ASX ANNOUNCEMENT

28 July 2010

FOUR MILE URANIUM PROJECT
FINAL SCOPING STUDY

Further to the ASX announcement dated 12 July 2010, Alliance Resources Ltd (**Alliance**) has now received 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 costs for the plant and infrastructure to an order of accuracy of ±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 (**RIP**) plant

- Preparation of operating cost estimate for the project to an order of accuracy of ±30% for:

    a. 3Mlbpa 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 plant utilizing existing infrastructure at nearby Beverley Site
    e. 3Mlbpa stand alone RIP plant

- Preparation of financial modelling for the costed options.

Scope of Estimate

Battery Limits for the stand alone plant capital cost estimate include:

- Full plant as per flowsheets
- Power station
- 20km gas pipe line
- All buildings
- Five Well fields
- Access road 9km
- 160 man camp
- All mobile equipment except drill rigs
- Owners costs and allowances including:
    - First fills
    - Owners costs of $1.8M

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- Spare and office/workshop fit outs

The Scoping Study estimates of capital and operating costs indicates to Alliance that the Four Mile project offers a significantly greater return if developed as a standalone project with a production rate of approximately 5 million pound per annum.

Accordingly, 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 +/-25%.

A comparison of the capital and operating[(1)] costs as estimated by Como-ACE and Quasar[(2)] is shown in the table below:

Case (ISR unless specified otherwise)	Como-ACE Estimate		Quasar Estimate	
	Capital[(3)] (A$M)	Operating (A$/lb U_3O_8)	Capital (A$M)	Operating (A$/lb U_3O_8)
Satellite Plant[(4)] @ 3Mlbpa	96	31.33[(5)]	98[(6)]	38.80[(7)]
Standalone Project @ 3Mlbpa	131	26.35		
Standalone Project @ 5Mlbpa	168	21.73		
Standalone Project @ 7Mlbpa	221	19.62		
Standalone RIP Project @ 3Mlbpa	109	62.42[(8)]		

1. Operating costs include royalties (State, Native Title and third party).
2. Feasibility Study for Four Mile Mine Development Area In-Situ Recovery Project Report dated 22 September 2008, commissioned by Quasar Resources Pty Ltd (Quasar) and prepared by Heathgate Resources Pty Ltd (Heathgate) and complied by URS Australia Pty Ltd.
3. Como-ACE capital costs have an order of accuracy of +/- 30%.
4. Quasar's feasibility study proposed construction of a satellite pre-processing plant close to the Four Mile deposits, to capture uranium onto resin beads, with the loaded resin being trucked to Heathgate's Beverley plant for elution, filtration, drying and packaging.
5. The Como-ACE operating cost includes an estimate of an appropriate fee to Heathgate for use of the Beverley plant & infrastructure and an estimate of Heathgate's corporate expenses in Adelaide.
6. Quasar's feasibility study estimated a $90 million capital cost, however Quasar advised Alliance of a proposed change in scope of the budget in May 2009 to $98 million with input from GRD Minproc ($112 million less $14 million for capital at Four Mile West).
7. A component of Quasar's estimated operating cost is a fee for use of the Beverley plant and infrastructure, and a management fee, both paid to Heathgate. The feasibility study stated that the (joint venture) use of the Beverley plant is subject to an appropriate agreement on commercial terms with the owner/operator of that plant, Heathgate, an affiliate company of Quasar. To date, Quasar has not provided Alliance with any proposed terms and conditions for use of the Beverley plant. Alliance does not therefore know if the terms and conditions are commercial and at arm's length.
8. RIP operating cost components: mining $42.70 A$/lb; processing $19.72 A$/lb

The difference between the Como-ACE and Quasar estimates of operating costs is $7.47 per pound U_3O_8 which represents 19% of total operating costs or $22.4 million per annum.

Alliance has estimated from the Scoping Study that the undiscounted payback for the additional capital required for the 3 million lb per annum standalone plant ($131 million) compared with the Quasar's estimate for the 3 million pound per annum satellite plant development ($98 million), based on the difference in operating costs is 11 months.

In relation to the 5 and 7 million pound per annum standalone plant options, Alliance anticipates significant decreases in respective operating costs, representing further savings.

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

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