

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 JUNE 2014

30 July 2014

ASX Code: **AGS**

No. of pages: 15

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 JUNE 2014

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 June 2014 (9 pages)
- Appendix 5B for the period ending 30 June 2014 (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

30 July 2014

ALLIANCE RESOURCES LTD

ASX: AGS

ABN: 38 063 293 336

Market Cap: \$54.6 M (\$0.16)

Shares on issue: 341,172,309

Cash: \$17.54 M (30 June 2014)

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Web:

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Projects:

Four Mile (25%): uranium

Cabeza de Vaca, Chile:
copper-gold

East Frome: copper, base-
metals

Share Registry:

Computershare Investor
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QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2014

HIGHLIGHTS

FOUR MILE URANIUM PROJECT (25%)

Project Start-Up

- ISR mining commenced 14 April 2014 (previously reported).
- 409,555 pounds of uranium oxide concentrate has been produced to 30 June 2014.

Sale of Four Mile

- Alliance announced that it has appointed Deloitte Corporate Finance to lead a global marketing process for the sale of its 25% interest in the Four Mile Uranium Project.

FMNE drilling

- During the quarter, further high grade uranium intersections were announced from FMNE, extending the strike length to approximately 3200 metres and a maximum width of 800 metres. Mineralisation remains open to the northeast.

- No drilling was undertaken in June 2014.

Legal Proceedings

- The litigation with Quasar Resources Pty Ltd (Quasar) and Heathgate Resources Pty Ltd (Heathgate) was finally settled, on confidential terms, on 30 June 2014.

FOUR MILE URANIUM PROJECT (Alliance Craton Explorer Pty Ltd 25%)

The Four Mile Uranium Project (**Project**) area is located 550 kilometres north of Adelaide in South Australia. Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (**ACE**) is the registered holder of 25% of ML6402 and EL5017. Quasar Resources Pty Ltd (**Quasar**) is the registered holder of 75% and acts as the manager of the Project.

Project Start-Up

On 14 April 2014 (previously reported), Alliance announced that all required approvals to begin mining in the first stage mining area of Four Mile East had been received and that final commissioning and start-up of in situ recovery (ISR) mining operations had commenced.

On 9 July 2014 (post-reporting), Alliance Resources Ltd advised that a total of 409,555 pounds of uranium oxide concentrate had been produced at FME01 and FME02 wellfields to 30 June 2014.

Mining performance of the first two wellfields is now approaching optimal chemistry and most extraction well grades are yet to peak.

The average daily production for June was 7,822 lb. During the last week in June, average daily production was around 9,500 lb with a peak of 9,966 lb on 26 June 2014.

Production (100%) FME, Forecast, Actual and Drummed:

Month	Forecast* (lb)	Actual (lb)	Drummed (lb)
March	31,000	0	0
April	208,000	17,812	0
May	279,000	157,069	102,088
June	277,000	234,674	220,026
Total	795,000	409,555	322,114

*Four Mile (ML6402) Revised Start-Up Plan and Program and Budget.

Production forecasts for July and August are 239,000 and 234,000 lb respectively. Given that production for the last week of June was well in excess of this and not all wells have yet peaked, it is likely that these targets can be met, assuming no issues with the processing plant or adverse weather.

Sale of ACE's share in Four Mile

On 17 June 2014, Alliance announced that it had appointed Deloitte Corporate Finance to lead a global marketing process for the sale of its 25% interest in the Four Mile Uranium Project ("Four Mile").

This transaction will, if completed, free up funds to enable Alliance to further explore and expand its exploration portfolio, including but not limited to, in Australia and Chile.

Any sale will be subject to shareholder approval, consent from Itochu Corporation and Quasar not exercising its pre-emptive right under the Exploration Joint Venture Agreement.

On 16 July 2014 (post-reporting), Alliance announced that it had been contacted by a shareholder claiming to act for shareholders holding between them more than 7% of Alliance's issued shares. The shareholder has foreshadowed calling an extraordinary general meeting if he is not provided with satisfactory answers to

certain questions pertaining to the proposed sale of Alliance Craton Explorer Pty Ltd's 25% interest in the Four Mile Uranium Project (**Project**).

As Alliance's policy is not to respond to an individual shareholder's queries but to ensure that all shareholders are privy to the same information, Alliance made the following information available to all shareholders (16 July 2014).

1. As previously announced (30 June 2014) the terms of the settlement with Quasar Resources Pty Ltd and Heathgate Resources Pty Ltd are confidential. Neither Alliance nor Alliance Craton Explorer Pty Ltd (**ACE**) can divulge those terms. Similarly, the terms of the agreement with Quasar concerning the Project are confidential.
2. Also as previously announced (17 June 2014), if a sale of the Project can be achieved it will be subject to shareholder approval. At that time details of the prospective purchaser and the sale consideration will be disclosed and an independent valuation will be available to assist shareholders to evaluate the fairness of the sale price and terms. The Board hopes it will be in a position to put such a resolution to shareholders at the annual general meeting scheduled for 26 November 2014.
3. No final decision as to how the proceeds of sale will be disbursed has been made. This will be considered by the Board once the quantum and nature of the consideration, which may be cash or scrip or a combination of the two, is known.
4. Itochu Corporation is yet to indicate whether it will exercise its rights under the deferred share rights deed or whether it will participate in the sale process. As announced on 17 June 2014, its consent to the sale will be required.
5. The Board remains enthusiastic about the Project but disagrees with Quasar's development plans and the timing for development given current uranium prices. The Board would also like to see further exploration carried out but has no control over the work program or budget. Initial uranium sales are expected to occur in late August (see ASX announcements dated 31 January and 9 July 2014).
6. Most importantly, the Board will only recommend a sale if an acceptable value is achieved and it is in the best interests of **all** shareholders.

Legal Proceedings

The litigation with Quasar and Heathgate Resources Pty Ltd (Heathgate) was finally settled, on confidential terms, on 30 June 2014.

On 18 July 2014 Alliance announced that, as part of the terms of the settlement, Alliance Craton Explorer Pty Ltd agreed to contribute a one off amount of \$1,610,990.75 towards costs incurred in the proceeding by Quasar and a one-off amount of \$2,946,000 towards costs incurred by Heathgate. The subsequent announcement of the settlement financial terms was considered to be required under the ASX listing rules.

Exploration¹

During the quarter, Alliance announced further uranium intercepts from drilling at the recently discovered FMNE uranium deposit.

A total of 55 rotary mud holes were drilled for 14,734.5 metres from 22 March 2014 to 28 May 2014 (**FMD0161 to FMD0215**). Refer Figure 1.

Eight holes (FMD0161 to FMD0168) were drilled at the southern end of Four Mile Northeast (FMNE), 8 holes were drilled north of Four Mile East (FME), 28 holes were drilled in the central and northern parts of FMNE and 11 holes were drilled in the southern part of ML6402. Refer Figures 2 and 3.

The majority of the latest holes drilled at FMNE produced significant uranium intersections, 2 out of 8 holes drilled north of FME were also successful. However none of the holes drilled in the southern part of ML6402 produced any significant uranium intersections.

Significant uranium intersections >0.5m% (GT-PFN) include:

Hole ID	m @ % pU ₃ O ₈	m%pU ₃ O ₈
FMD0166	2.0m @ 0.43%	GT 0.86
FMD0170	10.9m @ 0.59%	GT 6.43
FMD0174	6.7m @ 0.70%	GT 4.69
FMD0178	7.5m @ 0.10%	GT 0.75
FMD0182	2.0m @ 1.38%	GT 2.76
FMD0184	3.2m @ 0.21%	GT 0.67
FMD0187	2.1m @ 0.48%	GT 1.01
FMD0188	1.9m @ 0.32%	GT 0.61
FMD0191	3.6m @ 0.16%	GT 0.58
FMD0203 ²	1.8m @ 0.37%	GT 0.67

pU₃O₈ is the equivalent grade as estimated from Prompt Fission Neutron (PFN) logging.
GT = grade (%pU₃O₈) x thickness (m).

The results continue to support the Four Mile region as one of Australia's great uranium provinces.

It is emphasised that results may be subject to revision once the geophysical logs are made available to Alliance.

Refer to ASX announcements dated 23 June 2014 for details of the exploration results and competent person's consent.

No delineation (exploration) drilling was undertaken during June 2014. The information provided to in the announcement dated 23 June 2014 is the latest available.

¹ ACE and Quasar disagree about the nature of the regional delineation drilling. Quasar asserts it is a mining development cost for which ACE must pay its share. ACE asserts it is an exploration cost for which Quasar must pay in full.

² FMD0203 is north of Four Mile East

Figure 1: Four Mile Project drill hole locations (since November 2013)

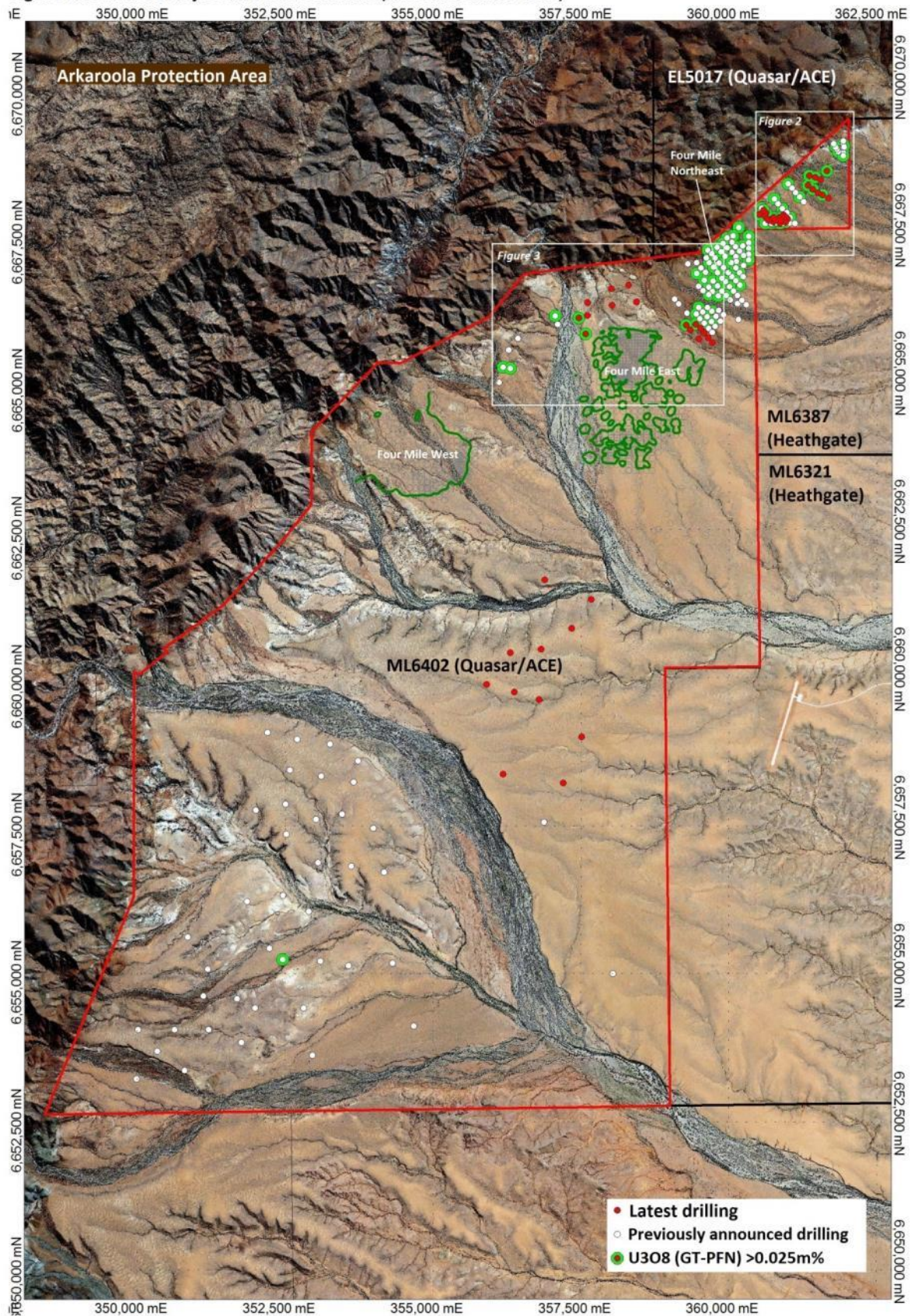
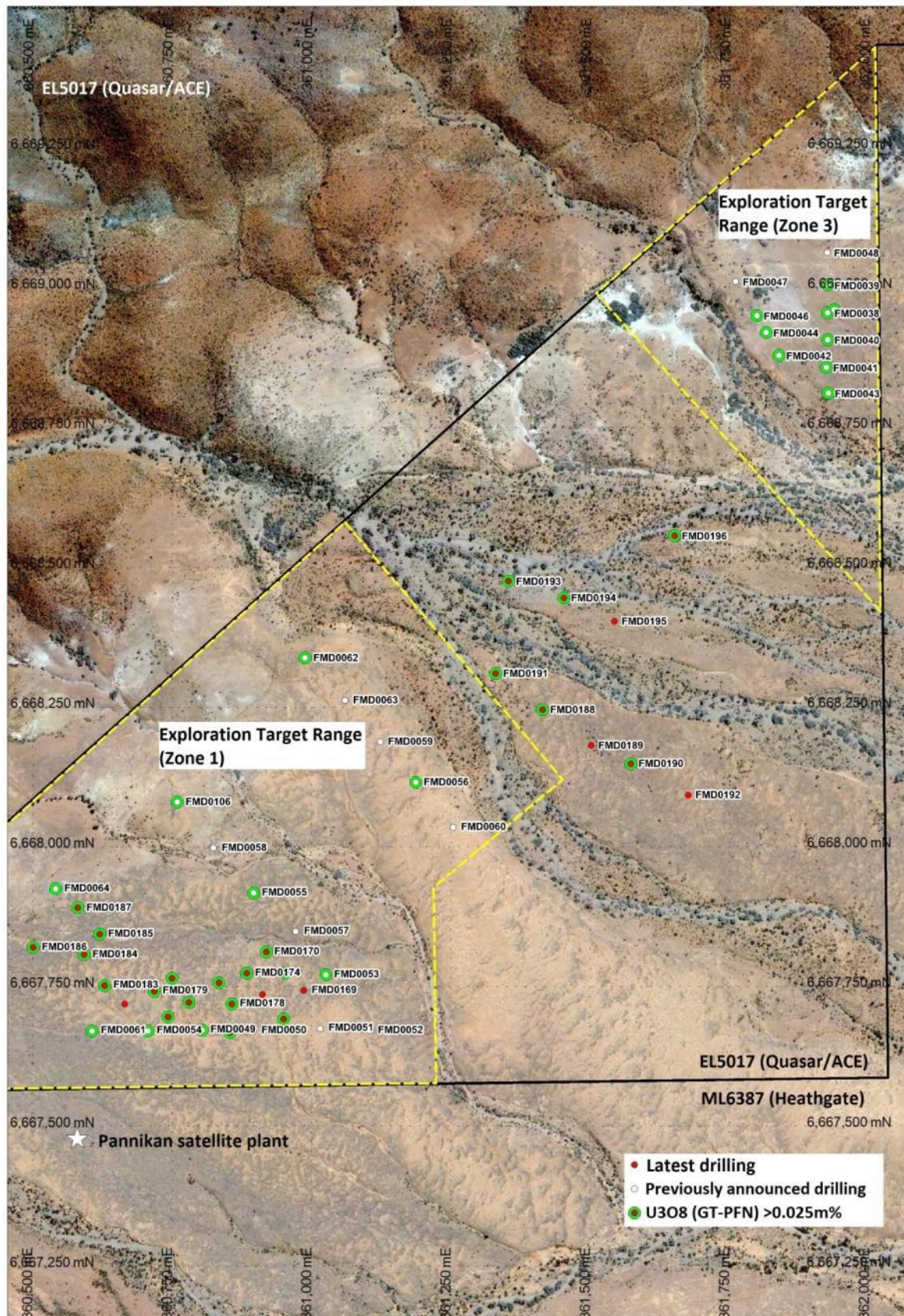
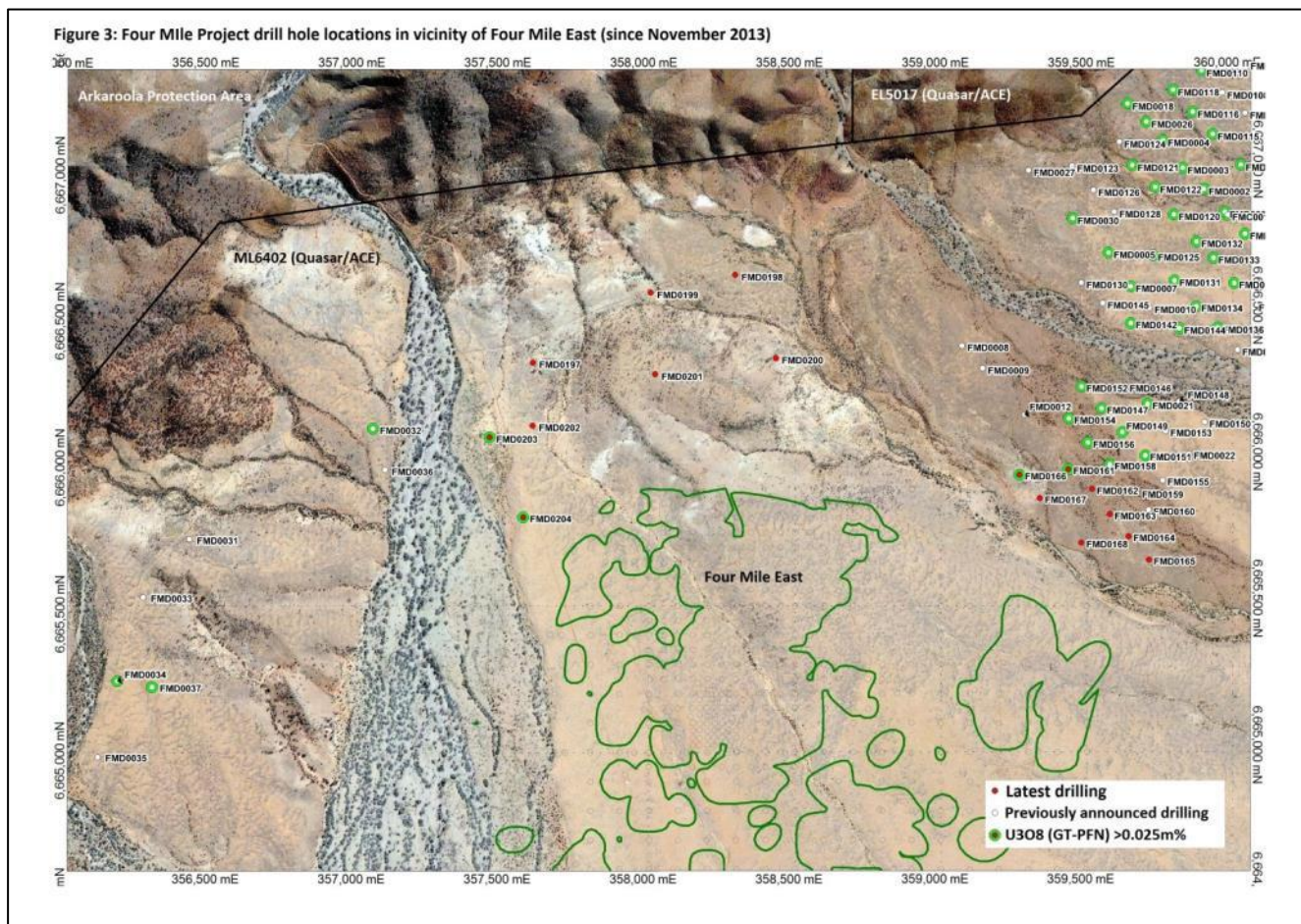


Figure 2: Four Mile Northeast drill hole locations





Contributions to Development

ACE paid \$1,410,152 towards the cost of development of the Four Mile Project during the quarter (\$20,543,830 to-date). ACE disputes the validity of the cash calls made by Quasar and, in making these payments, has reserved all of its rights. The payments have been made to preserve ACE's participatory rights in the Four Mile Project.

CHILEAN COPPER-GOLD-SILVER PROJECTS

Alliance Chile Pty Ltd has several projects in Atacama Region III, located in northern Chile's iron-oxide copper-gold belt with potential for copper, gold and silver. Refer Figure 4.

Cabeza de Vaca (Alliance (Chile) Pty Ltd 90%)

No fieldwork was conducted during the quarter.

Sierra Cinchado/Sierra del Potrillos (Alliance (Chile) Pty Ltd 100%)

Alliance has submitted applications for exploration concessions over two areas approximately 25 km east of Copiapo, in Atacama Region III. Both areas have a number of mine workings which appear to be Manto style copper and silver. There are 27 applications: 10 in **Sierra Cinchado** area and 17 in **Sierra del Potrillos** area, for a total area of 7,200Ha. Upon granting Alliance Chile will hold 100% of these concessions, excluding existing underlying exploitation concessions.

During the quarter, a regional stream sediment sampling program was conducted to the west of the northeast-trending Cinchado Fault Zone in the eastern part of the Sierra Cinchado concession. Analyses have been received and reported no significant results.

Figure 4: Alliance's mineral properties, northern Chile



Monardes Basin (Alliance (Chile) Pty Ltd 100% or right to earn 100%)

During the quarter Alliance acquired an option to purchase the Monardes concessions from Mr Saltori for Year 0 US\$50,000, Year 1 US\$75,000, Year 2 US \$100,000 and Year 3 exercise payment of US\$2.25M (total US\$2.5 million). The Monardes concessions are located east of Alliance's Vega concessions.

EAST FROME COPPER-BASE METALS PROJECT (Alliance (NSW) Pty Ltd 100%)

No fieldwork was conducted during the quarter.

CORPORATE

Alliance has cash reserves of \$17.54 million (unaudited) at 30 June 2014 and has 341,172,309 ordinary shares on issue.

Alliance holds 22,000,000 ordinary shares in Octagonal Resources Ltd (Octagonal) which equates to approximately 13.53% of Octagonal's issued share capital.

TENEMENTS

Tenement	Name	Location	Beneficial percentage held at end of quarter	Beneficial percentage acquired or disposed of during the quarter
South Australia (Alliance Craton Explorer Pty Ltd)				
EL5017	Four Mile	300km NE of Port Augusta, South Australia	25%	
ML6402	Four Mile	300km NE of Port Augusta, South Australia	25%	
New South Wales (Alliance (NSW) Pty Ltd)				
EL7128	East Frome	32km NW of Broken Hill, New South Wales	0%	100% (expired)
EL7210	East Frome	40km W of Broken Hill, New South Wales	100%	
EL7636	East Frome	40km W of Broken Hill, New South Wales	100%	
Chile (Alliance (Chile) Pty Ltd)				
Paola	Cabeza de Vaca	40km SE of Copiapo, Chile	0% (option to purchase 90%*)	
Ceci I 1/8	Cabeza de Vaca	40km SE of Copiapo, Chile	0% (option to purchase 90%*)	
Kamikaze A1/II	Cabeza de Vaca	41km SE of Copiapo, Chile	0% (option to purchase 90%*)	
Plano 01, 02 and 03	Cabeza de Vaca	40km SE of Copiapo, Chile	90%*	
Remolinos 6, 1 AL 20	Cabeza de Vaca	39km SE of Copiapo, Chile	0% (option to purchase 90%*)	
Remo Uno	Cabeza de Vaca	39km SE of Copiapo, Chile	90%*	90%* (application)
10 concessions	Sierra Cinchado	25km east of Copiapo	0% (option to purchase 90%*)	
17 concessions	Sierra del Potrillos	25km east of Copiapo	100%	
Vega 1 and 2	Monardes Basin	95km east of Copiapo	100%	
Monardes 1-3, 4-9-1/20; Huachi 1/20	Monardes Basin	95km east of Copiapo	0% (option to purchase 100%)	0% (acquired option to purchase 100%)

*Under the terms of an agreement between Alliance (Chile) Pty Ltd and Minera Abre Fuego Ltda (MAF), Alliance (Chile) Pty Ltd holds 90% and MAF 10% respectively of the exploration, prospecting or mining rights within defined areas of the project.

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

Steve Johnston
Managing Director

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Andrew Bowden who is a Chartered Geologist and Fellow of the Geological Society of London, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time. Mr Bowden is a part-time employee of Alliance Resources Ltd and 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 Bowden consents to the inclusion in the report of the matters based on information provided to him by Quasar Resources Pty Ltd in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ALLIANCE RESOURCES LIMITED

ABN

38 063 293 336

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

		Current quarter	Year to date (12 Months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(219)	(656)
	(b) development ⁽¹⁾	(1,173)	(4,016)
	(c) production ⁽¹⁾	(237)	(237)
	(d) administration	(891)	(4,022)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	168	806
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	44	305
Net Operating Cash Flows		(2,308)	(7,820)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Transfer to deposit)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(2,308)	(7,820)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,308)	(7,820)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Cost of Capital Raising/Prospectus)	-	-
	Net financing cash flows	-	-
	Net (decrease) increase in cash held	(2,308)	(7,820)
1.20	Cash at beginning of quarter/year to date	19,847	25,359
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	17,539	17,539

Notes:

1. Includes cash calls for the Four Mile Project based on a programme and budget adopted by Quasar (with Alliance dissenting) in October 2012 and January 2014. Quasar is registered as the holder of 75% of EL5017 and ML6387 and manages the Project. In the period from 1 April 2014 to 30 June 2014 Alliance continued to make payments in order to preserve its participatory rights in the Four Mile Project. Alliance disputes the validity of the programme and budget and contends that cash calls made by Quasar include amounts not payable by Alliance and, in making each payments, has reserved all of its rights.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	244
1.24	Aggregate amount of loans to the parties included in item 1.10	NIL

- 1.25 Explanation necessary for an understanding of the transactions

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.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

+ See chapter 19 for defined terms.

Appendix 5B Mining exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	158
4.2 Development ⁽²⁾	0
4.3 Production ⁽²⁾	6,558
4.4 Administration	5,551
Total	12,267

Notes:

2. Includes estimated cash calls for the Four Mile Project based on the programme and budget adopted by Quasar Resources Pty Ltd in January 2014. Alliance disagrees with that programme and budget and, further, contends that the budget include amounts which are payable wholly by Quasar. Accordingly, it voted against adoption of the programme and budget. In making future payments Alliance will continue to reserve its rights as it has done in previous quarters.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	16,673	18,981
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details) – Term Deposit	866	866
Total: cash at end of quarter (item 1.22)	17,539	19,847

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (Note 2 - Below)	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL7128	Lapsed (expired)	100%	0%
6.2 Interests in mining tenements acquired or increased	Remo Uno (Chile) Monardes 1-3, 4-9 1/20; Huachi 1/20 (Chile)	Application Acquired option to purchase	0% 0%	90% 0%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	341,172,309	341,172,309		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	<i>(Unlisted Managing Director Options)</i> 1,000,000	Unlisted	Exercise price A\$ \$0.50	Expiry date 30 Apr 2015

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	1,000,000	Unlisted	\$0.30	30 Apr 2014
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (delete one) give a true and fair view of the matters disclosed.



Sign here:

Date: 30 July 2014

Company Secretary

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedents, which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** the issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.