

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

29 October 2019

ASX Code: **AGS**

No. of pages: 19

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 SEPTEMBER 2019

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ended 30 September 2019 (13 pages)
- Appendix 5B for the period ended 30 September 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

29 October 2019

ASX Code: AGS

QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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. As required by the Corporations Act, a copy of Alliance's Target's Statement was lodged with ASIC and sent to the Bidder on 10 September 2019. The Statement was accompanied by an Independent Expert's Report, including an Independent Technical Report. 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 (post-reporting).
- Mr Kevin Malaxos has been appointed Managing Director effective 1 December 2019.
- Cash reserves of \$2.6 million at 30 September 2019.

WILCHERRY PROJECT, SOUTH AUSTRALIA (100%)

Weednanna Drilling

- Post-reporting, assay results for the reverse circulation drilling program from 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)**
- In addition, the final 1m assay results for the reverse circulation drilling program from April and May 2019 were received, including the following high-grade gold intercepts:
 - **7m @ 16.6 g/t Au from 89m in 19WDRC051 (Shoot 7)**
 - **3m @ 9.8 g/t Au from 156m in 19WDRC054 (Shoot 8 HW)**
- The results from these drilling programs continue to define mineralisation outside of the maiden Mineral Resource area.
- Further drilling to increase geological confidence in mineral resources in order to increase the ratio of Indicated to Inferred mineral resources, is planned to commence in November 2019.

Alliance Resources Limited (ASX: AGS) (“Alliance” or “the Company”) is pleased to provide shareholders with its Quarterly Report for the three-month period ending 30 September 2019.

CORPORATE

Takeover Bid

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.

As required by the Corporations Act, a copy of Alliance’s Target’s Statement was lodged with ASIC and sent to the Bidder on 10 September 2019. The Statement was accompanied by an Independent Expert’s Report, including an Independent Technical Report.

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.

On 30 September 2019, the Bidder advised of an automatic extension of the Offer period to 14 October 2019 pursuant to section 624(2) of the Corporations Act 2001 (Cth) as a result of the Bidder’s voting power in Alliance increasing to more than 50%.

The offer closed on 14 October 2019 (post-reporting).

As at 14 October 2019, Gandel Metals has holdings and acceptances totalling 68.21% in Alliance.

The top 3 shareholders own approximately 83% of Alliance.

New Board and Management Appointment

Mr Kevin Malaxos has been appointed as the incoming 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

Post-reporting, the 1m assay results for the reverse circulation drilling program from July and August were received. 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.

Drill collar plans may be found in Figures 1 to 3.

The results from this drilling program have continued 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.

Discussion

During July and August 2019, 33 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.

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 139 RC holes and 5 diamond holes, for 21,542 metres, with the objective of growing and increasing geological confidence in the Weednanna Mineral Resource.

The drilling results from these programs are reported in Alliance's ASX Announcements dated 29 November 2018, 4 March 2019, 2 April 2019, 12 June 2019, and 8 July 2019. The distribution of significant assay results received since the 2018MRE is illustrated in Figure 2 using the Scoping Study conceptual underground mine design as a background.

Refer to ASX announcement dated 11 October 2019 for further details.

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.

Final 1m Assay Results from April and May RC Drilling

During April and May 38 RC holes, for 5,744 metres, were drilled at the Weednanna Deposit to test for extensions of gold mineralisation at Shoots 3, 4, 5/5E, 9/11, 7 and test geophysical targets.

The final 1m assay results from this drilling program were received during the reporting period and include:

- First high grade gold at Shoots 7 and 8 with intersections of 7m @ 16.6 g/t Au from 89m in 19WDR051, including 3m @ 32.2 g/t Au from 89m (Shoot 7) and 3m @ 9.8 g/t Au from 156m in 19WDR054, including 1m @ 24.6 g/t Au from 156m (Shoot 8 HW).
- High grade gold intersections at Shoots 7 and 8 are supplemented by broader zones of moderate grade gold including 5m @ 3.5 g/t Au from 178m in 19WDR050, including 1m @ 12.5 g/t Au from 178m (Shoot 8), 7m @ 1.9 g/t Au from 65m in 19WDR053 (Shoot 7), and 12m @ 2.6 g/t Au from 91m in 19WDR054 (Shoot 7).
- Potential to grow the size of Shoots 7 and 8 with further drilling.
- Shoots 5E and 9/11 continue to extend with intersections of 4m @ 5.3 g/t Au from 89m in 19WDR031 (Shoot 5E HW), 11m @ 1.1 g/t Au from 137m in 19WDR031 (Shoot 5E), 4m @ 4.2 g/t Au from 143m in 19WDR036 (Shoot 5E) and 8m @ 1.0 g/t Au from 98m in 19WDR039 (Shoot 9/11).
- First hole drilled at unnamed 3D induced polarisation (3DIP) geophysical target intersects a broad zone of gold anomalism including 10m @ 1.6 g/t Au from 92m in 19WDR046 hosted in Archaean granite. This gold is associated with strong chlorite-sericite alteration and disseminated arsenopyrite similar to mineralisation at Shoot 1.

Refer to ASX announcement dated 8 July 2019 for further details.

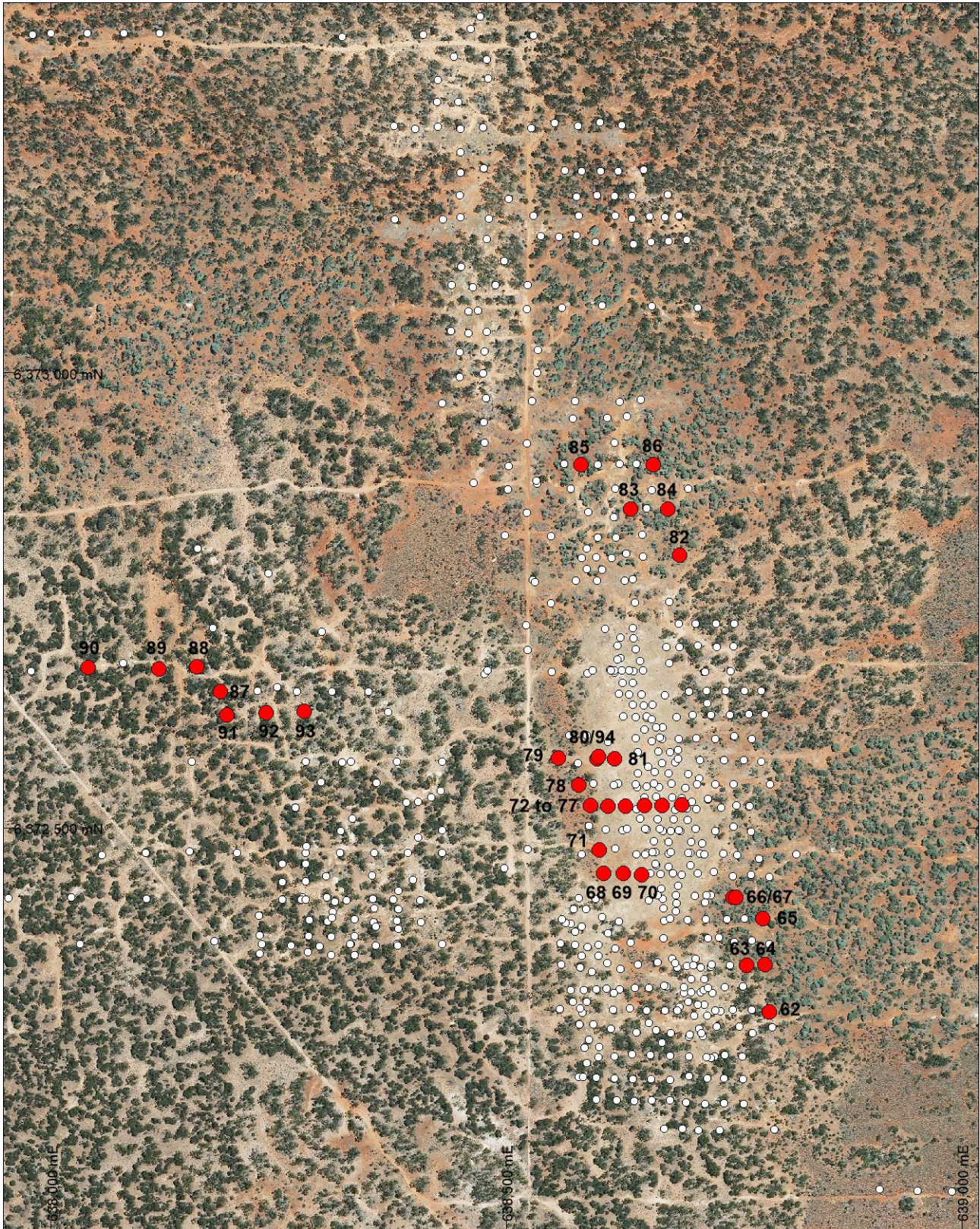


Figure 1. Weednanna drill hole location plan

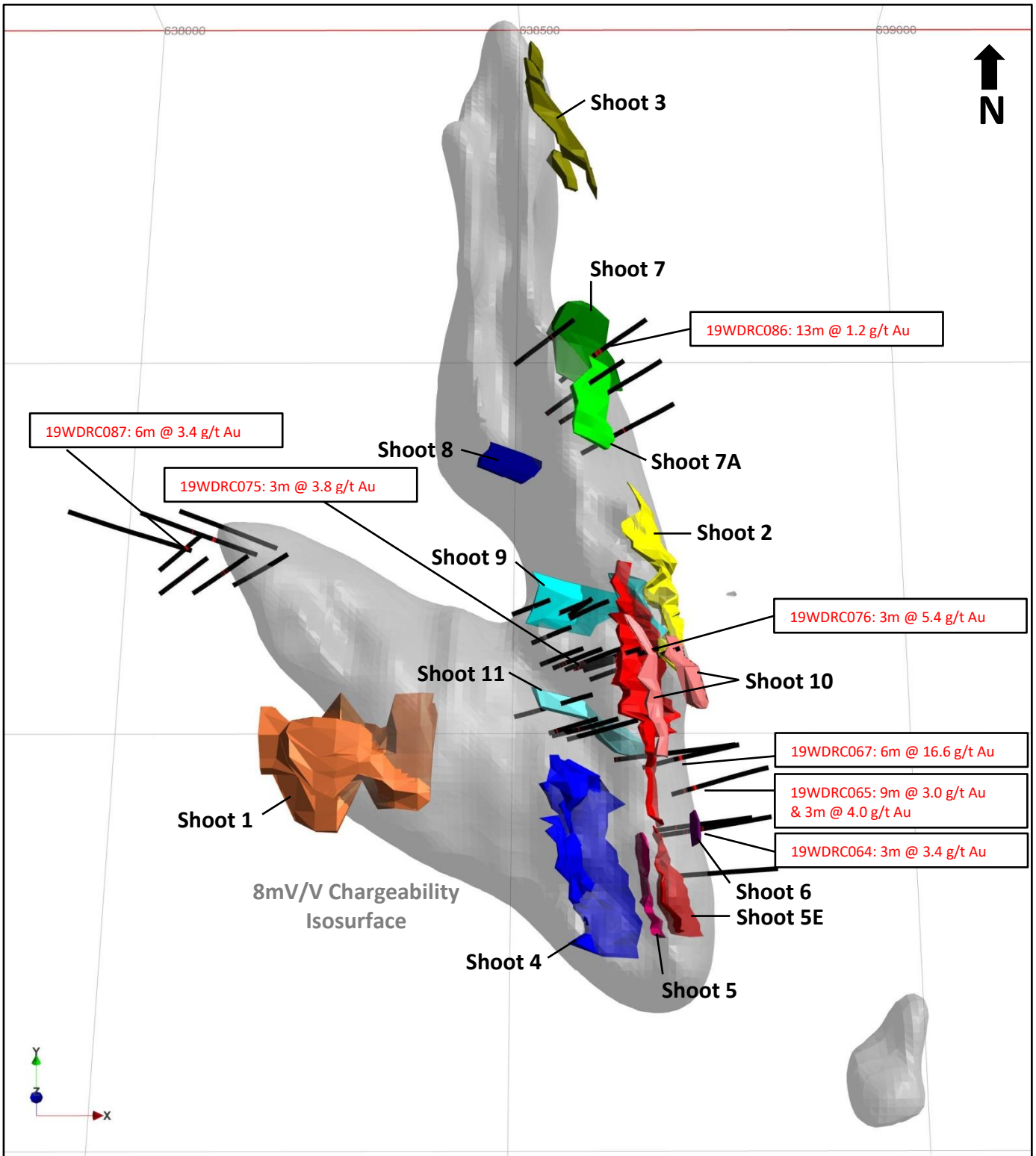


Figure 2. Weednanna 3D Model (July 2018) showing completed RC drilling, gold mineralised shoots that comprise the 2018 MRE, and the 3DIP 8mV/V chargeability isosurface (view down to north)

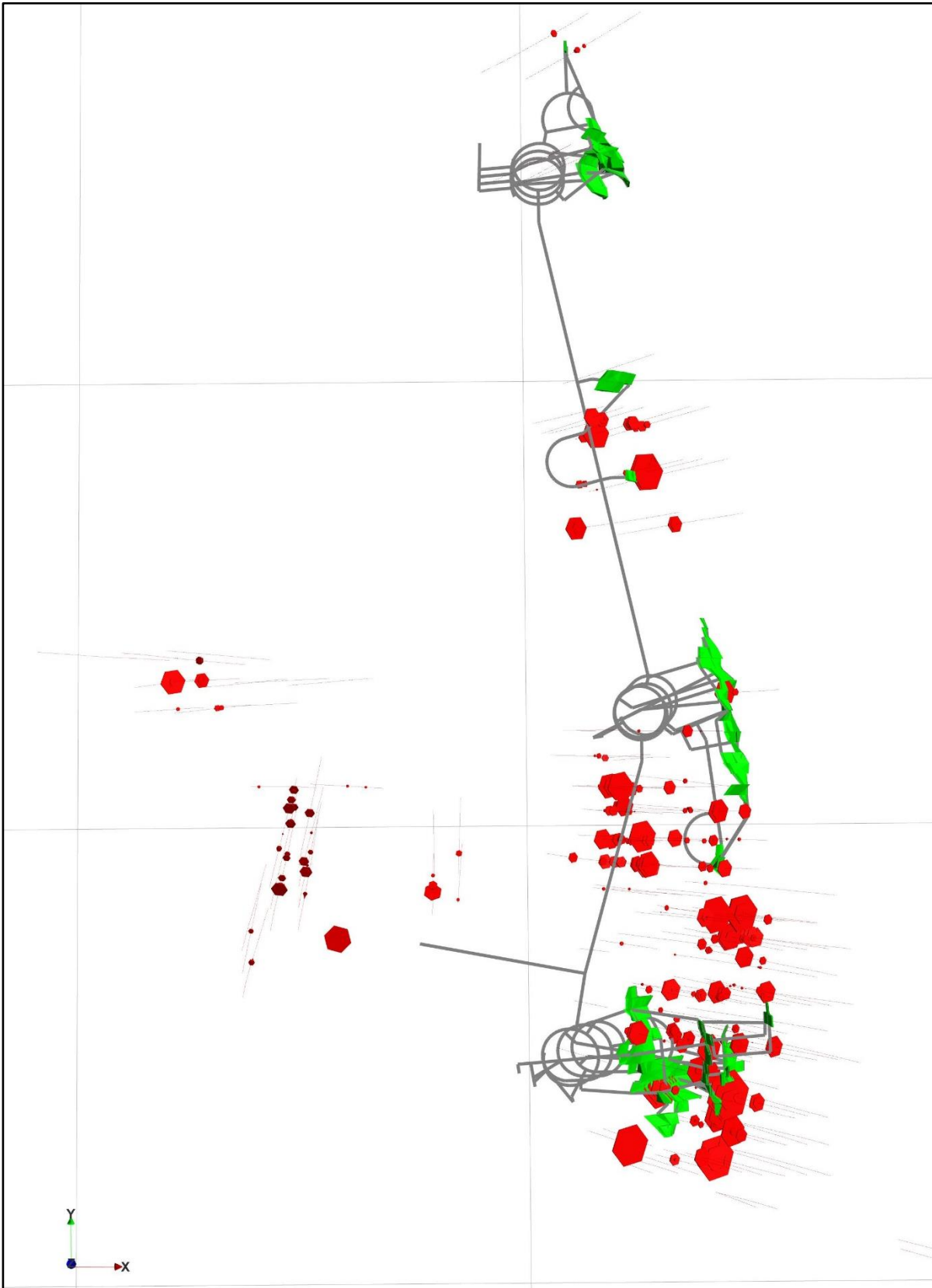


Figure 3. Weednanna 3D View of Scoping Study conceptual underground mine development [grey], with stopes [green] and +1 g/t Au intersections in post-2018MRE drilling [red dots] (size of dots represents grade of assay results) (view down)

Weednanna Aircore Drilling

During August, 190 aircore holes were drilled, for 7,753 metres, on the west side of the deposit. Existing RAB and aircore traverses were extended to test a 160 hectare area that was not considered prospective for gold, but may be suitable for mine infrastructure, including:

- A 1.34Mm³ capacity waste dump to meet the volume requirements for the gold project assuming a 30% swell factor;
- A tailings storage facility to hold 1.75 Million tonnes of dry tailings (7 years production at 250,000 tpa production rate) with 40 hectare footprint;
- A gold processing facility; and
- Site administration buildings.

The aircore drilling program was designed to test for low level gold in regolith anomalism which can be used as a vector towards a primary gold deposit.

All holes were drilled vertically on a 50 metre by 200 metre spaced grid to blade refusal. The average depth of drilling during the program was 40.8m.

Anomalous gold (Au) assay results received from this drilling program are listed in Table A and their location illustrated in Figure 4.

Table A. Weednanna: Anomalous gold in 1m scoop aircore drill samples

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)
19WDAC025	20	22	2	0.18

The gold assay results received from this drilling program do not indicate the potential for a gold deposit within the area tested and confirm its suitability for construction of mine infrastructure.

Multi-element portable XRF analysis of the drill sample pulps also tested for As, Ca, Cr, Cu, Fe, Mn, Ni, Pb, S, Sn, U and Zn. No other significant multi-element results were returned from the drilling program.

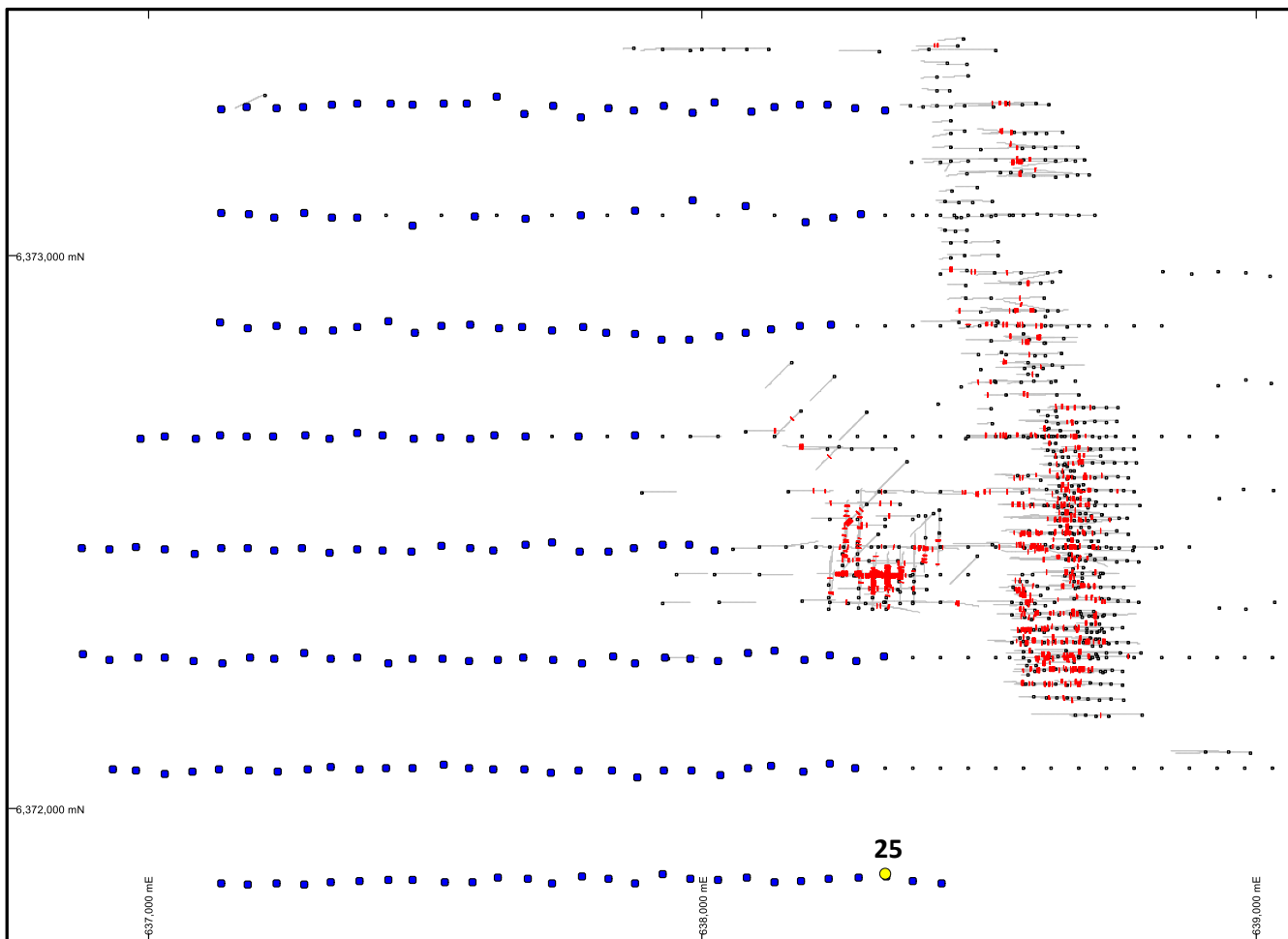


Figure 4. Weednanna aircore drilling: Location of +0.1 g/t Gold anomaly relative to +1.0 g/t Gold distribution at the deposit

Legend-

- Blue dots: recent aircore holes containing 0 - 0.1 g/t Au*
- Yellow dots: recent aircore holes containing + 0.1 g/t Au*
- Grey dots and lines: previous drilling with drill hole trace*
- Red areas: +1.0 g/t gold in drilling*
- "25" denotes aircore drill hole ID "19WDAC025"*

GUNDOCKERTA SOUTH PROJECT, WESTERN AUSTRALIA (100%)

During June, 66 aircore holes were drilled, for 3,353 metres, on the west side of exploration licence E28/2572 to conclude a larger drilling program commenced in 2018. Gundockerta South is prospective for gold and base metals.

This aircore drilling was designed to test a broad area of sporadic low level gold in-soil anomaly, by using wide spaced aircore drill holes to test for low level gold in regolith anomaly that can be used as a vector towards a primary gold deposit.

The target area overlies a flexure in the interpreted position of the Railway Fault where it truncates mafic and felsic volcanic rocks against younger Penny Dam Conglomerate.

All holes were drilled vertically on a 160 metre by 640 metre spaced grid to blade refusal. The average depth of drilling during the current program was 50.8m.

Assay results from four metre composite scoop samples were received during July and one metre scoop samples collected across gold-anomalous zones.

Significant gold (Au) assay results received from this drilling program are listed in Table B and their location illustrated in Figure 5.

Table B. Gundockerta South: Significant gold in 4m composite aircore drill samples

Hole ID	From (m)	To (m)	Interval (m)	Au (ppm)	Comments
GSAC074	20	24	4	0.09	Saprolite with minor qtz vein in siltstone
GSAC119	40	41	1	0.34	Siltstone at EOH
GSAC120	4	8	4	0.14	Transported lateritic gravel and top of Archaean
GSAC121	4	8	4	0.71	Transported cover, incl. lateritic gravel, and top of Archaean

The gold assay results received from this drilling program do not indicate the potential for a large gold deposit within the target area, given the type of host rocks present and depth of weathering.

Multi-element portable XRF analysis of the drill sample pulps returned nine samples containing between 1,000 -2,000 ppm Ni and 90-200 ppm Cu. These samples are associated with high magnesian basalt in hole GSAC089 and Penny Dam Conglomerate in holes GSAC102 and GSAC129 (refer to Alliance ASX announcement dated 6 September 2019). No other significant multi-element results were returned from the drilling program.

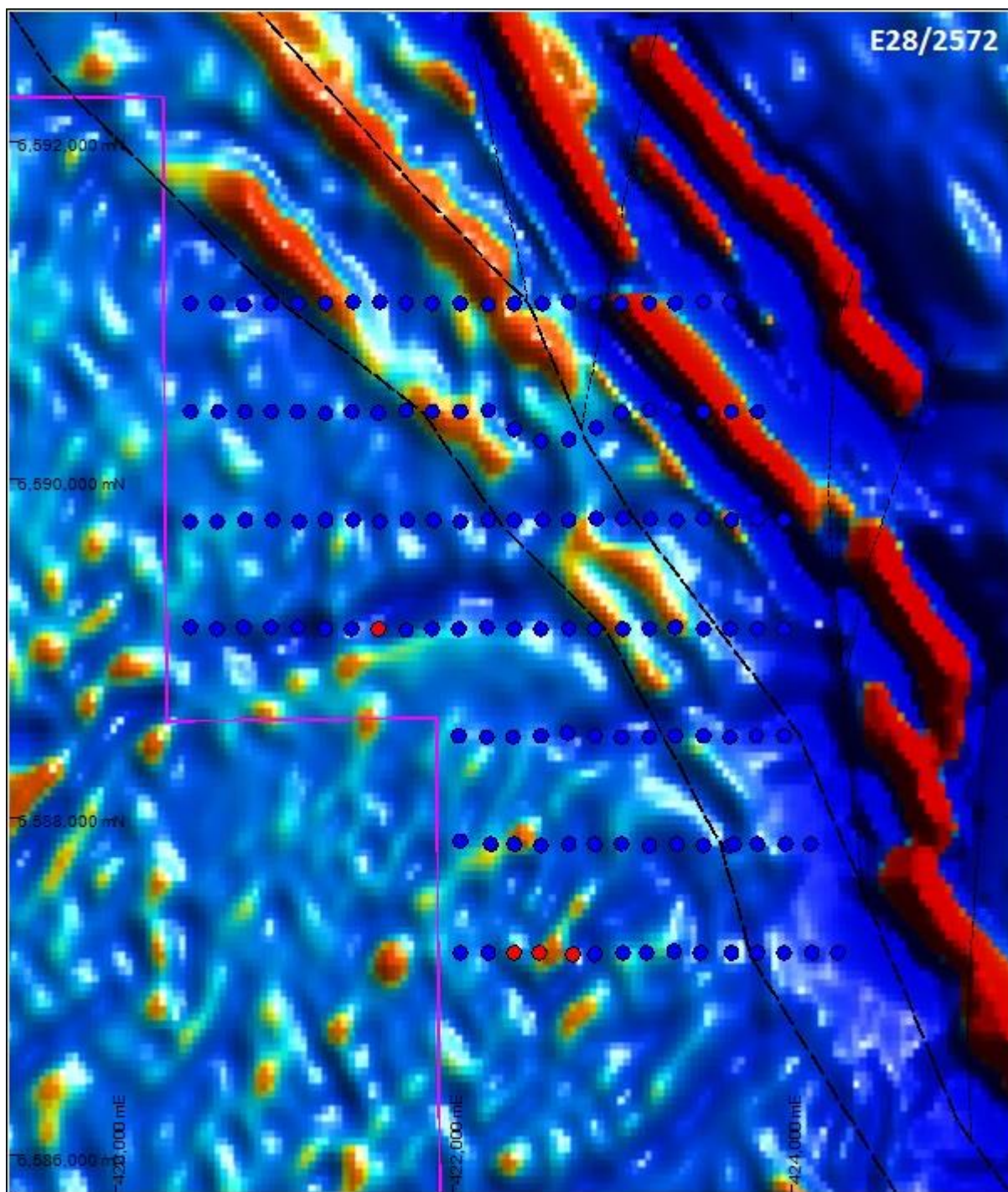


Figure 5. Gundockerta South aircore drilling: +0.1 g/t Gold anomalism on an aeromagnetic image

Legend-

Blue dots: 0 - 0.1 g/t Au

Red dots: + 0.1 g/t Au

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%
EL5961	Pinkwillinie	140 km W of Whyalla	Surrendered	100%	0%
South Australia (Other)					
EL6142	White Well	30 km north of Hawker	Surrendered	100%	0%
Western Australia					
E28/2572	Gundockerta Sth	72 km east of Kalgoorlie	Granted	0%	100%
E25/569	Yindarlogooda	72 km east of Kalgoorlie	Granted	0%	100%

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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.

In September 2018, Alliance announced a maiden Mineral Resource Estimate for the Weednanna Gold Deposit of 1.097 Mt grading 5.1 g/t gold for 181,000 oz gold (0.59 Mt grading 4.6 g/t Au Indicated and 0.51 Mt grading 5.7 g/t Au Inferred).

An independent scoping study announced on 18 April 2019 is very positive and supports a new, 250 ktpa gold plant at Weednanna. Total capital cost is approximately \$44 million, including an open pit pre-strip of approximately \$8 million.

There is significant potential to increase the size of this Mineral Resource with further drilling as the majority of gold shoots comprising this mineral resource are open in at least one direction.

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 Stephen Johnston. Mr Gray is a Member of the Australian Institute of Geoscientists and is a part-time contractor to Alliance Resources Ltd. 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 and Mr Johnston 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 Johnston 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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(922)	(922)
(b) development		
(c) production		
(d) staff costs	(151)	(151)
(e) administration and corporate costs	(290)	(290)
1.3 Dividends received (see note 3)		
1.4 Interest received	12	12
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)	97	97
1.9 Net cash from / (used in) operating activities	(1,254)	(1,254)

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 (3 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	46
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options	119	119
3.4 Transaction costs related to issues of shares, convertible notes or options	(28)	(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	137

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,686	3,686
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,254)	(1,254)
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	137
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	2,569	2,569

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	2,569	3,686
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)	2,569	3,686

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	323
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-imburements 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	959
9.2 Development	
9.3 Production	
9.4 Staff costs	256
9.5 Administration and corporate costs	264
9.6 Other – Capital raising costs	
9.7 Total estimated cash outflows	1,479

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	EL6379, SA	Subsequent EL	100%	100%
	(formerly EL5470)	Granted	100%	100%
	P26/4460, WA	Granted	100%	100%
	P26/4463, WA			

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: 29 October 2019

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.