

QUARTERLY REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2021



27 January 2022

ASX Code: **AGS**

No. of pages: 13

QUARTERLY REPORT - FOR THE PERIOD ENDED 31 DECEMBER 2021

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ended 31 December 2021 (7 pages)
- Appendix 5B for the period ended 31 December 2021 (5 pages)

Authorised for release by 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

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31 December 2021

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QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

HIGHLIGHTS

SUMMARY

- A 9 hole, 1,605.6 metre diamond drill program completed at the Wilcherry Project to provide geotechnical information for the processing plant and provide valuable information of the potential depth extensions to the Weednanna ore shoots and core for research and geotechnical purposes.
- The Research Project with CSIRO to undertake analysis of the Weednanna Au-Fe deposit genesis continued during the December quarter. The distribution and timing of alteration mineralogy at the deposit has been broadly mapped and linked to geochemical data. Diamond core will be used to link the alteration mineralogy to gold mineralisation and constrain the paragenesis of the deposit.
- A 47 hole, 6,180 metre RC drill program completed at the Weednanna deposit to test for extensions of gold mineralisation at Shoot 8, upgrade the gold resource in the Shoot 3 area from Inferred to Indicated category, and test for mineralisation between Shoots 7 and 8 and 3.
- Project design work continued during the quarter with preliminary underground development and stope designs produced. Progress continued on redesign of the Processing circuit to account for iron only processing, gold processing and gold and iron processing. Options are being considered to capture iron mineralisation in the gold feed prior to the tailings storage facility.
- Following evaluation of alternative / Green energy solutions for the Weednanna Project, the decision was made to advance to stage 2 of the project which entails collection of site specific wind and solar energy data. A SoDAR monitoring unit was installed onsite to collect wind speed and direction data and solar energy potential. The unit will remain onsite initially for 6 months to determine if incorporating wind and or solar power generation is economic for the project. Options assessed include PV (solar) with battery storage, wind generation, conventional diesel generation and combinations of all three options.
- The Bonza Prospect nickel sulphide exploration target was identified from analysis of historic RC drill chips at the Wilcherry Project. Petrographic analysis of drill chips confirm the presence of primary nickel sulphide (pentlandite) hosted in komatiitic ultramafic rocks. Regional geophysical data sets are being reviewed to plan a moving loop electromagnetic survey.
- Aboriginal heritage survey completed at Nepean West Project to provide for initial aircore drill testing of two priority gold exploration target areas.
- Aeromagnetic survey completed at Kalgoorlie South Project to identify conceptual structural gold exploration targets. Data being interpreted by Alliances' geophysical consultants.
- Travel restrictions imposed due to the Covid-19 virus continued to cause disruptions to corporate and exploration activities during the quarter. An induced polarisation survey at the Wilcherry Project was postponed until 2022 due to the inability of contractor personnel to access South Australia. Personnel continue to work remotely from the corporate office and access to South Australian exploration locations remains restricted due to interstate travel restrictions and quarantine requirements.
- Changes to the South Australian mining legislation in 2021 relating to security of exploration licence tenure has resulted in discussions with the Mines Department (DEM) to clarify the changes and secure long term tenure. These discussions are ongoing.

- Cash reserves of \$1.02 million as at 31 December 2021.

WILCHERRY PROJECT, SOUTH AUSTRALIA (100%)

Weednanna Exploration

- A 9 hole diamond drilling program, totaling 1,605.6 metres, was completed at Weednanna during the quarter to provide core for geotechnical evaluation for the mine and processing plant location and research by CSIRO, and includes 1 deeper hole to test gold mineralisation extensions below the current Mineral Resource Estimate.
- A 47 hole RC drilling program, totaling 6,180 metres, was completed to infill areas within the Weednanna resource where drill density is considered too wide and to test northern extensions to the resource between shoots 7, 8 and 3. Drilling around shoot 3 is designed to upgrade the resource from the Inferred to Indicated resource category, allowing this material to be included in the mine design and scheduling.
- Cutting of drill core and drill sample analysis through the laboratory have been delayed due to significant demand for these services.

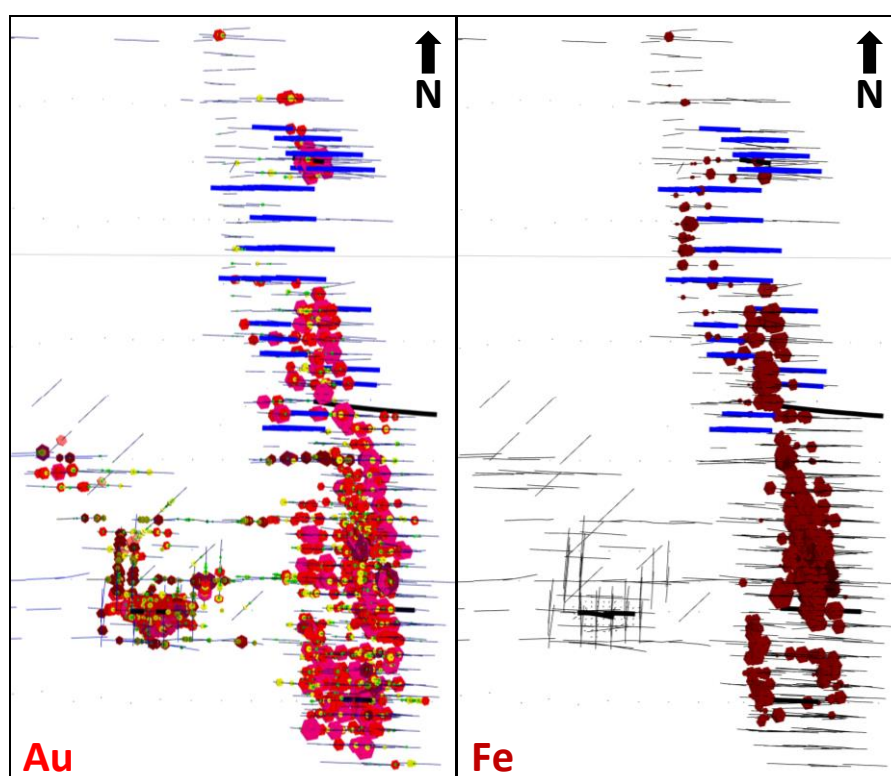


Figure 1. Weednanna: 3D plan views of gold and iron in drilling results with location of RC and diamond holes completed during the Quarter (process plant diamond holes not shown)

Legend-

Bold blue lines: RC holes drilled during Quarter

Bold black lines: diamond holes drilled during Quarter

Gold Assay Results

Green: 0.1 – 0.5 g/t Au

Yellow: 0.5 – 1.0 g/t Au

Orange: 1.0 – 5.0 g/t Au

Red: 5.0 -10.0 g/t Au

Magenta: > 10 g/t Au

Iron Assay Results

Brown: > 55% Fe

Weednanna Study Work

- The preliminary design of the Weednanna processing plant was completed during the September quarter. Following a detailed review of that design, upgrades and modifications have been incorporated to optimise product sizing of iron product through the crushing and screening plant and options to recover iron ore incorporated with the gold ore feed to the CIL processing plant. Recovery of iron product from the tailings discharge line should produce a high-grade Magnetite fines product suitable for direct furnace feed (after palletisation) or potentially coal washing. Detailed modified layout drawings have been completed and component selection and availability is being evaluated.
- Detailed design work was delayed during the quarter whilst further work was completed on the geological block model. This work will be completed in Q1, 2022 and the open pit and underground design work can then be finalised. Preliminary underground development design work commenced during December incorporating indicative development sizes and ventilation requirements. Access for future underground diamond drill locations will also be incorporated into the final design to ensure our exploration program can continue to search for depth and strike extensions to the multi-shoot system.
- Preparation of the Mining Lease Application document progressed, with several chapters in final draft form. The mining section is still in the preliminary stage until final designs, ore and waste schedules and haulage schedules can be finalised. This information will be required to complete the waste storage facility final design, with preliminary design work underway. The Hydrological modelling of underground water has commenced now that base of the open pits / underground interface is finalised.
- Following the analysis of potential alternative power supply options for the Weednanna site, the decision was made to progress to detailed onsite data collection to determine if wind and solar (PV) power generation is a viable and cost-effective option onsite. The project is located 40km north of the township of Kimba and the nearest grid power. Therefore, with grid power being too expensive, rather than blindly select diesel power generation for the project, the option of alternative power generation needs to be thoroughly investigated. A SODAR monitoring unit was sourced and set-up onsite to collect real-time wind speed and direction data and solar energy potential. Data is continuously collected and analysed by a third-party consultant. Once sufficient data is collected, our power team will evaluate the economics of the supply of power for site.

Bonza Prospect Nickel Sulphide Target

- Re-analysis of historic iron exploration drill sample pulps intersect broad zones of nickel mineralisation (refer to Alliance ASX Announcement dated 28 October 2021).
- Significant assay results include:
 - 67m @ 0.18 % Ni from 135m in 08NMRC005 to end of hole
incl. 15m @ 0.28 % Ni from 138m
 - 87m @ 0.15 % Ni from 105m in 08NMRC013
 - 42m @ 0.34 % Ni from 106m in 08NMRC018
incl. 3m @ 1.12 % Ni from 112m
 - 15m @ 0.18 % Ni from 166m in 08NMRC018 to end of hole
 - 77m @ 0.14 % Ni from 123m in 08NMRC032 to end of hole

- Nickel assay results correlate with ~8 kilometre long high-magnetic anomaly interpreted to be associated with nickel-prospective ultramafic rocks
- Bonza Prospect target area also associated with helicopter-borne electromagnetic anomaly and gravity high anomaly.
- Thin section analysis of historic RC chips confirms the presence of primary nickel sulphide (pentlandite) hosted within komatiitic ultramafic rocks.
- Alliance's consultant geophysicists are reviewing regional geophysical data sets to identify priority exploration target areas for testing using moving loop electromagnetic (MLEM) surveys to identify conductors potentially associated with massive nickel sulphide.

WEST AUSTRALIAN EXPLORATION

Nepean West Project (E15/1658, E15/1788, ELA15/1787, & P15/6591)

- An aboriginal heritage survey was completed at the Hawkesbury and Penrith prospects to provide clearance for initial regional aircore drilling during 2022 and 2023.

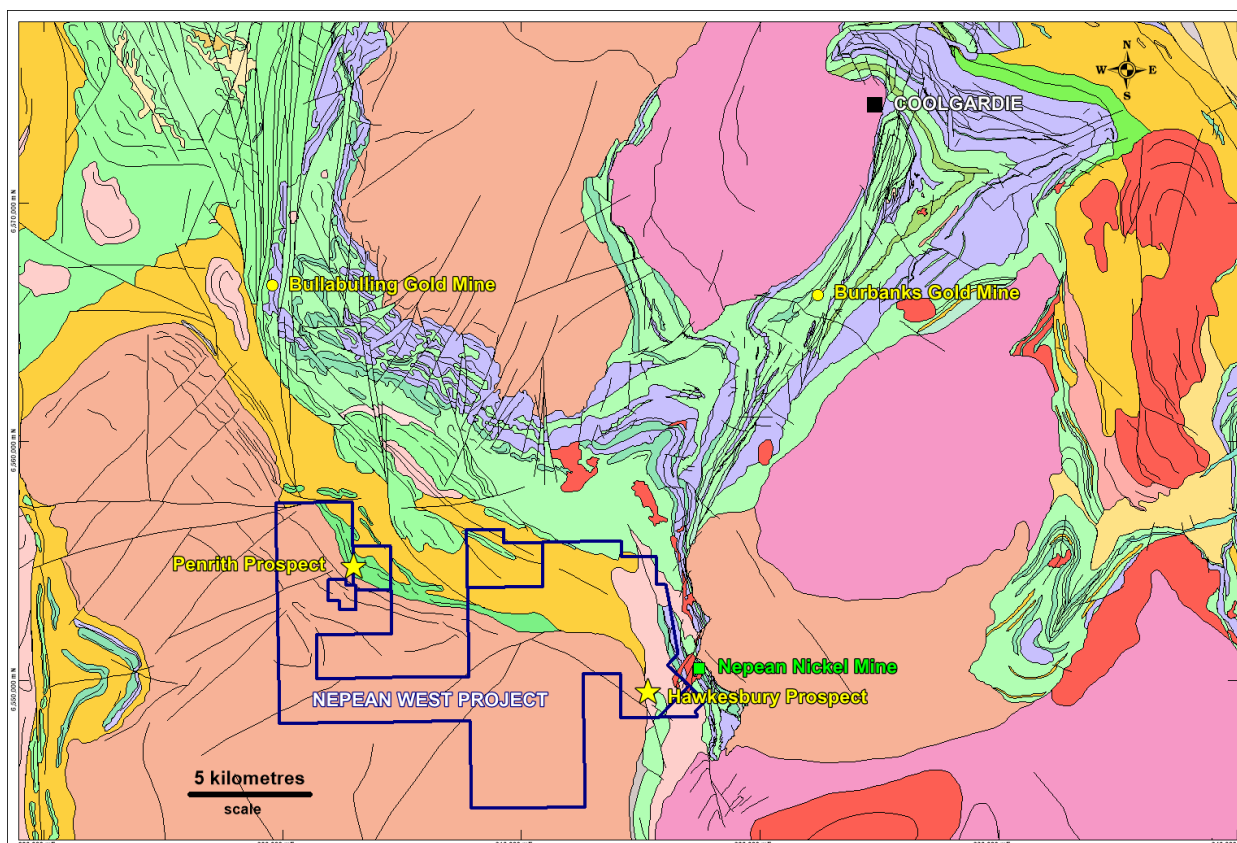


Figure 2. Location of Nepean West Project

Kalgoorlie South Project (E26/208, P26/4460-63, P15/6389, & PLA26/4458-4459)

- A 1,853 line kilometer high resolution aeromagnetic survey was completed over the northern area of the Kalgoorlie South Project. This data is being interpreted by Alliances' geophysical consultants and will be used to identify conceptual structural gold exploration targets.

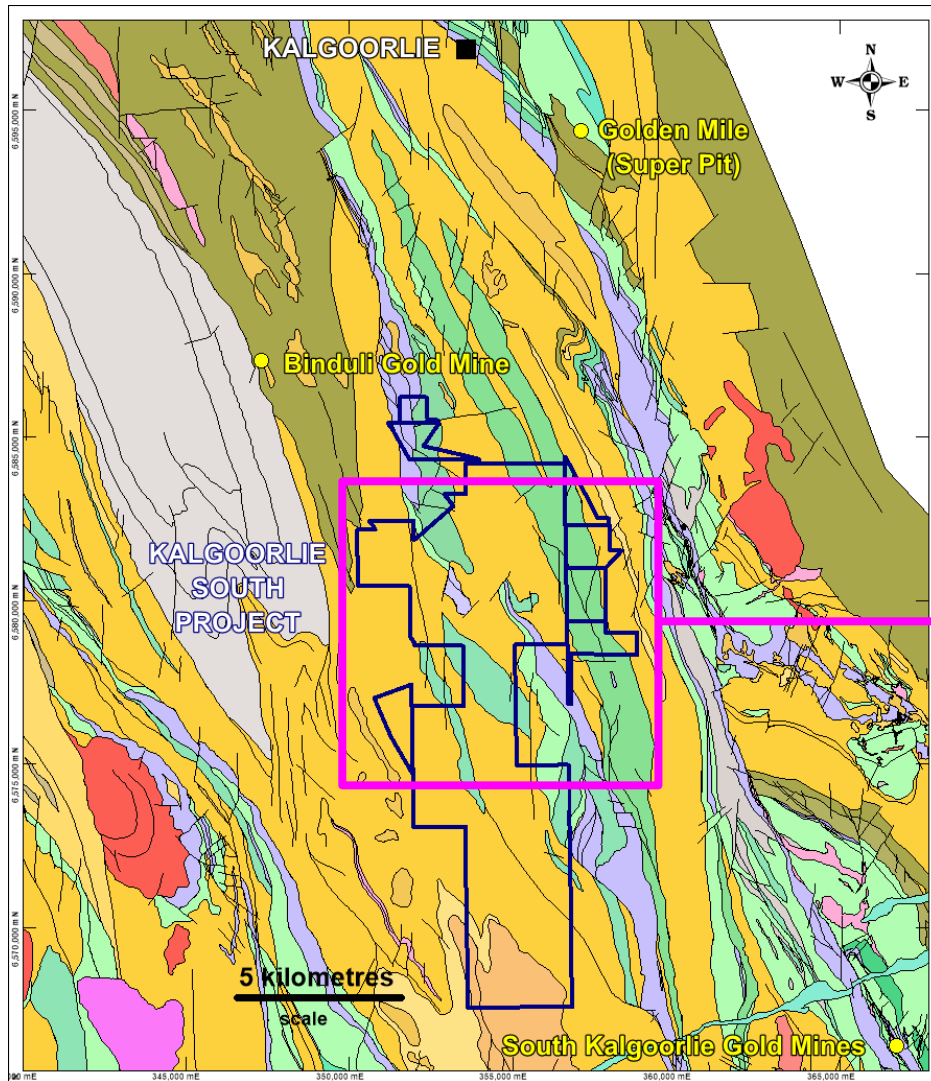
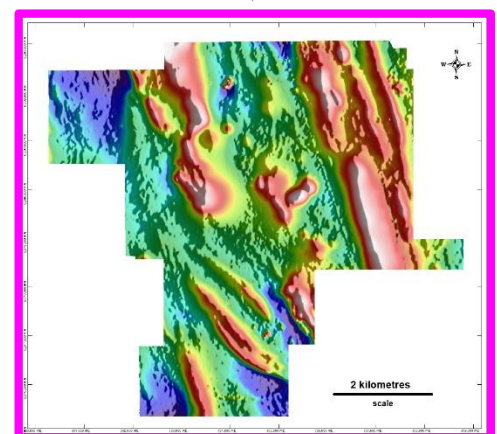


Figure 3. Location of Kalgoorlie South Project



RTP aeromagnetic image

TENEMENTS

Tenement	Name	Location		Beneficial percentage acquired or disposed of during the quarter	Beneficial percentage held at end of quarter
South Australia (Wilcherry Project)					
EL6379	Uno/Valley Dam	60 km northeast of Kimba		0%	100%
EL5875	Mount Miccollo	60 km north of Kimba		0%	100%
EL6475	Peterlumbo	40 km north of Kimba		0%	100%
EL5931	Maratchina Hill	35 km north of Kimba		0%	100%
EL6072	Eurila Dam	40 km northeast of Kimba		0%	100%
EL6188	Wilcherry Hill	40 km north of Kimba		0%	100%
EL6521	Buckleboo West	60 km northwest of Kimba		0%	100%
Western Australia					
E15/1658	Nepean West	65 km southwest of Kalgoorlie		0%	100%
E15/1787	Nepean West	65 km southwest of Kalgoorlie		0%	0%
E15/1788	Nepean West	65 km southwest of Kalgoorlie		0%	100%
P15/6591	Nepean West	65km southwest of Kalgoorlie		0%	100%
E26/208	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%
P15/6389	Kalgoorlie South	20 km south of Kalgoorlie		0%	100%
P26/4458	Kalgoorlie South	15 km south of Kalgoorlie		0%	0%
P26/4459	Kalgoorlie South	15 km south of Kalgoorlie		0%	0%
P26/4460	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%
P26/4461	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%
P26/4462	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%
P26/4463	Kalgoorlie South	15 km south of Kalgoorlie		0%	100%

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About Alliance

Alliance Resources Ltd is an Australian gold and base metals exploration company with 100% owned projects in South Australia and Western Australia.

The Company's flagship project is the Wilcherry Project, located within the southern part of the Gawler Craton, approximately 45 km north of the township of Kimba, South Australia.

The Mineral Resource estimate for the Weednanna Gold Deposit, part of the Wilcherry Project, is 1.106 Mt grading 4.3 g/t gold for 152,000 oz gold (classified 85% Measured & Indicated and 15% Inferred). Refer to ASX announcement dated 9 November 2020 for details concerning the Mineral Resource and the Competent Persons consent. The maiden iron resource for the Weednanna project was announced on 19 November 2020 and totals 1.15 Mt grading 59.4% Fe (classified as 65% Measured & Indicated and 35% inferred). Refer to ASX announcement dated 19 November 2020 for details concerning the Mineral Resource and the Competent Persons consent.

Alliance is not aware of any new information or data that materially affects the information included in the above-mentioned announcements. All material assumptions and technical parameters underpinning the above-mentioned Mineral Resource estimates continue to apply and have not materially changed.

An independent scoping study reported a positive outcome and supports a new, 250,000 tpa gold processing plant at Weednanna. Total indicative capital cost is approximately \$44 million. Refer to ASX announcement dated 18 April 2019 for details concerning the scoping study including the above-mentioned financial information. All material assumptions underpinning the above-mentioned financial information continue to apply and have not materially changed.

There is potential to increase the size of this Mineral Resource with further drilling.

Detailed Engineering design and Mine design studies have commenced to produce Detailed Feasibility Study (DFS) level designs and cost estimates for the Gold processing plant and proposed open pit and underground mining operations.

Alliance also owns an 80 person camp located on leased land in the township of Kimba which will be utilised during the construction phase and mining operations.

Competent Persons

The information in this report that relates to the Exploration Results is based on information compiled by Mr Anthony Gray. Mr Gray is a Member of the Australian Institute of Geoscientists and is an employee of Alliance Resources Ltd. Mr Gray 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gray consents 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 or oil and gas exploration entity quarterly cash flow report

Name of entity

ALLIANCE RESOURCES LIMITED

ABN

38 063 293 336

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation		
	(b) development		
	(c) production		
	(d) staff costs	(276)	(555)
	(e) administration and corporate costs	(220)	(482)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	3
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (GST paid/recouped)	100	180
1.9	Net cash from / (used in) operating activities	(395)	(854)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation	(598)	(1,552)
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		90
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other		
2.6	Net cash from / (used in) investing activities	(598)	(1,462)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,020	3,343
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(395)	(854)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(598)	(1,462)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,027	1,027

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	907	1,900
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other -Term deposits and Performance Bonds	120	120
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,027	2,020

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	146
6.2	Aggregate amount of payments to related parties and their associates included in item 2	1
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.		
<i>All transactions involving Directors and associates were on normal commercial terms. These payments represent Director fees, Director consulting fees, re-imbusement of expenses and payments in terms of management service agreement with a Director related entity.</i>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end	-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(395)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(598)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(993)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,027
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,027
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.0

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The entity proposes to raise new equity through a capital raising in due course.

The major shareholder companies associated with the director Mr Ian Gandel, namely Gandel Metals Pty Ltd and Abbotsleigh Pty Ltd, currently collectively own 72.18% of the issued capital of the entity and have committed to participate in any capital raisings for the next 12 months, thus providing the entity with a solid platform to raise sufficient capital to continue to fund its operations. This commitment, coupled with the entity's history of successfully raising funds, plus the fact that the top 20 shareholders own in excess of 90% of the entity's issued capital leads the Board of Directors to believe any capital raising will be successful.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The entity does expect that it will be able to continue its operations and to meet its business objectives based on the entity's expectations to raise capital as detailed in Answer 8.8.2 above

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 January 2022

Authorised by: The Board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.