

QUARTERLY REPORT

FOR THE PERIOD ENDING 31 MARCH 2016

27 April 2016

ASX Code: **AGS**

No. of pages: 11

QUARTERLY REPORT - FOR THE PERIOD ENDED 31 MARCH 2016

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 31 March 2016 (5 pages)
- Appendix 5B for the period ending 31 March 2016 (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

27 April 2016

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QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2016

HIGHLIGHTS

- Available cash reserves of \$24.9 million (unaudited) at 31 March 2016
 - Alliance to withdraw from Chilean projects and continues to seek resource and pre-resource opportunities in the minerals sector.
 - Board and executive changes, including reductions in directors' fees, salaries and contract services fees will result in total annual cost savings of 48%.
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MONARDES COPPER-URANIUM PROJECT, CHILE

During the quarter, Alliance Resources Ltd (Alliance) completed a reverse circulation (RC) drilling program at the Company's Monardes Project in Chile.

The Monardes Project is located 95 km east of Copiapó within the eastern margin of the Jurassic-early Tertiary Monardes basin, adjacent to the Maricunga belt metallogenic province of Atacama Region III, northern Chile.

Ten RC holes were completed for a total of 1,212 metres, targeting copper-uranium mineralisation over a strike length of 1.8 km and down dip within the eastern anomalous unit at Monardes. Refer table.

Drill platform spacing ranged from 57m to 660m with two holes drilled at different inclination angles from platforms 4 and 7. Hole MRC004 was abandoned after it was diverted by a dyke and missed the target zone. The average drill depth was 121m. The regional strike of the host stratigraphy is approximately N10°E and dipping 80°SE (locally overturned).

Results

Whilst copper (Cu) >100ppm reported in several drill holes (eg. MRC001 17m @ 681ppm Cu from 117m; MRC008 17m @ 569ppm Cu from 52m) all significant results (>1000ppm) are as follows:

MRC001	4m @ 0.18% Cu from 119m including 1m @ 0.33% Cu from 121m
MRC005	1m @ 0.16% Cu from 51m 2m @ 0.19% Cu from 60m
MRC007	2m @ 0.17% Cu from 39m
MRC008	1m @ 0.53% Cu from 53m 1m @ 0.18% Cu from 67m

Uranium values were generally below 15ppm U, the highest value of 70ppm U associated with the highest Cu value in drill hole MRC008.

DHID	Pad No.	Easting	Northing	Elev. (m)	Azimuth	Dip	TDepth
MRC001	PAD1	464899	6969800	3652	105	-60	150
MRC002	PAD6	465335	6970803	3719	270	-60	156
MRC003	PAD5	465200	6970746	3696	100	-60	78
MRC004	PAD2	464998	6969811	3690	270	-50	54
MRC005	PAD2	465000	6969812	3690	235	-50	90
MRC006	PAD3	465089	6970145	3712	270	-60	132
MRC007	PAD4	465122	6970422	3736	262	-70	150
MRC008	PAD4	465124	6970424	3736	262	-80	102
MRC009	PAD7	465544	6971464	3815	90	-60	150
MRC010	PAD7	465544	6971463	3815	90	-70	150

Discussion

The Company's aim to test for 'red-bed' copper +/- uranium mineralisation has been partially successful with anomalous Cu reported in 4 out of 10 holes, justifying the geological concept. However, in Alliance's view, the reported Cu grades are too low on average to warrant further work.

Refer to ASX announcement dated 18 March 2016 for further details and competent person's consent.

In light of the above results, Alliance's Board of Directors has made a decision to withdraw from Chile. Accordingly, Alliance has:

1. notified the owner of the Monardes concessions that it would not be exercising the annual payment in respect of the option to purchase the concessions due in May 2016. The Company has no other liabilities in relation to these concessions;
2. notified the owners of the Mantos concessions that it will not be exercising its option to purchase the mining concessions. The Company must keep these concessions in good standing until October 2016; and
3. surrendered the Vega 1 and 2 concessions and the applications for Vega 3 to Vega 16 concessions.

SIERRA CINCHADO COPPER-SILVER PROJECT, CHILE

During the quarter, Alliance surrendered the Cinchado 6 and 7 concessions, located 25 km east of Copiapó in Chile.

WESTERN AUSTRALIAN NICKEL-COPPER-GOLD PROJECTS

Post-reporting, Alliance was notified that exploration licence 15/1483 (Nepean South) was granted on 1 April 2016.

The project 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 (Figure 1).

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

Alliance plans to 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.

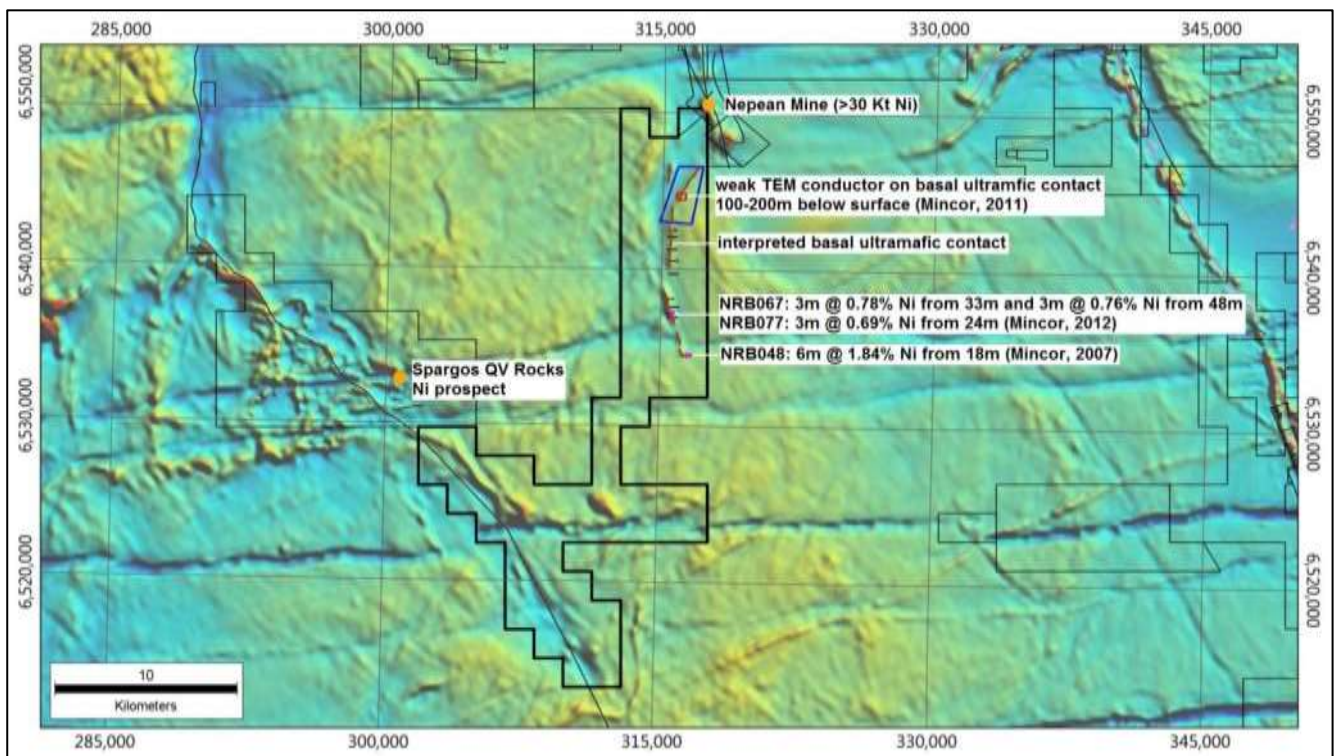


Figure 1: Nepean South ELA. Background image is airborne magnetics

BUSINESS DEVELOPMENT

During the quarter, the Company has been reviewing acquisition, farm-in and ground acquisition opportunities in New South Wales and Western Australia. This work is continuing.

CORPORATE

Alliance has available cash reserves of \$24.9 million (unaudited) at 31 March 2016 and has 417,173,773 ordinary shares on issue.

Alliance holds 8,800,000 ordinary shares in A1 Consolidated Gold Limited (A1) following the implementation, on 22 February 2016, of a Scheme of Arrangement announced by Octagonal Resources Limited (Octagonal) on 26 November 2015. Participating shareholders received a cash distribution of \$0.0055 for every Octagonal share held at the record date, and the transfer of two A1 shares for every five Octagonal shares held at the record date. Accordingly, Alliance received \$121,000 in cash and 8,800,000 shares in A1 and no longer has any interest in Octagonal.

Board & Executive Changes

On 26 April 2016 (post-reporting), Alliance Resources Limited announced that its Chairman, Mr John Dunlop, has decided to retire as Chairman and director with effect from 31 May 2016. Mr Dunlop has made this decision in recognition of the current status of the Company as a mineral explorer seeking to acquire resource and pre-resource opportunities.

Mr Dunlop was appointed as a director of the Company (then known as Alliance Gold Mines NL) in 1994 shortly after the Company had listed on the ASX after acquiring the Maldon gold project in Victoria from Triad Minerals NL.

The Company's Managing Director, Mr Steve Johnston, speaking on behalf of the Board and shareholders, thanked Mr Dunlop for his leadership and significant contribution to Alliance over the past 22 years and especially for his support during the 2009-2015 period of litigation. "John's counsel and long industry experience was invaluable to the Board and management through some very trying times."

Mr Dunlop's successor as Chairman will be elected from one of the existing non-executive directors.

In addition, to reflect the change in operational status of the Company from a miner in 2015 to an explorer in 2016, effective 1 May 2016, Directors' fees, the Managing Director's salary and Company Secretarial & financial services fees will reduce as follows:

- Non-executive directors from an average of \$80,959 to \$40,000 per annum;
- Managing director's salary from \$328,000 to \$265,000 per annum, and
- Company Secretarial and accounting services supplied by Gandel Metals from \$310,200 to \$250,000 per annum.

Following Mr Dunlop's retirement, the non-executive Chairman's fees will reduce from \$121,900 to \$50,000 per annum.

The above amounts are exclusive of superannuation and GST (where applicable).

In addition, the Company has given 3 months' notice of termination to its part-time Exploration Manager, Mr Andrew Bowden. Mr Bowden has been associated with Alliance since 2006 and has played an integral role in the management of the Company's exploration projects in Australia and Chile. The Board would like to take this opportunity to thank Mr Bowden for his contribution to Alliance over the past 10 years.

These changes, when implemented, will result in total annual cost savings of 48%.

The Board may review the above amounts once the Company has secured an appropriate flagship project.

TENEMENTS

Tenement	Name	Location	Beneficial percentage held at end of quarter	Beneficial percentage acquired or disposed of during the quarter
Chile (Alliance (Chile) Pty Ltd)				
Cinchado 6 & 7	Sierra Cinchado	25km east of Copiapo, Chile	0%	100%
Monardes (1-3, 4-9-1/20; Huachi 1/20)	Monardes Basin	95km east of Copiapo, Chile	0%	option to purchase 100%
Vega 1 & 2			0%	100%
Vega 3-16			0%	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%
Western Australia (Alliance (SA) Pty Ltd)				
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 Exploration Results is based on information compiled by 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 and Mr Stephen Johnston who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Bowden and Mr Johnston are officers of Alliance Resources Ltd and 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 Bowden 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 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 March 2016

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	(687)	(1,017)
	(b) development	-	-
	(c) production	-	(6)
	(d) administration	(387)	(2,853)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	198	462
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	3	239
Net Operating Cash Flows		(873)	(3,175)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(200)
	(b) equity investments	-	-
	(c) other fixed assets	-	(38)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments ⁽¹⁾	-	73,975
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Listed investment return)	121	121
Net investing cash flows		121	73,858
1.13	Total operating and investing cash flows (carried forward)	(752)	70,683

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(752)	70,683
	Cash flows related to financing activities		
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)
	Net financing cash flows	-	(47,607)
	Net (decrease) increase in cash held	(752)	23,076
1.20	Cash at beginning of quarter/year to date	25,625	1,797
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	24,873	24,873

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	258
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-imbursments 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	250
4.2 Development	0
4.3 Production	0
4.4 Administration	220
Total	470

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	24,873	25,595
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other – Term Deposit/Performance Bonds	0	30
Total: cash at end of quarter (item 1.22)	24,873	25,625

+ 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	Vega 1&2, Chile Vega 3-16, Chile Monardes (1-3, 5-9 1/20; Huachi 1/20), Chile Cinchado 6&7, Chile	Relinquished Withdrawn } Relinquished } option to } purchase Relinquished	100% 0% } } 0% } } 0%
6.2	Interests in mining tenements acquired or increased			

Refer P.5 of Quarterly (Activities) Report for Period Ended 31 March 2016 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	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	417,173,773	417,173,773	
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			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	Unlisted Options		Exercise price A\$	Expiry date
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <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: 27 April 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.