

# QUARTERLY REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2015

22 January 2016

ASX Code: **AGS**

No. of pages: 14

## **QUARTERLY REPORT - FOR THE PERIOD ENDED 31 DECEMBER 2015**

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### **DETAILS OF ANNOUNCEMENT**

- Quarterly Activity Report for the period ending 31 December 2015 (8 pages)
- Appendix 5B for the period ending 31 December 2015 (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](http://www.allianceresources.com.au)

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## QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

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### HIGHLIGHTS

#### MONARDES COPPER-URANIUM PROJECT, CHILE

- Planning continued for the drilling scheduled to commence at Monardes in early 2016. A ten hole reverse circulation drilling program will test for copper-uranium mineralisation along strike and down dip within the eastern anomalous unit.
- Alliance acquires option to purchase a strategic tenement holding along strike from its Monardes copper-uranium project from Mantos Exploration Pty Ltd and Roland Mountford.
- Alliance has lodged applications for 14 additional exploration concessions at Vega, to the west of Monardes and the Mantos Project Tenements.
- The option with Mantos, if exercised, and the additional Vega applications increase the total project area available to Alliance to 242 km<sup>2</sup> and the strike length of the prospective Cretaceous Monardes Formation available to Alliance to 30 km.

#### WESTERN AUSTRALIAN NICKEL-COPPER-GOLD PROJECTS

- Alliance lodged two exploration licence applications with potential for nickel-copper-gold in Western Australia's Eastern Goldfields, Nepean South and Gundockerta South.
- The areas have been selected on the basis of encouraging nickel and/or copper anomalism from previous RAB drilling and/or the presence of cumulate textured ultramafics.

#### CORPORATE

- On 12 October 2015, trading in Alliance shares began on an 'ex Capital return basis'.
  - The Record Date for the Capital Return was 14 October 2015.
  - Processing of payments totalling \$50.06 million commenced on 28 October 2015.
- On 21 October 2015, Alliance announced that the Australian Taxation Office (ATO) issued a Class Ruling (CR 2015/81) that confirms the full amount of the distribution represents a Capital Return with no portion deemed to be a dividend from profits.
- Alliance has cash reserves of \$25.6 million and has 417,173,773 ordinary shares on issue at 31 December 2015.

## CHILEAN COPPER-GOLD-SILVER-URANIUM PROJECTS

Alliance Chile Pty Ltd has two projects in Atacama Region III, located in northern Chile's iron-oxide copper-gold belt with potential for copper, gold, silver and uranium, namely the Monardes Project and the Sierra Cinchado Project.

### **Monardes Copper-Uranium Project (Alliance Right To Earn 100%)**

The Monardes project is located in the eastern margin of the Monardes basin, 95 km east of Copiapo.

Alliance acquired an option to purchase 100% of the Monardes mining concessions in 2014 and has two exploration concessions to the west of the Monardes concessions (Vega Uno and Vega Dos). The concessions are located within the eastern margin of the Monardes Basin adjacent to the Maricunga Belt metallogenic province of Atacama Region III.

In early 2014, Alliance's geologists mapped a quartz-pebble conglomerate containing a small artisanal excavation for copper (Cu) at locality 465150E, 6970140N. The Cu-uranium (U) mineralisation occurs within the matrix of the pebble-conglomerate striking N10°E and dipping 70°SE (locally overturned) and which is locally associated with a stratigraphically overlying thin laminated carbonate unit and amygdaloidal basalt. The pebble conglomerate which is in a reduced oxidation state lies within the Lower Cretaceous Monardes Formation, comprising, for the most part, an oxidised red-bed sequence of siltstones, sandstones and pebble conglomerates.

Previously reported rock chip sampling results from several discontinuous outcrops of pebble conglomerate on the **eastern anomalous unit** reported Cu mineralisation over 1.8 km with 17 samples reporting Cu >3000ppm (highest value of 3.36% Cu) and 9 samples reporting U >300ppm (including a highest value of 2660ppm U).

An airborne radiometric survey (U channel spectrometer) confirmed the potential strike length of the eastern anomalous unit and identified a second parallel unit of anomalism some 300m to 500m west of the eastern unit.

Preliminary rock chip sampling results from several discontinuous outcrops on the **western anomalous unit** reported Cu mineralisation over 2.3 km with 4 samples reporting Cu >3000ppm (highest value of 3.34% Cu).

Ten reverse circulation drill holes totalling between 1,500 and 2,000 metres are planned to test for Cu-U mineralisation along strike and down dip within the eastern anomalous unit. Drilling is scheduled to commence at Monardes in early 2016.

Refer to ASX announcements dated 27 October 2014 and 30 January 2015 for further details and competent person's consent.

### **Option to Purchase Mantos Tenements (Alliance Right To Earn 100%)**

On 27 October 2015, Alliance announced that Alliance (Chile) Pty Ltd (**Alliance**) secured an option to purchase tenements (**Project Tenements**) registered in the names of Mantos de Fuego SpA, a wholly owned subsidiary of Mantos Exploration Pty Ltd (**Mantos**), and Roland Mountford, located along strike from Alliance's Monardes Project.

The key terms of the option are:

1. Mantos has granted Alliance an option to purchase the Project Tenements for a purchase price of A\$2,500,000 exercisable at any time prior to 31 October 2016 (**Term**) payable in shares in Alliance Resources Limited (**AGS**) (calculated by reference to VWAP for the 15 trading days after Alliance gives notice of exercise) or cash or a combination of cash and shares;
2. Alliance will pay Mantos an option fee of \$200,000 cash within 7 days of signing a formal option agreement (since paid);
3. Alliance will have the exclusive right to carry out due diligence to confirm the status of the Project Tenements and to conduct exploration over the Project Tenements during the Term to evaluate whether it wishes to exercise the option;
4. During the Term Alliance must keep the Project Tenements in good standing and will pay all tenement costs including renewal fees and fees necessary to replace a tenement which is incapable of renewal;
5. Alliance may extend the Term by 6 months on two occasions by procuring AGS to issue fully paid ordinary shares to the value of \$200,000 (calculated on the basis set out in paragraph 1) to Mantos or by paying the Company \$200,000 cash.
6. If Alliance exercises the Option it will enter into a royalty agreement under which Mantos will be entitled to a royalty equivalent to one percent (1%) of the Net Smelter Return for minerals produced by Alliance for sale from the Project Tenements. Alliance will be granted:
  - a. a right to purchase the royalty based on an agreed valuation or, where agreement cannot be reached, at the market value as determined by an independent valuer; and
  - b. a last right of refusal.

## **Vega Concessions (Alliance 100%)**

Alliance has lodged applications for 14 additional exploration concessions at Vega (Vega 3 to Vega 16), to the west of Monardes and the Mantos Project Tenements

The option with Mantos, if exercised, and the additional Vega applications increase the total project area available to Alliance to 242 km<sup>2</sup> and the strike length of the prospective Cretaceous Monardes Formation available to Alliance to 30 km.

## **Sierra Cinchado Copper-Silver Project (Alliance 100%)**

The Sierra Cinchado project is located 25 km east of Copiapo. The project area has a number of mine workings which appear to be prospective for Manto style copper and silver.

No exploration work was undertaken during the reporting period.

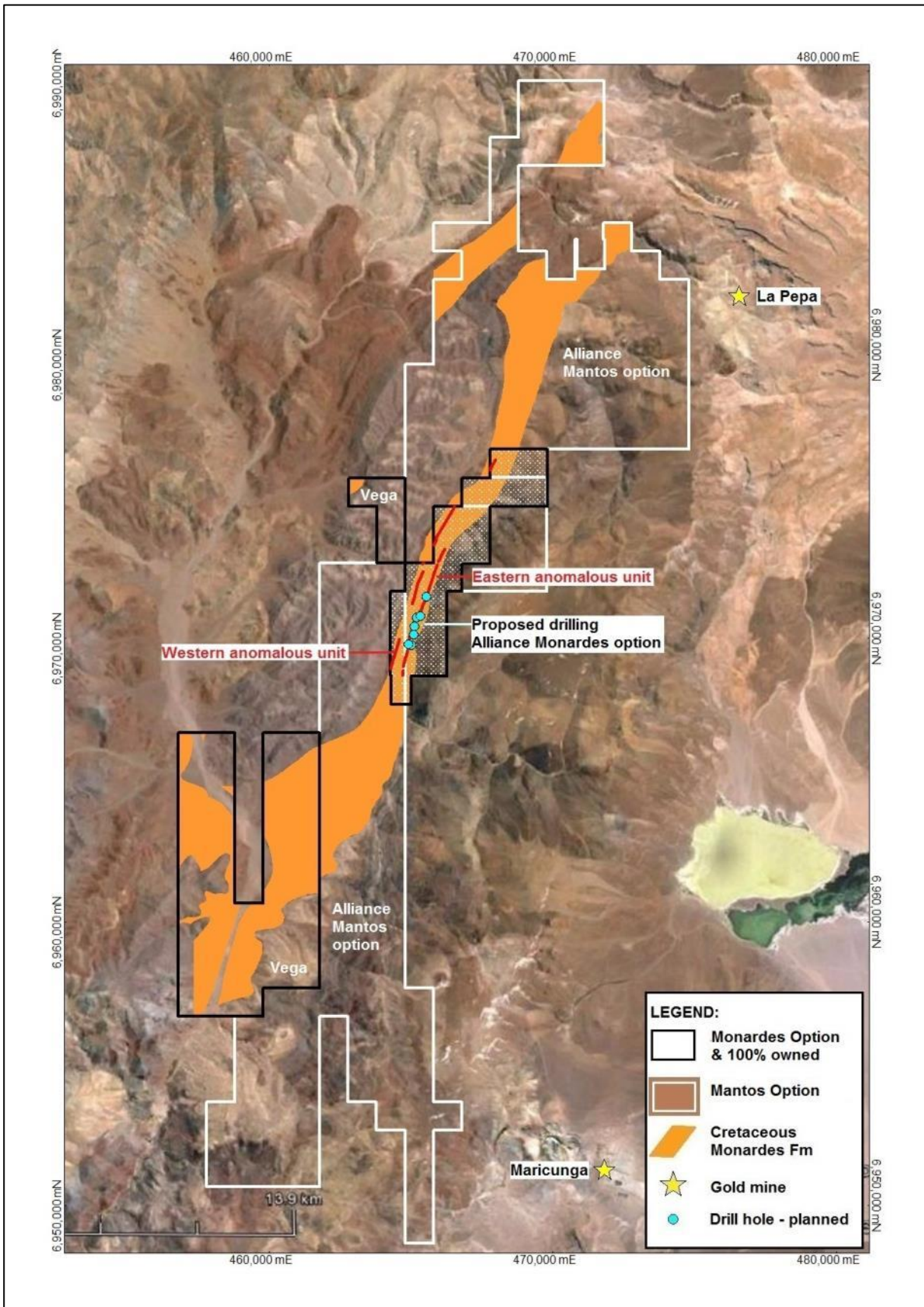
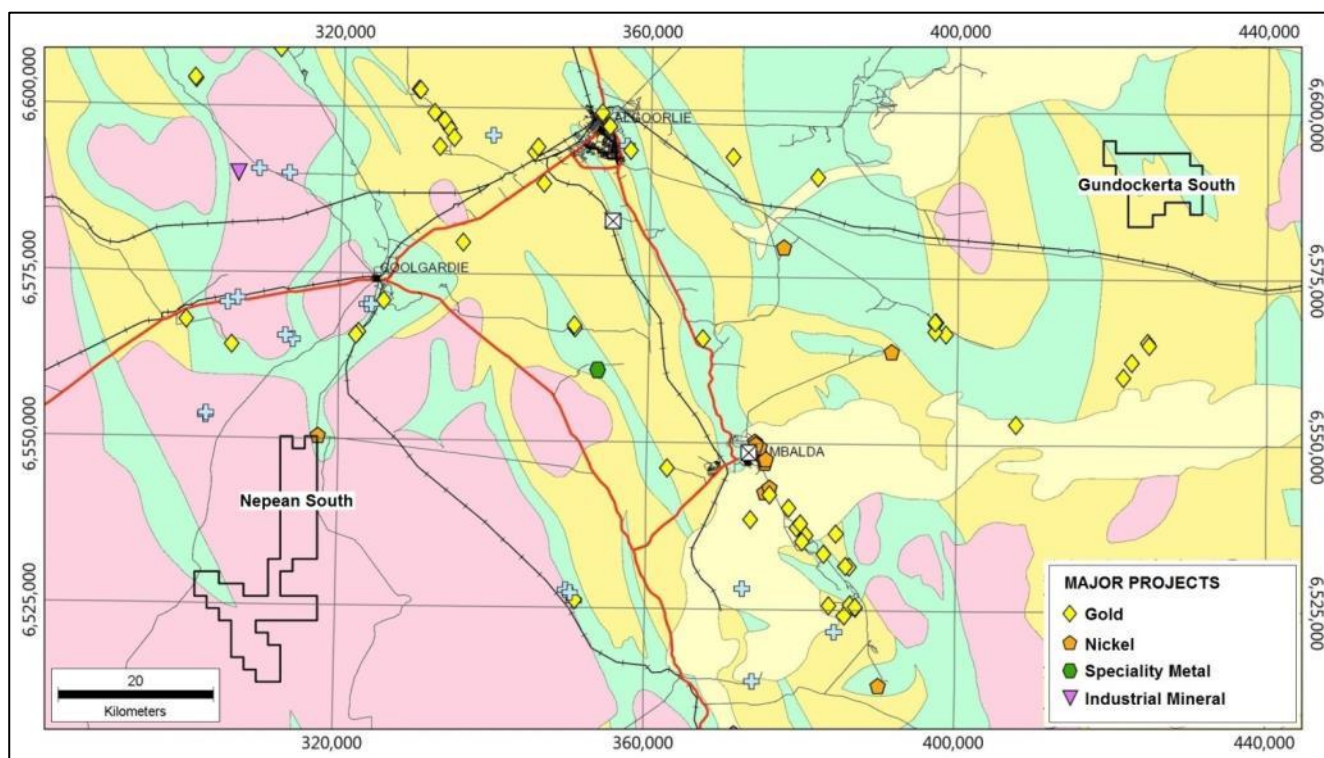


Figure 1: Monardes Project, Chile

## WESTERN AUSTRALIAN NICKEL-COPPER-GOLD PROJECTS

During the reporting period Alliance lodged two exploration licence applications with potential for nickel-copper-gold in Western Australia's Eastern Goldfields, Nepean South and Gundockerta South (Figure 2).



**Figure 2: Project Locations**

### **Nepean South (Alliance 100%)**

E15/1483 is located 26 km southwest of Coolgardie. The application captures approximately 14 km of ultramafics interpreted to be the southern extension of the sequence hosting the Nepean nickel (Ni) sulphide mine (>30 Kt Ni, now closed). The northern tenement boundary is located 900m from the Nepean mine.

The area has been selected on the basis of encouraging Ni intercepts from previous rotary air blast (RAB) drilling.

Mincor Resources NL (Mincor) (E15/884, 2007-12) explored for gold, iron ore and nickel. Work completed included soil geochemistry, 46 line km of moving loop transient electromagnetic (TEM) survey and 87 RAB drill holes for 3352m which defined continuous ultramafic lithologies to the south of Nepean, covered by up to 10m of alluvium/colluvium and intersecting nickel mineralization in three holes:

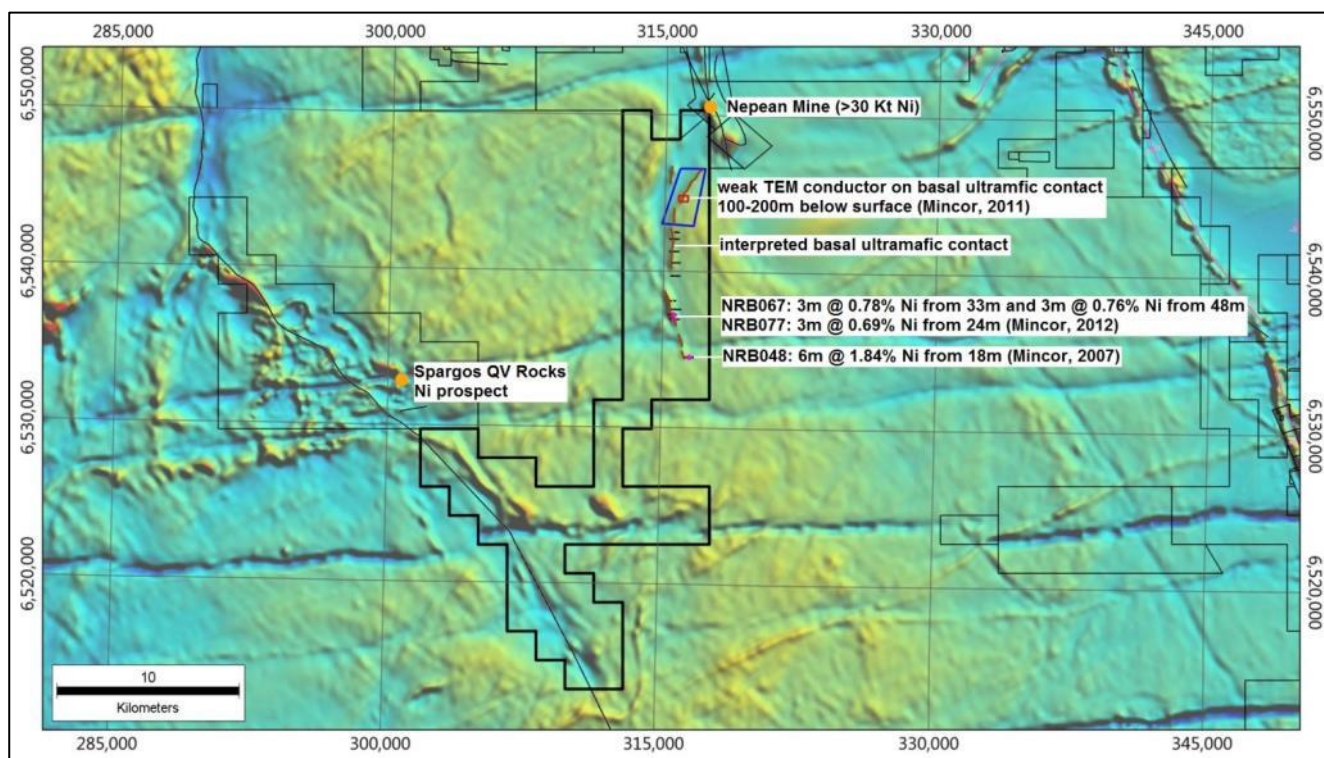
- NRB048: 6m @ 1.84% Ni from 18m (6534550mN, 316480mE)
- NRB067: 3m @ 0.78% Ni from 33m and 3m @ 0.76% Ni from 48m (6537270mN, 315560mE), and
- NRB077: 3m @ 0.69% Ni from 24m (6536970mN, 315600mE)

Mincor assessed the results from NRB048 to be related to lateritic mineralisation. No details of geological logs or analyses have been located for RAB holes NRB067 and NRB077.

To the north of the drilled area there is an untested weak TEM conductor from a 2010 geophysical survey along the interpreted basal contact with an estimated depth to top of conductor of 100-200m (Figure 3).

The application also covers the southeastern extension of the Ida Fault to the south of the Queen Victoria nickel prospect. The Ida Fault is a known crustal-scale fault between the Southern Cross and Eastern Goldfields Granite-Greenstone Terranes. Magnetic anomalism is associated with the Ida Fault at this location and may have potential for nickel and copper.

Alliance plans to check previous RAB hole collars for the presence of cumulate textured ultramafics (olivine cumulate ultramafics are the host rocks for nickel sulphide mineralisation), review the existing geological and geophysical data, conduct a further TEM survey in the vicinity of Mincor drill holes NRB067 and NRB077, and if warranted, drill testing of targets for massive Ni sulphides.



**Figure 3: Nepean South ELA. Background image is airborne magnetics**

### **Gundockerta South (Alliance 100%)**

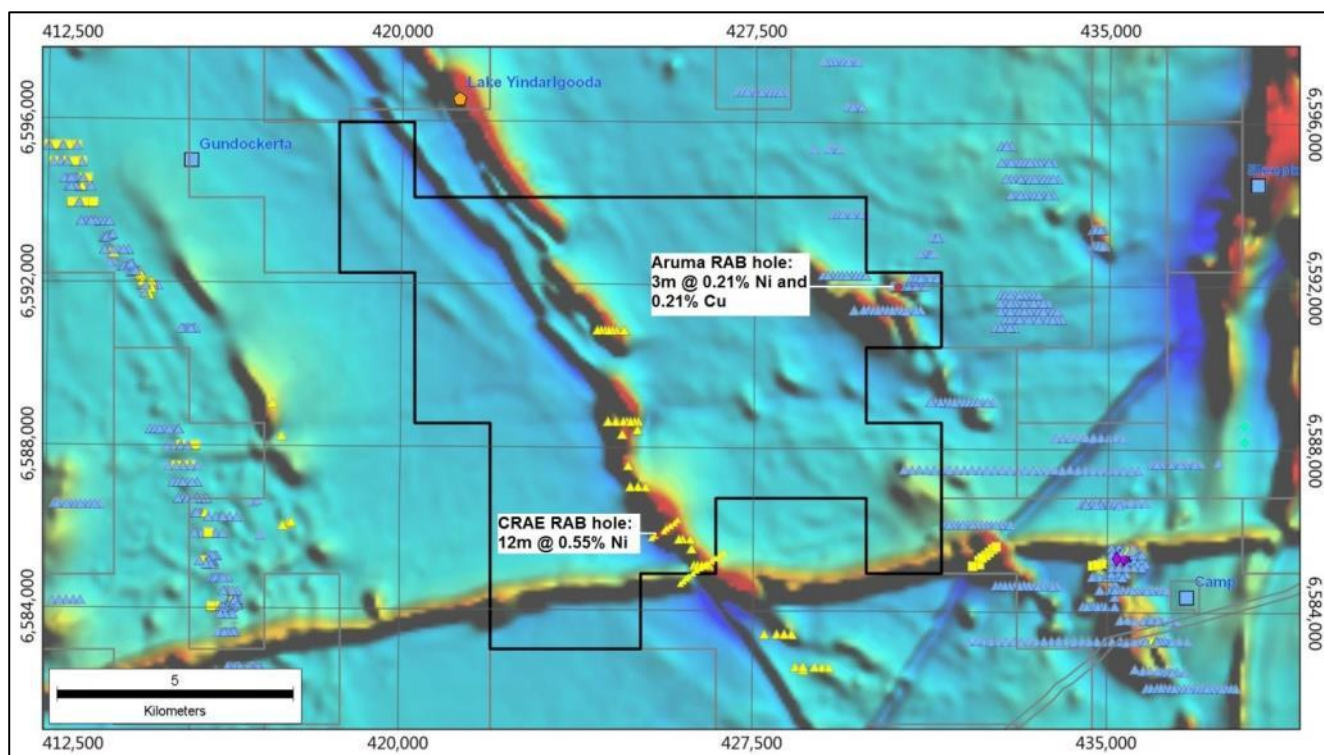
E28/2572 is located 72 km east of Kalgoorlie. The application captures approximately 10 km of Geological Survey of Western Australia (GSWA) interpreted bedrock ultramafics and the northern tenement boundary is located 2.8 km along strike from the Lake Yindarlgooda Ni sulphide prospect.

The area has been selected on the basis of encouraging nickel and copper anomalism from previous RAB drilling and the presence of cumulate textured ultramafics.

In the western half of the tenement application, CRA Exploration Pty Ltd (CRAE) and Resolute Ltd (E25/84, 1991-97) explored for gold mineralization associated with the sediment and tuffs within the Yindarlgooda rift. The margins of the rift were considered highly prospective for gold deposits associated with intrusives and komatiite-hosted Ni sulphide mineralization. CRAE completed regional stream sediment sampling, soil sampling and RAB and aircore drilling on anomalies (41 holes for 1387m). The best result was 12m at 0.55% Ni from 20m in hole 94GRD014 (6585900mN, 425500mE MGA) adjacent to what CRAE interpreted to be the basal margin of an

ultramafic channel (Figure 4). Although this intercept lacks coincident Ni-Cu anomalism, cumulate ultramafic textures have been logged in the CRAE drilling.

Heron Resources Ltd (Heron) (E28/1079, 2003-09) explored for Ni laterite and Ni sulphide mineralization. Work completed included data compilation, soil geochemistry, limited rock chip geochemistry and 25 reverse circulation drill holes for 1212m.



**Figure 4: Gundockerta South ELA. Background image is airborne magnetics**

Alliance plans to conduct a TEM survey along the ultramafic channel in the vicinity of CRAE drill hole 94GRD014, and if warranted, drill testing of targets for massive Ni sulphides.

In the eastern half of the tenement application, Aruma Resources Ltd (Aruma) (E28/1833, 2009-2012) carried out a Hyvista survey and RAB drilling of 61 holes for 1980m, assaying for gold, copper (Cu) and nickel. The best result was 3m of 0.21% Ni and 0.21% Cu from 11m in hole HPBR023 (6591998mN, 430500mE MGA).

Pioneer Resources Ltd (Pioneer) (E28/2315, 2013-14) carried out a soil geochemical survey of 617 samples using portable XRF analysed and compiled geochemical data of previous explorers. These showed coincident Ni and Cu anomalism over the aeromagnetic highs, with the northern anomaly supporting the encouraging drilling result previously reported by Aruma. Pioneer geologists subsequently carried out field verification of the Ni anomalies and concluded that they were lithologically derived, on a topographic high over an exposed mafic-ultramafic intrusive complex.

Despite there being no recognition of cumulate textured ultramafics by either Aruma in its drilling or Pioneer in its field checking, Alliance considers the coincident Ni and Cu results in the Aruma drill hole to be worthy of further investigation.

Refer to ASX announcement dated 25 November 2015 for further details and competent person's consent.



## CORPORATE

On 11 September 2015, a general meeting of Alliance shareholders was held and approved resolutions for (1) Disposal of the main undertaking, being the sale of Alliance Craton Explorer Pty Ltd's interest in the Four Mile Uranium Project, and (2) Return of Capital. Refer to ASX announcements dated 11 August 2015, 11 September 2015 and 18 September 2015.

On 12 October 2015, trading in Alliance shares began on an 'ex Capital return basis'. The Record Date for the previously announced Capital Return was 14 October 2015. Processing of payments totalling \$50.06 million commenced on 28 October 2015.

On 21 October 2015, Alliance announced that the Australian Taxation Office (ATO) issued a Class Ruling (CR 2015/81) that confirms the full amount of the distribution represents a Capital Return with no portion deemed to be a dividend from profits. The Class Ruling is consistent with the information previously provided in the Explanatory Statement for the general meeting held on 11 September 2015. The Class Ruling is available at the following link on the ATO website: <https://www.ato.gov.au/law/view/pdf/pbr/cr2015-081.pdf> or the Alliance Resources Ltd website via the Investor Centre – ATO Class Ruling October 2015 tab.

A total of 16,056,181 ordinary shares were allotted on 9 October 2015 from the exercise of unlisted options at the end of September 2015 (417,173,773 ordinary shares on issue at 9 October 2015).

Alliance has available cash reserves of \$25.6 million as at 31 December 2015.

## TENEMENTS

Tenement	Name	Location	Beneficial percentage held at end of quarter	Beneficial percentage acquired or disposed of during the quarter
<b>Chile (Alliance (Chile) Pty Ltd)</b>				
Cinchado 6 & 7	Sierra Cinchado	25km east of Copiapo, Chile	100%	
Monardes (1-3, 4-9-1/20; Huachi 1/20)	Monardes Basin	95km east of Copiapo, Chile	option to purchase 100%	
Vega 1 & 2			100%	
Vega 3-16			application (100%)	application (100%)
Mantos (Rosa 1-7; Rossana 1-7; Paulina 1-7, 3b; Wilma 1-13; Fran 1-16; Margarita 1-15; Susana 3,4,10,11; Juliet 1-4, 7, 8; Fran 1 Al Diez)			option to purchase 100%	option to purchase 100%
<b>Western Australia (Alliance (SA) Pty Ltd)</b>				
E15/1483	Nepean South	26 km southwest of Coolgardie, WA	application (100%)	application (100%)
E25/2572	Gundockerta Sth	72 km east of Kalgoorlie, WA	application (100%)	application (100%)

**Steve Johnston**  
Managing Director

### Competent Person's Statement

The information in this report that relates to the Exploration Results is based on information compiled by Mr Stephen Johnston who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Johnston is a full 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 Johnston consents to the inclusion in the report of the matters based on his information 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")

**31 December 2015**

### Consolidated statement of cash flows

		Current quarter	Year to date (12 Months)
		\$A'000	\$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(261)	(329)
	(b) development	-	-
	(c) production	-	(6)
	(d) administration	(494)	(2,468)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	229	265
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	150	236
<b>Net Operating Cash Flows</b>		<b>(376)</b>	<b>(2,302)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	(200)	(200)
	(b) equity investments	-	-
	(c) other fixed assets	(38)	(38)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments <sup>(1)</sup>	-	73,975
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Transfer to deposit)	-	-
<b>Net investing cash flows</b>		<b>(238)</b>	<b>73,737</b>
1.13	<b>Total operating and investing cash flows (carried forward)</b>	<b>(614)</b>	<b>71,435</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>1.13</b>	<b>Total operating and investing cash flows (brought forward)</b>	<b>(614)</b>	<b>71,435</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	2,454
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 (Capital Distribution)	(50,061)	(50,061)
	<b>Net financing cash flows</b>	<b>(50,061)</b>	<b>(47,607)</b>
	<b>Net (decrease) increase in cash held</b>	<b>(50,675)</b>	<b>23,828</b>
1.20	Cash at beginning of quarter/year to date	<b>76,300</b>	<b>1,797</b>
1.21	Exchange rate adjustments to item 1.20	-	-
<b>1.22</b>	<b>Cash at end of quarter</b>	<b>25,625</b>	<b>25,625</b>

**Notes:**

- On 13 July 2015 Alliance Resources Limited (Alliance) announced that it had accepted an offer from Quasar Resources Pty Ltd to purchase Alliance Craton Explorer Pty Ltd's interest in the Four Mile Project for A\$73.975 million. The sale was completed on 18 September 2015. Refer ASX Announcement 18 September 2015 for further details.

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

	<b>Current quarter \$A'000</b>	
1.23	Aggregate amount of payments to the parties included in item 1.2	242
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
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**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	500
4.2 Development	0
4.3 Production	0
4.4 Administration	350
<b>Total</b>	<b>850</b>

*Notes:*

**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	25,595	75,430
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details) – Term Deposit	30	870
<b>Total: cash at end of quarter (item 1.22)</b>	<b>25,625</b>	<b>76,300</b>

+ 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			
6.2	Interests in mining tenements acquired or increased	Mantos Project <sup>#</sup> , Chile Vega 3-16, Chile	0% 0%	0% Appl.100%
		E15/1483, WA E25/2572, WA	0% 0%	Appl.100% Appl.100%

# Refer P.8 of Quarterly (Activities) Report for Period Ended 31 December 2015 for further details.

**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				
7.2				
7.3	417,173,773	417,173,773		
7.4	16,056,181	16,056,181	15 cents	15 cents
7.5				
7.6				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b> <i>(description and conversion factor)</i>	Unlisted Options		<b>Exercise price</b> <b>A\$</b>	<b>Expiry date</b>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

**Notes:**

**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 below).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



Date: 22 January 2016

**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.