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Alliance Resources Limited
Suite 3, 51-55 City Road
Southbank, VIC 3006

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Alliance Resources Ltd (ASX code - AGS) is an emerging in situ recovery (ISR) uranium producer through its joint venture with Quasar Resources in the advanced Four Mile Uranium Project, 8 kilometres from the operating Beverley uranium mine in South Australia. Four Mile (West) deposit already has an Inferred Resource of 32 million pounds of U₃O₈. Can you please update progress on the drilling program to define a mineral resource at Four Mile East?

CEO Steve Johnston

Drilling continued at a staggering rate with over 54,000 metres reported during the quarter. Recent intercepts from Four Mile East include 5.9 metres @ 1.41% pU₃O₈, 8.7 metres @ 0.89% pU₃O₈, 1.7 metres @ 1.84% pU₃O₈ and 2.4 metres @ 1.09% pU₃O₈. Drilling continued to delineate mineralisation in the northern, eastern, central and southern parts of Four Mile East and interpretation of this drill data is in progress. Detailed drilling is nearing completion at Four Mile East ahead of the initial mineral resource estimate. At the end of the previous quarter there were five drill rigs operating at Four Mile East and two drill rigs at Four Mile West. (Note that, "pU₃O₈" refers to the U₃O₈ grade as estimated from Prompt Fission Neutron logging).

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Are the drilling results, so far, consistent with your previously announced Exploration Target Range of 30 to 47 million pounds for Four Mile East? In

general terms, has the drilling confirmed your expectations on the possible grades and size of the deposit?

CEO Steve Johnston

The Exploration Target Range was undertaken by Alliance to provide the market with an assessment of the potential scale of the entire Four Mile East deposit. The Four Mile deposits are significant deposits and the limits of mineralisation at both Four Mile East and Four Mile West are still being drill tested. The mineral resource estimate in progress at Four Mile East is only for part of the deposit and with that in mind, the initial mineral resource estimate at Four Mile East is consistent with the Exploration Target Range. To answer your question, however, the latest drilling results have continued to produce significant grades and thicknesses and should reinforce the Exploration Target Range in our opinion.

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Quasar has lodged a Mining Lease application over the Four Mile Uranium Project. Why has that been done prior to the completion of the mineral resource at Four Mile East, prior to the completion of a feasibility study and prior to a Decision to Mine?

CEO Steve Johnston

Our joint venture partner and operator, Quasar Resources, lodged an application for a Mining Lease over the Project prior to completion of those milestones because there is a significant timeframe required for both state and federal approvals. Without pre-empting the outcome of the feasibility study, lodging the ML application as soon as possible was the practical thing to do, in order to minimise potential delays in production start-up.

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What is the broad timetable you expect on the reporting of the mineral resource at Four Mile East, the granting of the Mining Lease, the completion of the feasibility study and possible first uranium production?

CEO Steve Johnston

The mineral resource estimate is scheduled for the current quarter. In relation to the feasibility study and the granting of the Mining Lease, First Stage Mining using ISR at Four Mile is scheduled to commence in early 2010 at a projected start-up capacity of greater than 1.0 million pounds per annum, so those milestones are obviously anticipated for completion prior to that date.

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Quasar continues to undertake technical assessment of the project such as metallurgical tests. Have you had any indication on how these are progressing?

CEO Steve Johnston

Metallurgical test results are still pending. The drill core samples from Four Mile East were submitted for metallurgical test work during the previous quarter, so they shouldn't be too far away. Previously announced preliminary bench scale metallurgical test work on one drill hole from Four Mile West samples under various oxidising conditions showed recoveries up to 89%, suggesting there

should be no impediment to achieving acceptable metallurgical recovery from ISR.

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Quasar is an affiliate of Heathgate Resources, which operates the Beverley uranium mine 8 kilometres from Four Mile. When will Quasar/Heathgate and Alliance have a firmer understanding on the arrangements to possibly share the infrastructure at Beverley? In general terms, what are the possible commercial arrangements?

CEO Steve Johnston

Two processing options are being investigated by Quasar regarding the use of the Beverley plant to treat Four Mile mineralisation. These are: (1) construction of a pipeline to transport solutions to and from Four Mile; and (2) construction of an ion exchange plant at Four Mile to capture the uranium and then trucking the resin to the Beverley plant for elution. As previously mentioned, whilst the feasibility study has not yet been delivered, Alliance is keen to negotiate the commercial arrangements that will govern such toll treating, in order to minimise any potential delays to project start-up.

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To what stage are you free carried on project expenditure on Four Mile? What about exploration expenditure on areas outside the Mining Lease, but still within the overall Four Mile Uranium Project?

CEO Steve Johnston

Alliance is free carried on Four Mile through to Quasar calling a “Decision to Mine” under the exploration Joint Venture agreement. After the Decision to Mine, Alliance will contribute in accordance with its equity (which is 25%) within the agreed “Mine Development Area”, however Alliance will still remain free carried outside the Mine Development Area.

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What marketing arrangements have been agreed, or do you envisage, for your share of uranium production?

CEO Steve Johnston

No definitive marketing arrangements have been agreed by the joint venture partners.

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In July 2008, Rio Tinto announced it had reached agreement to sell its Kintyre Uranium Project in Western Australia for US\$495 million. What are the implications for the value of the Four Mile uranium project?

CEO Steve Johnston

The Four Mile project is vastly different to Kintyre in terms of its geography. Four Mile has the ingredients for a successful operation: (1) it is located in a State that allows uranium mining; (2) it is located on pastoral leases and (3) it is close to existing infrastructure. There is no doubt Cameco & Mitsubishi acquired Kintyre cheaply if you consider only the acquisition on a cost per pound basis. The reason

for that discount is Kintyre's proximity to the Rudall River National Park. Cameco and Mitsubishi have obviously taken a much longer-term view about Kintyre. It is wrong to value Four Mile based on the Kintyre acquisition cost per pound.

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Your ASX release dated 19 May 2008 quoted the South Australian Premier saying that "South Australia is a step closer to having a new world-class uranium mine" in reference to Four Mile. Assuming the Mining Lease is granted, what is the approvals process to get the project into production?

CEO Steve Johnston

In general terms, the approvals process involves State and Federal agencies. The State approvals are mainly to do with the Mining Lease application, and include geology, hydrology, environmental, flora/fauna, native title, mining and rehabilitation program and public consultation, together with Federal approvals including EPA licensing and Australian Safeguards and Non-Proliferation Office approvals. I've not done justice to the process in these few lines, however it is a detailed and rigorous process to get the project into production.

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Taking into account the approvals process, capital requirements and quality of resource and location, how do you think Four Mile is placed in the race to become Australia's next new uranium mine?

CEO Steve Johnston

Four Mile is set to become Australia's next sustainable ISR uranium mine for the following reasons: (1) it continues to emerge as the most significant uranium discovery in Australia in the last 20 years, not only in terms of its grade, but also its potential size, which Alliance considers prospective enough for at least 100+ million pounds of uranium oxide and with potential production capacity of decades; (2) it has potential access to existing infrastructure at Beverley; (3) it is located in South Australia, which allows uranium mining; and (4) it has excellent potential for further uranium discoveries of both hard rock and sediment-hosted mineralisation.

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Thank you Steve.

For further information on Alliance please call Steve Johnston on (03) 9697 9090.

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