

19 December 2019

ALLIANCE RESOURCES LTD

ASX: AGS

ABN: 38 063 293 336

Market Cap: \$16.2M @ \$0.105

Shares on issue: 154,038,332

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Projects:

Wilcherry, SA (100%): gold,
iron, base metals, graphite

Gundockerta Sth, WA (100%):
nickel-gold

Nepean, WA (100%):
nickel-gold

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CORPORATE UPDATE

Weednanna Gold Project

Ongoing exploration work and project feasibility testwork on the Weednanna gold project continues to advance the project and has identified some challenges requiring further investigation, including:

- **Recent RC drilling in Shoot 1 identified a high grade core**
 - **Estimated grade in Shoot 1 may have reduced compared to the maiden Mineral Resource, with tonnes increasing**
 - **Recent metallurgical testwork indicates reduced gold recovery due to a refractory component of Shoot 1 mineralisation. Further metallurgical testwork is underway in order to improve gold recovery**
 - **Further Capital may be required during 2020 to complete the feasibility study work and prepare the Mine Lease Proposal for submission to the South Australian Department for Energy and Mining (DEM).**
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Alliance Resources Ltd (Alliance) is pleased to update shareholders on feasibility study progress and results from the latest phase of RC drilling completed at the Weednanna Gold Project, 40 km north of Kimba on the Eyre Peninsula, South Australia.

During November, 58 RC holes for 5,378 metres were drilled on Shoot 1 at the Weednanna Deposit. This drill program was completed on a 10m x 10m spacing to further delineate the gold mineralisation, improve confidence in the geological model and move ore tonnes from the Inferred and Indicated categories into the Measured category.

The results from this drilling program have improved the understanding of the resource model of Shoot 1. The drilling has identified a potentially high grade core based on preliminary composite assay results, however initial indications are that the overall grade of the shoot may have reduced, with the mineralised area increasing. Based on the above, it is anticipated that there may be a reduction in grade and increase in tonnes reported for Shoot 1 of the Weednanna Deposit when the mineral resource estimate is revised in 2020.

Further drilling is planned in 2020 to infill drill on Shoots 4, 5, 5E and 6 to continue to build our understanding of the geological model and determine if the overall Weednanna Mineral Resource estimate is affected by recent results from Shoot 1.

Additional metallurgical testwork was undertaken on samples collected from 2019 drilling to improve the understanding of the metallurgical parameters of each of the main gold mineralised shoots at the Weednanna deposit. Recent results support the initial metallurgical recovery results from 2018 used in the scoping study, with the exception of Shoot 1. The original recovery rate for Shoot 1 mineralisation used in the Scoping study was 89.4%, but recent analysis resulted in a reduced recovery of 67.1%. The reduced recovery is a result of a refractory component of the mineralisation in Shoot 1, and the Metallurgical Consultants are performing more testwork with a view to generating better recoveries. This information will be incorporated into the ultimate design of the gold processing plant for the Weednanna Gold Deposit.

Alliance routinely collects preliminary 4 metre composite scoop samples for Au analysis using a 40g charge fire assay with AAS finish. The 4 metre composite scoop samples provide an initial indication of gold grade and allow for selection of gold-anomalous 1 metre split samples for accurate determination of gold using a 40g charge fire assay with AAS finish for mineral resource estimation, as required by the JORC 2012 Code.

Assay results from 4 metre composite scoop samples have been received and 1 metre split samples have now been collected and dispatched for analysis for comparison with the 4 metre composite samples. The 1m split sample results will be announced once assay results are received.

In 2018, Alliance announced a maiden Mineral Resources estimate for the Weednanna Gold Deposit of 1.097 Mt grading 5.1 g/t gold for 181,000 oz gold (classified 49% Indicated and 51% Inferred) (2018MRE). Refer to Alliance's ASX announcement dated 6 September 2018.

The Weednanna Scoping Study was based on the 2018MRE.

Since the 2018MRE Alliance has drilled a further 197 RC holes and 5 diamond holes, for 26,929 metres, with the objective of growing and increasing geological confidence in the Weednanna Mineral Resource.

Current and Future Work

Alliance is continuing metallurgical test work on diamond drill core to optimise the processing flowsheet and design of a gold processing facility for the Weednanna Deposit.

Future RC drilling programs are planned to upgrade geological confidence in the mineral resource at the Weednanna Gold Deposit.

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About Alliance

Alliance Resources Ltd is an Australian gold and base metals exploration company with 100% owned projects in South Australia and Western Australia.

The Company's flagship project is the Wilcherry Project, located within the southern part of the Gawler Craton, approximately 45 km north of the township of Kimba, South Australia.

The maiden Mineral Resource estimate for the Weednanna Gold Deposit, part of the Wilcherry Project, is 1.097 Mt grading 5.1 g/t gold for 181,000 oz gold (classified 49% Indicated and 51% Inferred). Refer to ASX announcement dated 6 September 2018 for details concerning the Mineral Resource and the Competent Persons consent. Alliance is not aware of any new information or data that materially affects the information included in the above- mentioned announcement. All material assumptions and technical parameters underpinning the above-mentioned Mineral Resource estimate continue to apply and have not materially changed.

An independent scoping study is positive and supports a new, 250 ktpa gold plant at Weednanna. Total indicative capital cost is approximately \$44 million, including an open pit pre-strip of approximately \$8 million. Refer to ASX announcement dated 18 April 2019 for details concerning the scoping study including the above-mentioned financial information. All material assumptions underpinning the above-mentioned financial information continue to apply and have not materially changed.

There is potential to increase the size of this Mineral Resource with further drilling.

Alliance also owns an 80 person camp located on leased land in the township of Kimba and which will be utilised during construction.

Competent Persons

The information in this report that relates to the Exploration Results is based on information compiled by Mr Anthony Gray and Mr Kevin Malaxos. Mr Gray is a Member of the Australian Institute of Geoscientists and is a part-time contractor to Alliance Resources Ltd. Mr Malaxos is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Alliance Resources Ltd. Mr Gray and Mr Malaxos 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 Gray and Mr Malaxos consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.