

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 JUNE 2010

30 September 2010

ASX Code: **AGS**

No. of pages: 10

QUARTERLY REPORT - FOR THE PERIOD ENDED 30 JUNE 2010

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 June 2010 (3 pages)
- Appendix 5B for the period ending 30 June 2010 (6 pages)



Ian Pamensky
Company Secretary

Further information relating to the Company and its various exploration projects can be found on the Company's website at www.allianceresources.com.au

30 July 2010

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FOUR MILE URANIUM PROJECT JOINT VENTURE (Alliance 25%)

Legal Proceedings

During the quarter, as a response to shareholder interest in the status of current legal actions initiated by its wholly owned subsidiary, Alliance Craton Explorer Pty Ltd (**ACE**) against Quasar Resources Pty Ltd (**Quasar**) and its affiliate, Heathgate Resources Pty Ltd (**Heathgate**), the Board of Alliance Resources Limited (**Alliance**) authorised the inclusion of a status update page on its website – www.allianceresources.com.au. That page will be updated regularly.

Hearings in two of the three actions instituted during the last quarter of 2009 are now complete and judgment has been reserved. In the third matter, which relates to the authority of Quasar to enter into a native title agreement binding on ACE, discovery is still continuing and a further directions hearing is scheduled for 14 September 2010.

On 12 July 2010 (post reporting), Alliance announced that ACE had issued further proceedings against Quasar and Heathgate seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile area (EL 3666) from Quasar.

Exploration

There was no exploration activity reported during the reporting period.

Four Mile Development

As the issues surrounding the registration of a native title mining agreement are yet to be resolved, a mining lease has not issued and work on the Project continues on a scaled down basis.

The following additional information under this Section dealing with the Four Mile Development, in relation to progress at Four Mile, has been provided by Quasar in its Manager's monthly joint venture reports for April, May and June 2010 (the reporting period).

A draft operations Mining and Rehabilitation Program remains with PIRSA and other regulators for comment. The draft Radiation Management Plan and the draft Radioactive Waste Management Plan remain with the Radiation Protection Branch of the EPA for review and comment.

Four Mile East – First Stage Mining Area

- There were no monitoring well activities.
- No delineation holes were drilled. A total of 146 delineation holes have been drilled for the Project to date.
- No wells were drilled. There a total of 135 first stage completions for the Project to date.
- No wells were screened. There a total of 135 second stage completions for the Project to date.
- Two (2) airlifts were carried out. There are 135 wells for the Project that have been airlifted to date.

- No integrity tests were carried out. There are 117 wells for the Project that have been integrity tested to date.

Four Mile West¹

- No delineation holes were drilled.
- No wells were drilled. There are 12 first stage completions for the Project to date.
- No wells were screened. There are 12 second stage completions for the planned Field Leach Trial (**FLT**).
- Two (2) airlifts were carried out. There are 12 wells for the Project that have been airlifted for the planned FLT.
- No integrity test was carried out. There are 3 wells for the Project that have been integrity tested to date.

Engineering

Engineering activities included receipt of vendor data. The second of the two acid tanks and the final two pre-assembled modules were delivered to site along with all associated steelwork and access platforms. The five sorption columns were delivered into storage in Adelaide. The third and final batch of 150m³ of ion-exchange resin was received into cold storage in Adelaide.

No construction activities occurred during the reporting period.

Independent Scoping Study

On 28 July (post reporting), Alliance announced details of the final Scoping Study report prepared by Como Engineers Pty Ltd and Adelaide Control Engineering Pty Ltd (**Como-ACE**) in relation to the capital cost estimate for the design, procurement and construction of an In-Situ Recovery (**ISR**) and uranium processing facility, including related infrastructure, at the Four Mile Uranium Project in South Australia as well as estimating the ongoing operating costs of the facility. The study was aimed at identifying capital and operating costs, including preparation of financial modelling, for the plant and infrastructure to an order of accuracy of $\pm 30\%$ using all new equipment for:

- a. 3 million pound per annum (**Mlbpa**) stand alone ISR plant including all associated infrastructure
- b. 5Mlbpa stand alone ISR plant including all associated infrastructure
- c. 7Mlbpa stand alone ISR plant including all associated infrastructure
- d. 3Mlbpa satellite ISR (satellite) plant utilizing existing infrastructure at nearby Beverley Site
- e. 3Mlbpa stand alone Resin in Pulp plant.

The Scoping Study cost estimates indicate to Alliance that the Four Mile Project offers a significantly greater return if developed as a stand alone project with a production rate of approximately 5 million pound per annum and, as previously announced, Alliance is commissioning an optimization study for the design, capital and operating cost estimates for a 5 million pound per annum standalone plant at the Four Mile project to an order of accuracy of $\pm 25\%$.

¹ Alliance has objected to the change of scope in the budget and has disputed various other proposed changes to the budget. The budget has not yet been presented to the joint venture Management Committee for its consideration or approval.

Contributions to Development

Alliance paid an amount of \$650,938 towards the cost of development of the Four Mile project during the quarter (\$14.331 million project-to-date)². A further cash call for \$138,003.52 was received on 30 June 2010.

MALDON GOLD PROJECT (Alliance Resources 100%)

The Maldon Gold Project is located 30 km southwest of Bendigo in central Victoria. The Union Hill decline and the processing plant remained on care and maintenance during the quarter.

A number of third parties have expressing interest in acquiring Maldon and Alliance is currently considering various options including an ASX listing, or divestment, of the Maldon assets.

CORPORATE

Cash on Hand

Alliance has cash reserves of \$38.43 million (unaudited) at 30 June 2010.

Share Capital

The Company now has 341,172,309 ordinary shares and 8,300,000 unlisted options on issue.

Further information relating to the Company and its various exploration projects can be found on the Company's website at www.allianceresources.com.au

Steve Johnston
Chief Executive Officer

² Alliance disputes the validity of the cash calls made by Quasar and, in making these payments, has reserved all of its rights. The payments are made to preserve Alliance's participatory rights in the Four Mile project.

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 2010

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	18	18
1.2	Payments for (a) exploration and evaluation	(95)	(417)
	(b) development ⁽¹⁾	(692)	(9,058)
	(c) production	(194)	(948)
	(d) administration	(916)	(4,328)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	363	1,782
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	87	370
Net Operating Cash Flows		(1,429)	(12,581)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(43)
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)	(255)	(255)
Net investing cash flows		(-)	(43)
1.13	Total operating and investing cash flows (carried forward)	(1,684)	(12,879)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,684)	(12,879)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	8,463
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)	-	(404)
	Net financing cash flows	-	8,059
	Net (decrease) increase in cash held	(1,684)	(4,820)
1.20	Cash at beginning of quarter/year to date	40,113	43,249
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	38,429	38,429

Notes:

1. Includes

- a. cash calls for the Four Mile Project based on an updated programme and budget received from Quasar Resources Pty Ltd (Quasar), in May 2009 (which has not been presented to or approved by the joint venture management committee). Quasar is registered as the holder of 75% of EL3666 and manages the Project. In the period from 1 April 2010 to 30 June 2010 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 the cash calls made by Quasar based on that Programme and Budget (as scaled back pending the issue of a mining licence) and in making the payments has reserved all of its rights; and
- b. payments to contractors for maintaining the underground decline in Maldon while on care and maintenance.

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	307
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	285
4.2 Development ⁽²⁾	180
4.3 Production	-
4.4 Administration	1,100
Total	1,505

Notes:

2. Includes:

- a. estimated cash calls for the Four Mile Project based on an updated programme and budget received from Quasar Resources Pty Ltd (Quasar), in May 2009 (which has not been presented to or approved by the joint venture management committee) as scaled back pending the issue of a mining licence. In making these payments Alliance will reserve its rights as it has done in previous quarters; and
- b. payments to contractors for maintaining the underground decline in Maldon while on care and maintenance.

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	133	271
5.2 Deposits at call	10,236	11,782
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Term Deposit	28,060	28,060
Total: cash at end of quarter (item 1.22)	38,429	40,113

+ 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			

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	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				

+ See chapter 19 for defined terms.

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7.7	Options <i>(description and conversion factor)</i>	<i>(Unlisted Options)</i>		Exercise price A\$	Expiry date
		3,200,000	Unlisted	\$1.60	31 Oct 2010
		3,000,000	Unlisted	\$1.60	31 Oct 2010
		1,000,000	Unlisted	\$1.00	31 Oct 2011
		1,000,000	Unlisted	\$1.20	31 Oct 2011
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>				

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 September 2010

Company Secretary

Print name:

IAN PAMENSKY

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.

+ See chapter 19 for defined terms.

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Mining exploration entity quarterly 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.