

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 JUNE 2020



31 July 2020

ASX Code: **AGS**

No. of pages: 10

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 JUNE 2020

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ended 30 June 2020 (4 pages)
- Appendix 5B for the period ended 30 June 2020 (5 pages)

Authorised for release by 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 30 JUNE 2020

HIGHLIGHTS

CORPORATE

- During May 2020, Alliance Resources Limited (Alliance) issued an Offer Document inviting existing shareholders to participate in a one for six non-renounceable pro-rata Rights Issue at an issue price of \$0.08 per new share to raise up to a maximum of \$2.054 million (before costs). The Entitlement Offer opened on Tuesday 19 May 2020 and closed on Thursday 28 May 2020, raising \$1.94 million.
- A total of 55,166 new shares (non-eligible shareholder shares) were sold in June via Petra Capital (Nominee approved by ASIC), with Alliance receiving the \$0.08 issue price for each share, and any excess funds returned to ineligible shareholders after costs.
- During April 2020, Alliance received a Notice of Change of interest of Substantial holder detailing that entities associated with Mr Ian Gandel (Abbotsleigh Pty Ltd and Gandel Metals Pty Ltd) increased their holdings to 71.21% of issued shares in Alliance.
- Travel restrictions imposed due to the Covid19 virus continued to cause disruptions to corporate and exploration activities during the quarter. Contract exploration personnel were secured to supervise the May RC drilling program at the Weednanna 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 \$1.57 million as at 30 June 2020.

WILCHERRY PROJECT, SOUTH AUSTRALIA (100%)

Weednanna Drilling

- During May 2020, 41 RC holes, for a total of 5,033 metres were drilled in Shoots 2 and 10 to test areas of sparse drill concentration and to test for extensions to mineralised zones with the aim of increasing both the geological confidence and the classification of mineralisation from Inferred to Indicated. Preliminary 4 metre composite sample assay results were received in June with encouraging results. These assay results prompted a further site visit to collect and dispatch 1 metre samples from zones reporting grade in the 4 metre composite assay results. The 1 metre assay results are expected to be returned and announced in early August. The company intends preparing a revised Mineral Resource Estimate in September 2020.
- Prior to commencing the RC drilling programme the drillers installed slotted PVC pipe into two vertical RC holes drilled at Shoot 1 in November 2019. These holes will be used for water testing and monitoring to support the hydrology feasibility studies for the Weednanna Mining Application.
- Data collection and analysis of iron ore potential at Weednanna continues in parallel with gold exploration activities. Iron assay results received during May (from the February RC drilling

campaign) are currently being incorporated into the new iron mineralisation database for modelling and optimisation.

Weednanna Study work

- During the March 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 for metallurgical testing. Analysis of the metallurgical recover profile of this oxide mineralisation has been completed, with the data to be incorporated into the processing plant design parameters.
- 12 regional composite samples from Shoots 4, 5, 5E, 7, 7A, 8, 10 and 11 were sent for metallurgical testing to determine the regional variability of metallurgy in the main calc-silicate host of the deposit. Various trials were conducted to optimise the gold recovery which generates operating parameters and reagent consumption rates during the treatment process. This information is utilised in the design phase of the processing and also for calculating operating costs for metal recovery.
- A small weather station and four dust monitoring stations were installed at Weednanna during the quarter to collect baseline environmental data to build the pre-mining model for the mining lease area. This installation shall remain onsite throughout the life of the project with data recorded to manage mine outputs against the stated performance.
- Surface and underground hydrological data collection commenced during the quarter to record baseline quality and quantity records. Mine water was also supplied to the metallurgical consultants to ensure laboratory testwork recovery and circuit performance is as close to actual performance, including tailings output characteristics as possible.

West Australian Exploration

Nepean Project (E15/1658)

- A 250 sample first pass auger soil sampling program was completed during March 2020 to extend the previously defined gold in soil anomalism at the Nepean Project, on a 100 metre by 200 metre spaced grid. The results from this auger soil sampling program have more than doubled the size of the gold in soil anomaly (+7.5 ppb Au threshold), which now covers a 4.5 square kilometre area.
- The next phase of exploration planned at the Project is aircore drilling to test for gold in regolith anomalism, which can be used as a vector towards a primary gold deposit.

TENEMENTS

Tenement	Name	Location		Beneficial percentage acquired or disposed of during the quarter	Beneficial percentage held at end of quarter
South Australia (Wilcherry Project)					
EL6379	Uno/Valley Dam	60 km northeast of Kimba		0%	100%
EL5875	Mount Miccollo	60 km north of Kimba		0%	100%
EL6475	Peterlumbo	40 km north of Kimba		0%	100%
EL5931	Maratchina Hill	35 km north of Kimba		0%	100%
EL6072	Eurila Dam	40 km northeast of Kimba		0%	100%
EL6188	Wilcherry Hill	40 km north of Kimba		0%	100%
ELA2020/00010	Buckleboo West	60 km northwest of Kimba		0%	0%
Western Australia					
E15/1658	Nepean North	65 km southwest of Kalgoorlie		0%	100%
E25/569	Gundockerta South	70 km east of Kalgoorlie		0%	100%
E28/2572	Gundockerta South	70 km east of Kalgoorlie		0%	100%
E26/208	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%
P15/6389	Kalgoorlie South	20 km south of Kalgoorlie		0%	0%
P26/4458	Kalgoorlie South	15 km south of Kalgoorlie		0%	0%
P26/4459	Kalgoorlie South	15 km south of Kalgoorlie		0%	0%
P26/4460	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%
P26/4461	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%
P26/4462	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%
P26/4463	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%

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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")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs	(144)	(671)
(e) administration and corporate costs	(244)	(1,047)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	23
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	50	50
1.8 Other (GST paid/recouped)	70	370
1.9 Net cash from / (used in) operating activities	(267)	(1,275)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation	(725)	(2,911)
(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 (12 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 (Cashflow Boost)		
2.6	Net cash from / (used in) investing activities	(725)	(2,911)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,941	1,987
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	(3)	(31)
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	1,938	2,075

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	629	3,686
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(267)	(1,275)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(725)	(2,911)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,938	2,075

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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,575	1,575

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	1,485	539
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other -Term deposits and Performance	90	90
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,575	629

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	259
6.2	Aggregate amount of payments to related parties and their associates included in item 2	110
<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)	(267)	
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(725)	
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(992)	
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,575	
8.5	Unused finance facilities available at quarter end (item 7.5)	-	
8.6	Total available funding (item 8.4 + item 8.5)	1,575	
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.6	

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

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

8.8.1 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

8.8.2 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.

The major shareholder companies associated with the director Mr Ian Gandel, namely Gandel Metals Pty Ltd and Abbotsleigh Pty Ltd, currently collectively own 71.77% of the issued capital of the entity and have committed to participate in any capital raisings for the next 9 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.

8.8.3 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 8.8.2 above.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 must be answered.

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: 31 July 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.