

QUARTERLY REPORT

FOR THE PERIOD ENDED 31 MARCH 2020



20 April 2020

ASX Code: **AGS**

No. of pages: 9

QUARTERLY REPORT - FOR THE PERIOD ENDED 31 MARCH 2020

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ended 31 March 2020 (3 pages)
- Appendix 5B for the period ended 31 March 2020 (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

31 March 2020

ASX Code: AGS

QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2020

HIGHLIGHTS

CORPORATE

- During December 2019, Alliance Resources Limited (Alliance) opened a share sale facility (Facility) for holders of unmarketable parcels of Alliance shares. The Facility included the opportunity for shareholders with parcels of shares valued at less than \$500 to sell their shares without incurring a transaction fee. The Facility closed on 4 February 2020 with 387 shareholders agreeing to sell a total of 779,493 shares. The shares were sold to a sophisticated investor through Petra Capital.
- Restrictions imposed due to the Covid19 virus have disrupted corporate and exploration activities during the quarter. Personnel travel from outside of South Australia is not possible, so alternative arrangements are being finalised to ensure the May 2020 Weednanna RC drilling program can be safely completed. The drilling contractor is based on the Eyre Peninsula, so should be able to complete the planned program.
- A Covid19 management plan was submitted to DEM in South Australia which will allow exploration work to continue on the Wilcherry Project.
- Corporate and operational personnel have implemented all State and Federal government recommendations relating to social distancing and eliminating non-essential travel. All personnel are working remotely from the head office.
- Cash reserves of \$0.63 million as at 31 March 2020.

WILCHERRY PROJECT, SOUTH AUSTRALIA (100%)

Weednanna Drilling

- During November 2019, 58 vertical RC holes, for a total of 5,628 metres were drilled in Shoot 1 at Weednanna on a 10m x 10m grid to define a Measured Resources in the planned open pit area. Results received in January and February 2020 include the following significant assay results greater than 50 g-m Au:
 - 35m @ 6.8 g/t Au from 46m including 5m @ 30.1 g/t Au from 74m in 19WDRC111
 - 20m @ 7.6 g/t Au from 59m including 9m @ 12.3 g/t Au from 69m in 19WDRC112
 - 18m @ 4.4 g/t Au from 64m in 19WDRC122
 - 22m @ 6.2 g/t Au from 53m including 12m @ 9.9 g/t Au from 59m in 19WDRC123
 - 19m @ 2.8 g/t Au from 50m in 19WDRC124
 - 40m @ 4.3 g/t Au from 40m including 8m @ 14.1 g/t Au from 55m in 19WDRC128
 - 50m @ 3.4 g/t Au from 37m in 19WDRC129
 - 32m @ 2.4 g/t Au from 41m including 17m @ 3.4 g/t Au from 51m in 19WDRC130
 - 19m @ 4.6 g/t Au from 38m including 5m @ 11.0 g/t Au from 51m in 19WDRC134
 - 52m @ 2.8 g/t Au from 35m in 19WDRC135
 - 27m @ 2.9 g/t Au from 36m in 19WDRC136
 - 27m @ 7.6 g/t Au from 34m in 19WDRC140

- An RC drill program was completed during February 2020 on Shoots 4, 5, 5E, 6, and 9 and was designed to improve the geological confidence in the mineral resource and upgrade the mineable areas of these shoots from Inferred to Indicated resource category. Results from 4 metre composite samples were received in March, resulting in targeted 1 metre split samples being collected and delivered for assaying. Results of these 1 metre assay results will be reviewed and released once received.
- A review of the previous iron ore results for the Wilcherry project, in addition to the Alliance drill results commenced during the quarter, is under way to determine if economic iron ore can be mined concurrently with gold from the Weednanna project.
- 83 composite ore samples selected from Shoot 1, representing a complete cross-section of the orebody, were sent to Nagrom in Perth for metallurgical testing to identify the cause of lower than expected gold recovery reported in the Alliance December 2019 Quarterly report dated 31 January 2020.
- During the quarter, 14 composite samples from Shoot 10 were collected from within the planned East Pit mine area, which represent the only oxidised gold shoot at Weednanna, and sent to Nagrom for metallurgical testing.
- 12 regional composite samples from Shoots 4, 5, 5E, 7, 7A, 8, 10 and 11 were sent to Nagrom for metallurgical test work to determine the regional variability of metallurgy in the main calc-silicate host of the deposit.

West Australian Exploration

Nepean Project (E15/1658)

- A 250 sample first pass auger soil sampling program was completed during March 2020 at the Nepean Project, using a 100 metre by 200 metre spaced grid. Infill and extensional auger soil sampling will be planned based on the outcome of the first auger soil sampling program.

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%
EL6475	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%
ELA2020/00010	Buckleboo West		Pending	0%	0%
Western Australia					
E15/1658	Nepean Nth	75km west of Kalgoorlie	Granted	100%	100%
P26/4458	Kalgoorlie South		Pending	0%	0%
P26/4459	Kalgoorlie South		Pending	0%	0%
P26/4461	Kalgoorlie South		Pending	0%	0%
P26/4462	Kalgoorlie South		Pending	0%	0%
P15/6398	Kalgoorlie South		Pending	0%	0%
E26/208	Kalgoorlie South		Pending	0%	0%

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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 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. Mr Gray is a Member of the Australian Institute of Geoscientists and is a part-time contractor to Alliance Resources Ltd. Mr Gray 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 a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gray consents 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 or oil and gas exploration entity quarterly cash flow report

Name of entity

ALLIANCE RESOURCES LIMITED

ABN

38 063 293 336

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)		
(b) development		
(c) production		
(d) staff costs	(144)	(527)
(e) administration and corporate costs	(151)	(803)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	22
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST paid/recouped)	92	300
1.9 Net cash from / (used in) operating activities	(200)	(1,008)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)	(528)	(2,186)
(e) investments		
(f) other non-current assets		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) 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	(528)	(2,186)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		46
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		119
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(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 (provide details if material)		
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	1,357	3,686
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(200)	(1,008)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(528)	(2,186)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		137

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	629	629

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	539	1,282
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other -Term deposits and Performance	90	75
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	629	1,357

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	119
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</p>		
<p><i>All transactions involving Directors and associates were on normal commercial terms. These payments represent Director fees, Director consulting fees, re-imbusement of expenses and payments in terms of management service agreement with a Director related entity.</i></p>		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(200)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(528)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(728)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	629
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	629
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.9

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The entity proposes to raise new equity through a capital raising in due course.

As detailed in the recent Interim Report lodged on 13 March 2020, the major shareholder companies associated with the director Mr Ian Gandel, namely Gandel Metals Pty Ltd and Abbotsleigh Pty Ltd, currently collectively own 68.21% of the issued capital of the entity and have committed to participate in any capital raisings for the next 12 months, thus providing the entity with a solid platform to raise sufficient capital to continue to fund its operations. This commitment, coupled with the entity's history of successfully raising funds, plus the fact that the top 20 shareholders own in excess of 90% of the entity's issued capital leads the Board of Directors to believe any capital raising will be successful.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The entity does expect that it will be able to continue its operations and to meet its business objectives based on the entity's expectations to raise capital as detailed in Answer 2 above.

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.

Date: 20 April 2020

Authorised by: The Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.