ALLIANCE RESOURCES LIMITED

31 January 2014 ASX Code: AGS

FOUR MILE PROJECT
REVISED START-UP PLAN AND PROGRAM AND BUDGET APPROVED

Alliance Resources Limited advises that Quasar Resources Pty Ltd (Quasar), with Alliance Craton Explorer Pty Ltd (ACE) dissenting, approved the Four Mile (ML6402) Revised Start-Up Plan and Program and Budget on 29 January 2014.

The Revised Start-Up Plan and program and Budget includes production guidance relating to the current or forthcoming year based on as series of assumptions more fully set out in those documents and summarised below.

The Start-Up Plan comprises:

- Uranium capture at Heathgate Resources Pty Ltd's (Heathgate's) Pannikan satellite plant and precipitation, drying and packing at Heathgate's Beverley processing plant.
- In-situ recovery (ISR) mining operations commencing at Four Mile East in April 2014.
- First uranium oxide sales scheduled for July 2014.

Quasar's Program and Budget runs from 1 November 2013 to 31 December 2014 and is summarised as follows (all costs in AUD unless stated otherwise):

- Production of 1.886 million pounds (lb) of uranium oxide and sales of 1.5 million lb uranium oxide.
- Cash expenditure (Jan-Dec 2014) of $76.9 million (ACE's share $19.2 million). Total expenditure is less than the previous budget due mainly to deferral of Four Mile West (FMW) capital costs associated with placing the first FMW wellfield into production. Allowing for expenditure to date, total cash expenditure for Nov 2012 to Dec 2014 is $87.7 million (ACE's share $21.9 million), including resource delineation drilling[1] of $12 million.
- Cash operating costs (Nov 2012 to Dec 2014, includes mining, processing, shipping, marketing and royalties) of $31.48 per lb uranium oxide with development costs of $8.65 per lb uranium oxide (includes drilling, wellfield construction, infrastructure and engineering but excludes resource delineation drilling). Total costs (Nov 2012 to Dec 2014) are $40.13 per lb uranium oxide.
- Rehabilitation costs are covered separately by bonds put up by Quasar (as to 75%) and ACE (as to 25%).

[1] ACE and Quasar disagree about the nature of the regional delineation drilling. Quasar asserts it is a mining development cost for which ACE must pay its share. ACE asserts it is an exploration cost for which Quasar must pay in full.

Suite 3, 51-55 City Road
Southbank, VIC, 3006
P +61 3 9697 9090 F +61 3 9697 9091
info@allianceresources.com.au
www.allianceresources.com.au
ABN 38 063 293 336

- Sale prices and AUD/USD exchange rate are forecast to be US$44.42 per lb uranium oxide and 0.9 respectively (= $49.36 per lb uranium oxide).

- Total project revenue of $74.0 million (Nov 2012 to Dec 2014).

- Cashflow (Nov 2012 to Dec 2014) is negative $13.5 million (ACE share negative $3.4 million). However, because sales lag production, ACE anticipates positive cashflow in the first half of 2015.

ACE elected to vote against the proposal because it considers the parties should construct an appropriately sized stand-alone plant at Four Mile in order to reduce operating costs to the parties. It also considers some of the costs included in the Budget to be exploration, rather than mining, costs for which Quasar should be solely responsible.

The legal action initiated by ACE against Quasar and Heathgate is not affected by this announcement.

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

Steve Johnston
Managing Director

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 ML6402 and EL5017 (Project). Quasar Resources Pty Ltd (Quasar) is the registered holder of 75% and acts as the manager of the Project.

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