

QUARTERLY REPORT

FOR THE PERIOD ENDING 31 MARCH 2012

26 April 2012

ASX Code: **AGS**

No. of pages: 12

QUARTERLY REPORT - FOR THE PERIOD ENDED 31 MARCH 2012

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 31 March 2012 (6 pages)
- Appendix 5B for the period ending 31 March 2012 (5 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

26 April 2012

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HIGHLIGHTS

FOUR MILE URANIUM PROJECT (Alliance 25%)

Legal Proceedings

- **Native Title Mining Agreement - Jurisdiction - Supreme Court of South Australia**
 - The conditions precedent, in accordance with the deed on settlement executed on 4 December 2011, were satisfied on 8 February 2012 and notices of discontinuance of both proceedings were filed on 9 February 2012.
- **Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide)**
 - On 26 March 2012 orders were made refusing ACE's application. Reasons were handed down on 4 April 2012 and are now being considered by Counsel.
- **Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide)**
 - On 26 March 2012 orders were made for Quasar and Heathgate to give further discovery. No order was made on the application for interrogatories and that matter has been stood over to a date to be fixed. Reasons were handed down on 4 April 2012 and are also being considered by Counsel.
- **Offer of Mineral Lease**
 - Post reporting, on 2 April 2012, Alliance announced that Quasar and ACE had been granted a further extension, to 27 April 2012, to accept an offer of a 10 year mineral lease over the Four Mile Project area.

CHILE COPPER-GOLD PROJECT (Alliance 90%)

- Option agreements secured over two copper-gold properties at Cabeza de Vaca in northern Chile.
- Applications lodged for three exploration licences covering the greater part of the Cabeza de Vaca district.
- Exploration targets include copper-gold in breccia pipes and porphyry-hosted copper-gold-molybdenum
- Low-cost exploration program of mapping, geochemical and geophysical surveys planned in 2012 to generate targets for diamond drilling

WARRINA COPPER-GOLD PROJECT (Alliance 100%)

- At the BigNE prospect an additional detailed gravity survey was completed during the quarter. The results confirm a residual gravity anomaly centred a few hundred metres northwest of the magnetotelluric (MT) conductor and diamond hole BNE05. Further work is required to better define the gravity anomaly and MT target for drill testing.

CORPORATE

- Cash reserves of \$32.537 million (unaudited) at 31 March 2012.
-

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

The Four Mile Uranium 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 EL3666. Quasar Resources Pty Ltd (**Quasar**) is the registered holder of the remaining 75% and is the manager of the Project.

Legal Proceedings

Native Title Mining Agreement - Jurisdiction - Supreme Court of South Australia

The conditions precedent, in accordance with the deed on settlement executed on 4 December 2011, were satisfied on 8 February 2012 and notices of discontinuance of both proceedings were filed on 9 February 2012.

Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide)

On 26 March 2012 orders were made refusing ACE's application. Reasons were handed down on 4 April 2012 and are now being considered by Counsel.

Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide)

An application by ACE for leave to interrogate the other parties was heard by the Court on 4 March 2011 and an application by ACE for further discovery was heard on 12 May and 31 August 2011.

On 26 March 2012 orders were made for Quasar and Heathgate to give further discovery. No order was made on the application for interrogatories and that matter has been stood over to a date to be fixed. Reasons were handed down on 4 April 2012 and are being considered by Counsel.

No date has been set for the next directions hearing.

For further details of the various legal proceedings, refer to Alliance's web site, www.allianceresources.com.au under 'Latest Status Update'.

Offer of Mineral Lease

On 17 February 2012, following registration by the SA Mining Registrar of the native title mining agreement, the South Australian Minister for Mineral Resources and Energy (Minister) offered Quasar and ACE a 10 year mineral lease over the Four Mile Project area (Offer). On 3 March 2012 Quasar wrote to the Minister seeking an extension of time to respond to the Offer, which was subsequently granted. Post reporting, on 2 April 2012, Alliance announced that Quasar and ACE had been granted a further extension, to 27 April 2012, to accept the Offer.

Exploration & Development

An application for a replacement of EL3666, which was lodged with the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) in late 2011, is in progress.

Quasar advised in its Manager's monthly report for January 2012 that in anticipation of the offer of a grant of the *mineral* lease, engineering studies were commenced. These studies included evaluation of the Four Mile project with respect to impacts from the period of delay on knowledge, regulations, equipment condition, technical developments and available infrastructure. These activities continued in February 2012.

There were no well-field activities reported by Quasar in its Manager's monthly reports for December 2011 to February 2012.

Contributions to Development

Alliance paid \$90,874 towards the cost of development of the Four Mile project during the quarter (\$14,965,988.55 project-to-date)¹.

CHILE COPPER-GOLD PROJECT (Alliance (Chile) Pty Ltd 90%²)

During the quarter Alliance's wholly owned subsidiary Alliance (Chile) Pty Ltd (Alliance Chile) secured option agreements to explore and acquire 100% interest in Ceci and Paola copper-gold properties in the historic Cabeza de Vaca district of Atacama Region III close to the mining centre of Copiapo. Agreement in principle has also been reached on the acquisition of an

¹ 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.

² Under the terms of an agreement between Alliance Chile and Minera Abre Fuego Ltda (MAF), Alliance Chile holds 90% and MAF 10% respectively of the exploration, prospecting or mining rights within defined areas of the project. Alliance Chile has the right to acquire the whole of MAF's interest in the areas at an agreed price following the establishment of an Inferred mineral resource. These areas were selected by MAF after two years reconnaissance and the inspection of over sixty different mineralised areas in central and northern Chile.

option over the Japonesa Mine and negotiations to acquire additional mine properties in the district are in progress.

The Cabeza de Vaca district is located in northern Chile's iron-oxide copper-gold belt and 27 kilometres southeast of La Candelaria mine (resource³ 479Mt at 0.95% copper, 0.22g/t gold 3.1g/t silver) owned by Freeport-McMoran Copper & Gold Inc.

Alliance Chile has also submitted applications to acquire three exploration licences covering the greater part of the Cabeza de Vaca district.

Surface and underground mine workings, hydrothermal alteration, copper showings and geochemical rock chip sampling, define a 10 km square area on the Cabeza de Vaca properties that contains numerous distinct zones of copper-gold mineralization associated with quartz-tourmaline breccias and sheeted vein systems.

The Company's exploration strategy is two-phase:

1. To define and exploit the remaining "near surface" copper-gold mineralisation associated with the breccia pipes. The Cabeza de Vaca breccia pipes district has a history of small scale artisanal mining, the pipes having been high-graded in the oxide and secondary enrichment zones above the water table. The best remaining mineralisation is probably in the hypogene sulphide zone below the water table.
2. To explore the potential for porphyry style copper-gold-molybdenum mineralisation at depth below the breccia pipe zone.

The geological model is that of mesothermal mineralised hydrothermal breccia pipes and veins, which expand and coalesce with depth into a large scale mineralised system. Alliance believes that a large porphyry system is the source of, and may lie at relatively shallow depth below, the 10 square kilometre area of alteration and mineralized breccia pipes.

A field trip to project area was undertaken during March for the purpose of conducting scintillometer surveys and orientation geochemical soil surveys over the properties. Results of the geochemistry are not yet available.

The next phase of work includes detailed geological and structural mapping using local geologists where possible and planning of an induced polarisation (IP) survey to generate targets for diamond drilling.

³ Source: Moreno, T. & Gibbons, W. (eds) 2007. *The Geology of Chile*. The Geological Society, London.

WARRINA COPPER-GOLD PROJECT (Alliance (SA) Pty Ltd 100%)

The Warrina Project is located 70 km to the northeast of Coober Pedy in the Gawler province of South Australia. Alliance is targeting Olympic Dam style breccia-hosted iron-oxide copper-gold mineralisation. The BigNE prospect is a very large geophysical target located in the eastern half of EL4802 characterised by an isolated magnetic high that trends northeast for over 10 kilometres associated with a significant offset gravity anomaly.

As previously reported, 3D inversion modelling of the full-tensor magnetotelluric (MT) data from the 2011 survey at BigNE has identified a NE-trending, NE-plunging conductor with approximate dimensions of 1500(l) x 300(w) x 1200(d) metres, centred at approximately 6847600N/520400E (MGA53) commencing at 360 metres vertical depth. Diamond hole BNE05 (6847775N/520290E (MGA53)), drilled in 2008, is within the north-western flank of the interpreted conductive body, but does not appear to have tested its most conductive part. BNE05 (total depth 846.3 metres) intersected eight narrow (averaging <2 metres) and discontinuous intervals of anomalous copper between 385.4 and 786.0 metres associated with hematite-carbonate veins, breccia with veins containing minor sulphide mineralisation, within dominantly metapsammitic and metapelitic units.

An additional 200m x 200m spaced gravity survey was completed during the quarter at BigNE. The results confirm a residual gravity anomaly centred a few hundred metres northwest of the MT conductor and diamond hole BNE05 (Figure 1). Further work is required to better define the gravity and MT targets for drill testing.

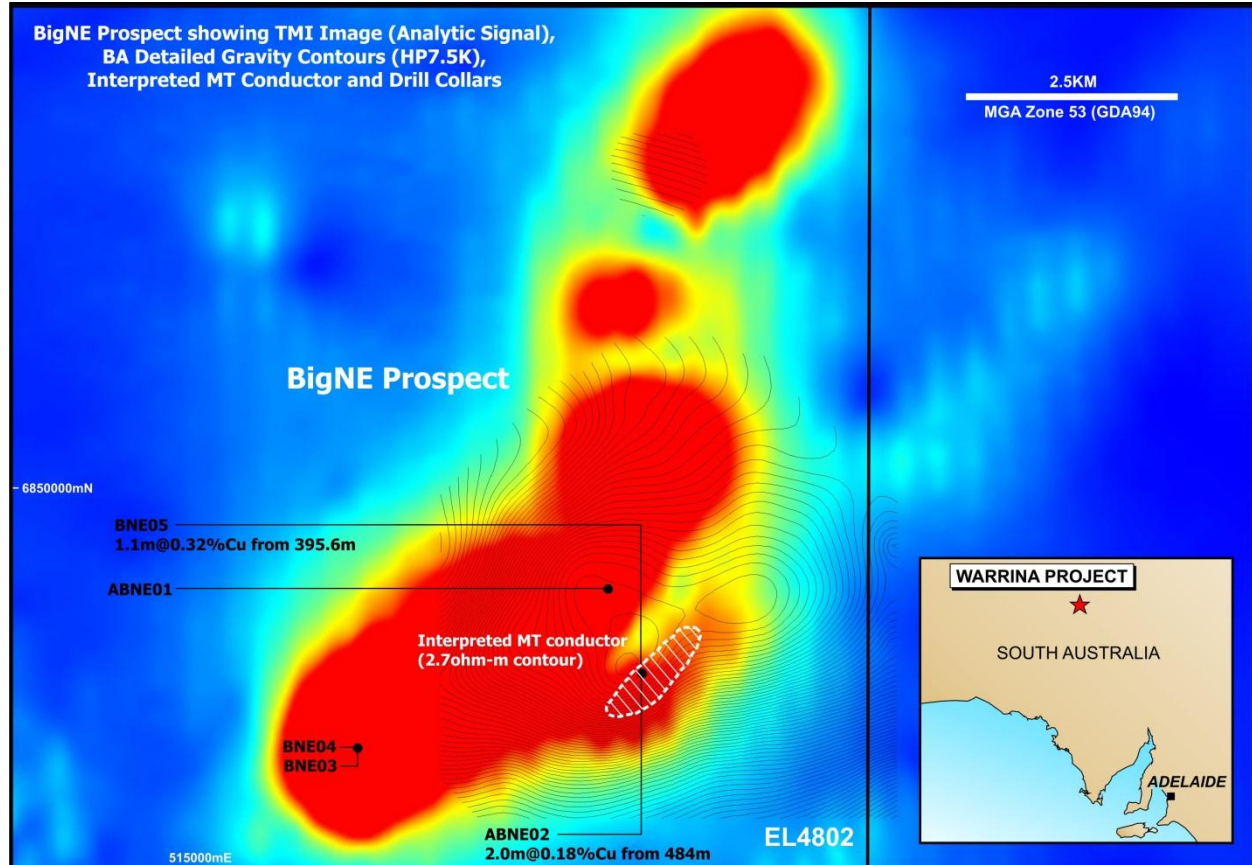


Figure 1 - BigNE Prospect, Warrina Project

Two new Native Title mining agreements were negotiated with the Arubunna People's Native Title Claim Group and the Antakirinja Matu-Yankunytjatjara Aboriginal Corporation. The latter agreement was executed and is awaiting registration with the Department for Manufacturing, Innovation, Trade, Resources and Energy.

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

The East Frome Project is located approximately 30 km to the northwest of Broken Hill, New South Wales. The project is prospective for copper-gold mineralisation and Broken Hill style lead-zinc-silver mineralisation.

Induced polarisation (IP) electrical geophysical surveys are planned over six priority gravity anomalies with the aim of identifying potential conductors to assist with targeting of drill holes.

Post-reporting, a 3D IP survey commenced at the Anomaly A magnetic and gravity anomalies in the central project area for a total of 14 line kilometres. Following completion of this work, 2D IP lines are scheduled over Anomaly H in the southern project area and Anomalies N and NE in the northern project area for a total of 10.9 line kilometres.

CORPORATE

Alliance has cash reserves of \$32.537 million (unaudited) at 31 March 2012 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 22% of Octagonal's issued share capital.

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
Managing Director

References to Joint Ore Reserves Committee (JORC) Code

The information in this report that relates to Exploration Results for the Warrina and East Frome projects is based on information compiled by Mr Stephen Johnston who is a Corporate Member of the Australasian Institute of Mining & Metallurgy. Mr Johnston is a full-time employee of the Company 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 2004 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.

The information in this report that relates to Exploration Results for the Chilean project 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 2004 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 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 March 2012

Consolidated statement of cash flows

		Current quarter	Year to date (9 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	(168)	(542)
	(b) development ⁽¹⁾	(91)	(114)
	(c) production	-	-
	(d) administration	(1,217)	(3,587)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	421	1,492
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	120	373
Net Operating Cash Flows		(935)	(2,378)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(13)	(13)
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)	(948)	(2,391)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)		
		(948)	(2,391)
	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	(948)	(2,391)
1.20	Cash at beginning of quarter/year to date	33,485	34,928
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	32,537	32,537

Notes:

1. Includes 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 never 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 July 2011 to 31 March 2012 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.

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	131
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	220
4.2 Development ⁽²⁾	510
4.3 Production	-
4.4 Administration	1,300
Total	2,030

Notes:

2. Includes estimated cash calls for the Four Mile Project based on an updated programme and budget received from Quasar Resources Pty Ltd, 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.

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	28,910	28,364
5.2 Deposits at call	3,542	5,036
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Term Deposit	85	85
Total: cash at end of quarter (item 1.22)	32,537	33,485

+ 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	EL 4802 Ceci/ Paola – CHILE	Replaces EL 3533 Options to Purchase	100% Nil

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			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	<i>(Unlisted Managing Director Options)</i>	Unlisted Unlisted	Exercise price A\$	Expiry date
		1,000,000 1,000,000		\$0.30 \$0.50	30 Apr 2014 30 Apr 2015
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:

Company Secretary

Date: 26 April 2012

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.
- 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.