

QUARTERLY REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

31 January 2020

ASX Code: **AGS**

No. of pages: 11

QUARTERLY REPORT - FOR THE PERIOD ENDED 31 DECEMBER 2019

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ended 31 December 2019 (5 pages)
- Appendix 5B for the period ended 31 December 2019 (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 31 DECEMBER 2019

HIGHLIGHTS

CORPORATE

- On 19 August 2019, Alliance received an off-market takeover bid by Gandel Metals Pty Ltd (Bidder) to acquire all of the shares in Alliance at an offer price of \$0.14 per share. The Independent Expert declared the offer to be fair and reasonable. Alliance's independent directors recommended that shareholders accept the offer in the absence of a superior offer. The offer closed on 14 October 2019 with the Bidder securing 35.91% of the issued capital of Alliance, resulting in total holdings of 68.21% at the close of the bid for entities associated with Mr Ian Gandel, including the Bidder.
- Mr Kevin Malaxos commenced as Managing Director effective 1 December 2019.
- Mr Stephen Johnston, the previous Managing Director, will remain on the board as a non-executive director effective 1 December 2019
- A share sale facility for unmarketable parcels of Alliance shares was opened during December 2019. The facility includes the opportunity for shareholders with parcels of shares valued at less than \$500, to sell their shares without incurring a transaction fee. The facility remains open until 4 February 2020.
- Cash reserves of \$1.36 million as at 31 December 2019.

WILCHERRY PROJECT, SOUTH AUSTRALIA (100%)

Weednanna Drilling

- During the quarter, assay results for the reverse circulation drilling program completed during July and August 2019 were received, including the following high-grade gold intercepts:
 - 3m @ 3.4 g/t Au from 118m in 19WDRC064 (Shoot 5E HW)
 - 9m @ 3.0 g/t Au from 147m and 3m @ 4.0 g/t Au from 175m in 19WDRC065 (Shoots 5E and 5E FW)
 - 6m @ 16.6 g/t Au from 107m, including 4m @ 24.1 g/t Au from 108m in 19WDRC067 (Shoot 5E)
 - 3m @ 3.8 g/t Au from 127m in 19WDRC075 (Shoot 9/11)
 - 3m @ 5.4 g/t Au from 10m in 19WDRC076 (Shoot 10)
 - 13m @ 1.2 g/t Au from 97m in 19WDRC086 (Shoot 7)
 - 6m @ 3.4 g/t Au from 54m, including 1m @ 12.1 g/t Au from 58m in 19WDRC087 (3DIP)
- The results from these drilling programs continue to define mineralisation outside of the maiden Mineral Resource area.
- Infill drilling to increase geological confidence in mineral resources at Shoot 1 was completed in November. Assay results for the first component of the drill program were received in December, with the remaining assay results expected in early February, at which time interpretation of the results will be completed.

Alliance Resources Limited (ASX: AGS) (“Alliance” or “the Company”) is pleased to provide shareholders with its Quarterly Report for the three-month period ending 31 December 2019.

CORPORATE

Takeover Bid

On 19 August 2019, Alliance received an off-market takeover bid by Gandel Metals Pty Ltd (Bidder) to acquire all issued shares in Alliance at an offer price of \$0.14 per share.

An Independent Expert’s report was commissioned and declared the offer to be fair and reasonable.

Alliance’s independent directors recommended that shareholders accept the offer in the absence of a superior offer.

The offer closed on 14 October 2019 with Gandel Metals, and another entity associated with Mr Ian Gandel holding a total of 68.21% in Alliance. The top 3 shareholders own approximately 83% of Alliance.

New Board and Management Appointment

Mr Kevin Malaxos commenced as Managing Director to replace Mr Stephen Johnston, effective 1 December 2019. Kevin is a mining engineer resident in South Australia with over 30 years’ experience in the mining industry and who will drive the next phase of Alliance’s Wilcherry Project, and more specifically the development phase of the Weednanna Gold Project.

Mr Johnston will remain on the Board as a non-executive director.

WILCHERRY PROJECT, SOUTH AUSTRALIA (100%)

Weednanna Reverse Circulation Drilling

During October, the 1m assay results for the reverse circulation drilling program from July and August were received (refer to Alliance ASX Announcement dated 11 October 2019). Thirty-three RC holes, for 5,211 metres were drilled at the Weednanna Deposit to continue to define the extensions of gold mineralisation at Shoots 5E, 7 and 8, infill gold mineralisation at Shoot 9/11, and test for Shoot 1 style gold mineralisation at the 3DIP target.

The objective of this drilling program was to extend known gold mineralisation in the southern area of the deposit.

The results from this drilling program continue to grow the size of the Weednanna Deposit outside of the Maiden Mineral Resource area, with highlights including:

- Shoot 5E continues to extend with intersections of 3m @ 3.4 g/t Au from 118m in 19WDRC064 (Shoot 5E HW), 9m @ 3.0 g/t Au from 147m and 3m @ 4.0 g/t Au from 175m in 19WDRC065 (Shoots 5E and 5E FW), and 6m @ 16.6 g/t Au from 107m, including 4m @ 24.1 g/t Au from 108m in 19WDRC067 (Shoot 5E).
- Shoot 9/11 continues to be defined with an intersection of 3m @ 3.8 g/t Au from 127m in 19WDRC075.
- Shoot 7 target area defined on 50 metre spaced traverses for infill drilling with latest significant result of 13m @ 1.2 g/t Au from 97m in 19WDRC086.

- Drilling at unnamed 3D induced polarisation (3DIP) geophysical target to follow-up an intersection of 10m @ 1.6 g/t Au from 92m in 19WDRC046 hosted in Archaean granite (refer to Alliance's ASX Announcement dated 8 July 2019) returns 6m @ 3.4 g/t Au from 54m, including 1m @ 12.1 g/t Au from 58m in 19WDRC087. This gold is associated with strong chlorite-sericite alteration and disseminated arsenopyrite similar to mineralisation at Shoot 1.

All drill results are based on 1m samples for Au using 40g charge fire assay with AAS finish. High-grade gold results have been validated by acceptable comparison with 4m composite scoop samples collected prior to 1m sampling.

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. Alliance is not aware of any new information or data that materially affects the Mineral Resource estimate. All material assumptions and technical parameters underpinning the above mentioned Mineral Resource Estimate continue to apply and have not materially changed.

Current and Future Work

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 believed to be the result of a refractory component of the mineralisation in Shoot 1, and the Metallurgical Consultant is performing more testwork with a view to generating better recoveries and to optimise the process flowsheet to be incorporated into the ultimate design of the gold processing plant for the Weednanna Gold Deposit.

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

Iron Analysis of Alliance Drill Sample Pulps

During October assay results were received for 525 Alliance 4m composite RC sample pulps that were previously identified for re-analysis for an iron ore suite of elements. Sample selection focussed on the top 80 metres of the deposit where higher grade iron ore may be available for direct shipping.

All 1m split drill sample pulps that correlate with +25 % Fe 4m composite assay results were selected and sent for iron analysis to acquire the greatest confidence in the mineral resource estimate. The +25 % Fe threshold was selected to conform with the lower cut of the Ironclad May 2013 Mineral Resource Estimate. Once final iron assay results are received, the Company shall update cross-sectional interpretation of the magnetite skarn and ironstone for 3D modelling.

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)					
EL6379	Uno/Valley Dam	105 km WSW of Port Augusta	Granted	0%	100%
EL5875	Mount Miccollo	100 km W of Port Augusta	Granted	0%	100%
EL5590	Peterlumbo	140 km W of Port Augusta	Granted	0%	100%
EL5931	Maratchina Hill	140 km W of Port Augusta	Granted	0%	100%
EL6072	Eurila Dam	80 km W of Whyalla	Granted	0%	100%
EL6188	Wilcherry Hill	45 km N of Kimba	Granted	0%	100%
Western Australia					
E25/569	Gundockerta South	70 km east of Kalgoorlie	Granted	0%	100%
E28/2572	Gundockerta South	70 km east of Kalgoorlie	Granted	0%	100%
E15/1658	Nepean Nth	65 km southwest of Kalgoorlie	Granted	100%	100%
P26/4458	Kalgoorlie South	10 km south of Kalgoorlie	Pending	0%	0%
P26/4459	Kalgoorlie South	10 km south of Kalgoorlie	Pending	0%	0%
P26/4460	Kalgoorlie South	15 km south of Kalgoorlie	Granted	0%	100%
P26/4461	Kalgoorlie South	15 km south of Kalgoorlie	Pending	0%	0%
P26/4462	Kalgoorlie South	15 km south of Kalgoorlie	Pending	0%	0%
P26/4463	Kalgoorlie South	20 km south of Kalgoorlie	Granted	0%	100%
P15/6389	Kalgoorlie South	20 km south of Kalgoorlie	Pending	0%	0%
E26/208	Kalgoorlie South	15 km south of Kalgoorlie	Pending	0%	0%

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About Alliance

Alliance Resources Ltd is an Australian gold and base metals exploration company.

The Company's flagship project is the Wilcherry Project (Alliance 100%), 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 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 director 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.

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")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(736)	(1,658)
(b) development		
(c) production		
(d) staff costs	(232)	(383)
(e) administration and corporate costs	(362)	(652)
1.3 Dividends received (see note 3)		
1.4 Interest received	7	19
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)	111	208
1.9 Net cash from / (used in) operating activities	(1,212)	(2,466)

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 (Intellectual Property)		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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		46
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		119
3.4 Transaction costs related to issues of shares, convertible notes or options		(28)
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		137

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,569	3,686
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,212)	(2,466)
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)		137
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	1,357	1,357

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	1,357	2,569
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (31 day notice deposits)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,357	2,569

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

402

-

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

- 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

**Current quarter
\$A'000**

-

-

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	674
9.2 Development	
9.3 Production	
9.4 Staff costs	161
9.5 Administration and corporate costs	187
9.6 Other – Capital raising costs	
9.7 Total estimated cash outflows	1,022

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	E15/1658 WA Nepean North	Granted	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: 31 January 2020

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.