nine additional shoots of gold mineralisation have been 3D modelled (Shoots 5, 5E, 6, 7, 7A, 8, 9, 10 and 11).

The 3D modelling of this historic gold mineralisation is essential for the purposes of planning exploration in order to grow the project going forward.

Accordingly, the timing for completion of the mineral resource estimate has to be extended whilst this work progresses.

Between 1982 and present 147 RAB holes, 23 aircore holes, 442 RC holes, and 41 diamond holes have been drilled at the Weednanna Prospect to test for economic concentrations of gold and iron ore.

During 2017 and 2018 Alliance has systematically completed re-logging of all available RC chips and diamond core from Weednanna to provide detailed data for geological interpretation and 3D modelling. Where drill chips or diamond core were not available for re-logging historic geological logging sheets were re-digitised to ensure the capture of all available geological data.

In total, 256 RC holes for 20,889 metres and 40 diamond holes for 4,779.6 metres were re-logged in addition to the 92 RC holes for 14,341 metres drilled by Alliance during 2017 and 2018.

Cross-sectional interpretation was completed on 25 metre spaced traverses along the 1,325 metre strike length of the prospect.

Thirteen gold shoots were identified during the 3D modelling process, including Shoots 1 to 4 that have been the focus of Alliance's drilling activities during 2017 and 2018. The location of these shoots is illustrated in Figure 1.

Of the newly defined shoots, Shoot 5E is the most advanced Shoot with 28 +1 g/t Au drilling intersections, followed by Shoot 10 (15 +1 g/t Au intersections). All of the remaining gold shoots are defined by 5 or less +1 g/t Au drill intersections and are poorly drill tested. All gold shoots are unconstrained by drilling in at least one direction and have the potential to increase in size with further drilling.

In addition, a major northwest striking and moderate east dipping quartz vein has been identified that appears to splay off the footwall contact of the Paleo-Proterozoic meta-sedimentary package into Archaean granite / gneiss. This quartz vein is up to 20 metres thick and contains fine disseminated pyrite. The significance and timing of this quartz vein is uncertain at this stage, however, it occurs in the immediate hangingwall to gold mineralisation at Shoot 1.

The quartz vein is generally weakly mineralised, however hole 00WDRC072 has intersected 48m @ 2.0 g/t Au from 54m depth, including 7m @ 5.4 g/t Au from 69m and 2m @ 16.0 g/t Au from 98m hosted within the quartz vein near Shoot 1. 3D modelling suggests that the quartz vein changes strike in this area. The quartz vein will not form part of the mineral resource estimation at this stage as further drilling is warranted to test for extensions to these gold-bearing zones within this structure.

Refer to ASX announcement 16 July 2018 for details of the Exploration Results.

Weednanna Shoots 4 and 5 Drilling

During the quarter, Alliance reported preliminary RC drilling results from Shoot 4 at Weednanna, including:

- 16m @ 3.2 g/t Au from 84m in 18WDRC003
- 12m @ 10.2 g/t Au from 92m in 18WDRC005, incl. 4m @ 28.1 g/t Au from 96m
- 4m @ 12.4 g/t Au from 52m in 18WDRC006
- 4m @ 11.6 g/t Au from 76m in 18WDRC020

In addition, initial drilling confirmed Shoot 5, with a best intercept of:

- 8m @ 2.2 g/t Au from 164m in 18WDRC016

Refer to ASX announcements dated 4 April 2018 and 23 April 2018 for details of the Exploration Results.

Further drilling is planned in the second half 2018 to define the limits of gold mineralisation at Shoots 4 and 5 and to test new targets.

Metallurgical Testwork

During the quarter, the staged program of metallurgical testwork continued with the aim of optimizing gold recovery and culminating in process design criteria and capital and operating costs for the processing base case.

Subject to delivery of a maiden mineral resource estimate for Weednanna, the outcomes of the process design work will feed into a scoping study in 2H 2018.

Weednanna Gravity Survey

In April Alliance announced the completion of a high-resolution gravity survey at Weednanna. A total of 2,548 stations were surveyed, comprising 1,915 stations using a 25m grid over the central part of the Weednanna prospect and 633 stations using a 50m grid elsewhere.

The gravity data will assist with mapping the sub-surface geology, particularly the target corridors of calc-silicate and magnetite skarn that host high grade gold shoots. The data will complement the existing geophysical datasets at Weednanna and will be utilised for constrained 3D inversion modelling to assist with targeting new gold lodes.

Refer to ASX announcement 16 April 2018 for details of the gravity survey.

Regional Gold Potential

During the quarter, Alliance announced historic drilling results supporting the regional gold potential at the Wilcherry Project.

Since formation of the JV, Alliance's primary focus has been to assess the potential of the high grade Weednanna gold prospect for economic development. The Company is well advanced with this work and plans to establish a maiden mineral resource estimate in 2H 2018.

Alliance has commenced a review of the regional gold prospectivity to identify prospects with potential for gold mineralisation within 5 km of Weednanna.

Preliminary compilation of the historic geochemical and drilling databases indicates intercepts >1 g/t gold (Au) exist at the **Mawson, Ultima Dam South** and **Weednanna North** prospects, with anomalous gold >0.2 g/t Au at the **Ultima Dam** and **Ultima Dam North** prospects.

The Mawson prospect, 3,600m to the northwest of Weednanna, was initially identified by calcrete sampling in the 1990's that defined a gold-in-calcrete anomaly over the southern part of the prospect. In 1999, drilling by AngloGold into the calcrete gold anomaly intersected 29m @ 0.86% Cu from 41m in 99WDRC061. Trafford drilled nine RC holes across Mawson in 2008, including four with diamond tails. Five holes report significant intercepts >1 g/t Au, with a best intercept of:

- **5m @ 2.46 g/t Au from 159m in 08MAW008, including 3m @ 3.30 g/t gold from 161m**

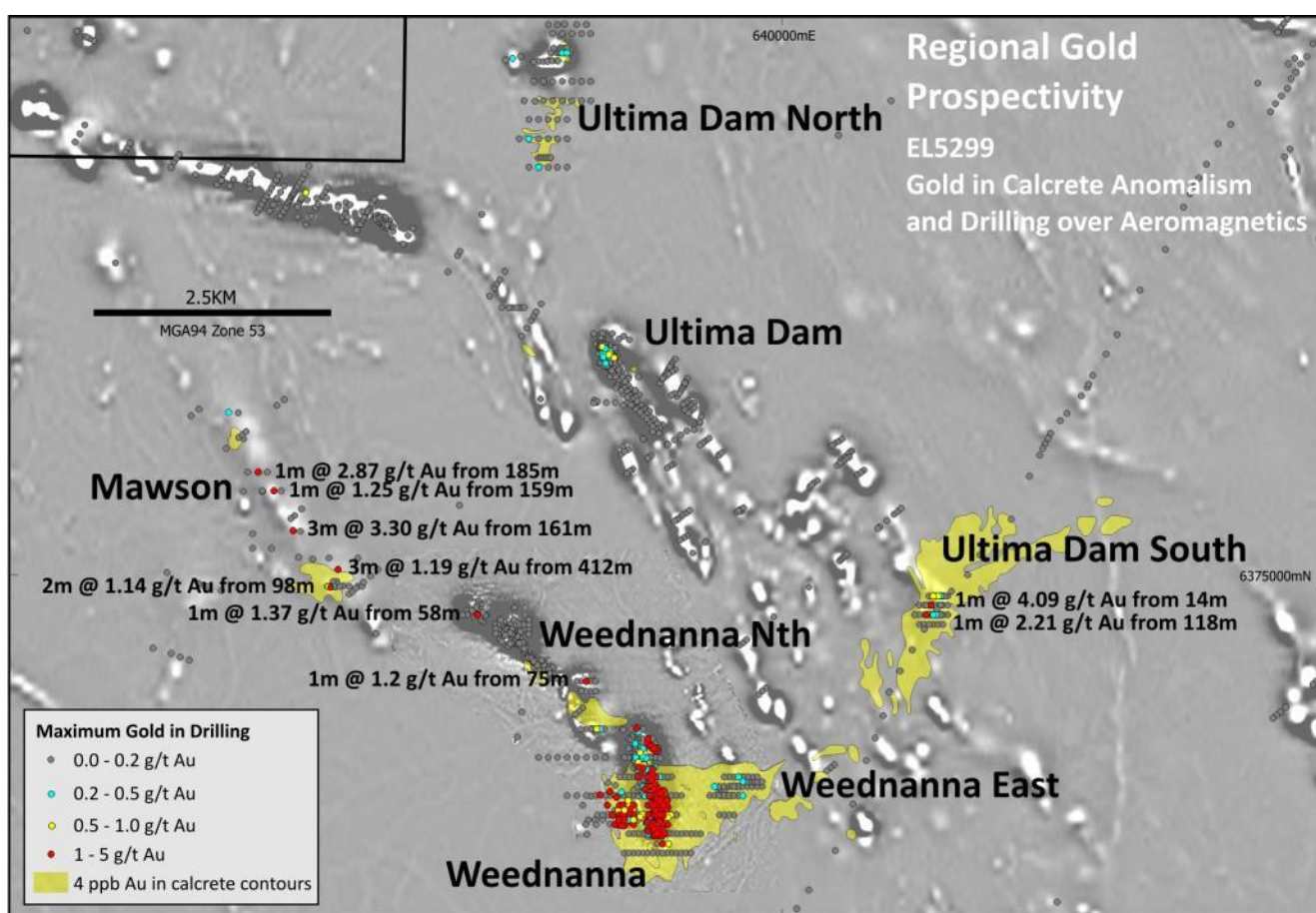


Figure 2: Regional Gold Prospectivity

This drilling targeted a belt of northwest-striking magnetic anomalism (6 km long by 300-400m wide) and corresponding with the eastern edge of a gravity anomaly. These high-grade holes occur over a strike length of approximately 1,500m. The mineralisation is open to the north, up-dip and at depth.

The Ultima Dam South prospect, 3,200m to the northeast of Weednanna, was drilled by AngloGold in 1999. Two holes report significant intercepts >1 g/t Au, with a best and shallow intercept of:

- **1m @ 4.09 g/t Au from 14m in 99UDSR029**

This drilling targeted a belt of northwest-striking magnetic anomalism that locally strikes northeast at Ultima Dam South and is approximately 350m long by 250m wide. These high-grade holes occur over a strike length of 100m, although a lower grade intercept (>0.5 g/t Au) to the north extends the strike length to at least 200m. The mineralisation is open to the north and at depth.

Refer to ASX announcement 7 May 2018 for details of the Exploration Results.

Drilling of Regional MLEM Targets for Base Metals

During the quarter, Alliance completed three rotary mud / diamond tailed holes for a total of 734m to test ground moving loop electromagnetic (MLEM) targets T2 (North), T2 (South) and MP2. No significant mineralisation was intersected in these holes with conductive sources explained as either weathering related features or graphitic schist. Downhole electromagnetic surveys were completed in these holes.

One diamond hole was in progress to test MLEM target HP10 at the end of the reporting period.

GUNDOCKERTA SOUTH PROJECT (Alliance 100%)

Gundockerta South is located 72 km east of Kalgoorlie, Western Australia and is prospective for greenstone-hosted orogenic gold deposits.

During the quarter, Alliance drilled 66 aircore holes for 3,007 metres over the northern part of the target zone at Gundockerta South to test for low-level gold in regolith beneath a large zone of sporadic gold in soil anomalism.

Preliminary assays based on 4m composite scoop samples reported anomalous gold over 4m in two holes. One metre samples were subsequently submitted for assay but failed to report gold over the same sample intervals.

Future work includes aircore drilling over the southern part of the target zone.

Refer to ASX announcement 6 June 2018 for details of the Exploration Results.

CORPORATE

Alliance has available cash reserves of \$5.3 million at 30 June 2018.

Alliance holds 71,393,843 ordinary shares in Tyranna Resources Limited and 11,000,000 ordinary shares in Centennial Mining Limited.

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 (Wilcherry Project JV) | | | | | |
| EL5470 | Uno/Valley Dam | 105 km WSW of Port Augusta | Granted | 3.92% | 75.01% |
| EL5875 | Mount Miccollo | 100 km W of Port Augusta | Granted | 3.92% | 75.01% |
| EL5590 | Peterlumbo | 140 km W of Port Augusta | Granted | 3.92% | 75.01% |
| EL5931 | Maratchina Hill | 140 km W of Port Augusta | Granted | 3.92% | 75.01% |
| EL5961 | Pinkwillinie | 140 km W of Whyalla | Granted | 3.92% | 75.01% |
| EL6072 (formerly EL5164) | Eurila Dam | 80 km W of Whyalla | Granted | 3.92% | 75.01% |
| EL6188 (formerly EL5299) | Wilcherry Hill | 45 km N of Kimba | Granted | 3.92% | 75.01% |
| South Australia (Alliance 100%) | | | | | |
| EL6142 | White Well | 30 km north of Hawker | Granted | 100% | 100% |
| Western Australia (Alliance 100%) | | | | | |
| E15/1483 | Nepean South | 26 km southwest of Coolgardie | Granted | 0% | 100% |
| E15/1543 | Nepean SE | 26 km southwest of Coolgardie | Granted | 0% | 100% |
| P15/6072 | Nepean SW | 26 km southwest of Coolgardie | Granted | 0% | 100% |
| E28/2572 | Gundockerta Sth | 72 km east of Kalgoorlie | Granted | 0% | 100% |

Steve Johnston
Managing Director

Peter Taylor
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About Alliance

Alliance Resources Ltd has projects in South Australia and Western Australia for gold and base metals.

The Company's flagship project is the Wilcherry Project Joint Venture (Alliance 75.01%), located within the southern part of the Gawler Craton in the northern Eyre Peninsula of South Australia.

Weednanna is the most advanced gold prospect at the Wilcherry Project Joint Venture, where high grade gold shoots are being defined within a calc-silicate and magnetite skarn system.

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 in Alliance's ASX announcement entitled 'New Gold Shoots Identified' dated 16 July 2018 is based on information compiled by Mr Stephen Johnston and Mr Anthony Gray. Mr Johnston is a Member of The Australasian Institute of Mining and Metallurgy and is a full time employee of Alliance Resources Ltd. Mr Gray is a Member of the Australian Institute of Geoscientists and is a part-time contractor to Alliance Resources Ltd. Both Messers Johnston and Gray have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are 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 and Mr Gray consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to all other 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 June 2018

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 25 | 159 |
| 1.2 Payments for | | |
| (a) exploration & evaluation (see note 4) | (632) | (3,119) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (117) | (469) |
| (e) administration and corporate costs | (238) | (1,056) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 32 | 158 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | - |
| 1.8 Other (GST paid/recouped) | 47 | 206 |
| 1.9 Net cash from / (used in) operating activities | (883) | (4,121) |

| | | |
|--|---|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 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 | - | - |

| | | |
|---|----------|----------|
| 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 | - | - |
| 3.10 Net cash from / (used in) financing activities | - | - |

| | | |
|---|--------------|--------------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 6,223 | 9,461 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (883) | (4,121) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of period | 5,340 | 5,340 |

| 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 | 2,265 | 6,223 |
| 5.2 Call deposits | - | - |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (31 day notice deposits) | 3,075 | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 5,340 | 6,223 |

| 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 | 335 |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 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-imbursments 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 | - |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 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 | 1,195 |
| 9.2 Development | |
| 9.3 Production | |
| 9.4 Staff costs | 125 |
| 9.5 Administration and corporate costs | 230 |
| 9.6 Other (provide details if material) | |
| 9.7 Total estimated cash outflows | 1,550 |

| 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 | EL5961, SA | Increase due to sole funding JV | 71.09% | 75.01% |
| | EL6072, SA (formerly EL5164) | Increase due to sole funding JV | 71.09% | 75.01% |
| | EL6188, SA (formerly EL5299) | Increase due to sole funding JV | 71.09% | 75.01% |
| | EL5470, SA | Increase due to sole funding JV | 71.09% | 75.01% |
| | EL5590, SA | Increase due to sole funding JV | 71.09% | 75.01% |
| | EL5875, SA | Increase due to sole funding JV | 71.09% | 75.01% |
| | EL5931, SA | Increase due to sole funding JV | 71.09% | 75.01% |
| | EL6142, SA | Equity | 0% | 100% |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Company secretary

Date: 27 July 2018

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. In accordance with Australian Accounting Standards, Alliance Resources Ltd (Alliance) recognises the Wilcherry Project Joint Venture (WPJV) as a controlled entity of Alliance requiring consolidation. Alliance Craton Explorer Pty Ltd (ACE), a 100% owned subsidiary of Alliance, originally purchased a 51% interest in the WPJV. The remaining 49% interest was owned by Trafford Resources Pty Ltd (Trafford), a subsidiary of Tyranna Resources Ltd (ASX: TYX), whose non-controlling interest has been eliminated from the relevant receipts and payments from Item 1, Cash Flows from Operating Activities, reported above. As Trafford did not contribute to the FY2018 Programme and Budget its interest has been diluted. At 30 June 2018 Trafford's interest is 24.99% and ACE's interest is 75.01%.