

ASX ANNOUNCEMENT

12 April 2018

ALLIANCE RESOURCES LTD

ASX: AGS

ABN: 38 063 293 336

Market Cap: \$13.5M @ \$0.13

Shares on issue: 104,293,923

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Projects:

Wilcherry JV, SA (67.35%): gold and base metals

Gundockerta Sth, WA (100%): gold-nickel

Nepean South, WA (100%): gold-nickel

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METALLURGICAL TESTWORK WEEDNANNA GOLD PROSPECT TARGET 4

Highlights:

- Preliminary gold recovery testwork from Weednanna Target 4 achieved 86.73% using a conventional grind size when combined with cyanide leaching of the gravity concentrate
- Past and present metallurgical testwork indicates that gold mineralisation from Weednanna Targets 1, 2, 3 and 4 is amenable to conventional grinding and cyanide recovery techniques
- Alliance has engaged BHM Process Consultants in Perth to undertake a staged program of metallurgical work with the aim of optimising gold recovery and culminating in process design criteria and capital and operating costs for the processing base case
- The outcomes of the process design work will feed into a scoping study in 2H 2018.

The Board of Alliance Resources Ltd (Alliance) is pleased to announce results of preliminary metallurgical testing of a composite RC sample from Target 4 at Weednanna, which forms part of the Wilcherry Project Joint Venture between Alliance (67.35%) and Tyranna Resources Ltd (ASX Code: TYX) (32.65%) in South Australia.

Preliminary metallurgical testwork was conducted by ALS Metallurgy Services Australia on a composite RC sample collected from Target 4 (WDMET004), with results summarised as follows:

- Average head assay was 16.6 g/t gold and 2 g/t silver.
- The calculated gold assays for all test work correspond well with the initial head assay value and confirmed the homogenous nature of the sample.
- At grind sizes of P_{80} 75 μ m and P_{80} 38 μ m, cyanide bottle roll gold extractions (24 hr) were 80.87% and 83.36%, respectively.
- Cyanide leaching of the gravity concentrate for the P_{80} 75 μ m sample increased total gold extraction to 86.73%.
- Gold leach kinetics indicates the majority of the leaching was completed after 24 hours. The mineralisation displayed reasonable reagent consumption with sodium cyanide and lime usage at 1.4 kg/t and 4.6 kg/t respectively in Perth tap water.

ASX ANNOUNCEMENT

These results indicate that acceptable gold recoveries are achieved with a grind of P₈₀ 75µm and a pre-leach gravity separation stage.

Refer to Alliance ASX announcement dated 19 January 2018 for further details of the previous testwork.

Past and present metallurgical testwork indicates that gold mineralisation from Weednanna Targets 1, 2, 3 and 4 is amenable to conventional grinding and cyanide recovery techniques with gold extractions ranging between 86.73% and 92.8% at a grind size of P₈₀ 75µm.

Engagement of Independent Metallurgical Consultants

Alliance has engaged BHM Process Consultants in Perth to undertake the following staged work program:

1. A review of the metallurgical testwork conducted at Weednanna to date, for the purpose of identifying what additional testwork is required (completed);
2. Optimising gold recovery by investigating optimal grind size; leach kinetics; leach mass reduction through flotation; quantify coarse crush results for potential heap leach operation; magnetite removal prior to leaching; assessment of impact of anomalous copper zones and the impact of reagent consumption and gold extraction; and
3. Process design criteria and capital and operating costs for processing base case.

Subject to the delivery of a maiden mineral resource estimate for Weednanna in June, the above metallurgical work will feed into a scoping study in 2H 2018.

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About Alliance

Alliance Resources Ltd (Alliance) is an Australian gold and base metals exploration company with projects in South Australia and Western Australia.

The Company's flagship project is the Wilcherry Project Joint Venture (Alliance 67.35%), located within the southern part of the Gawler Craton in the northern Eyre Peninsula of South Australia.

Weednanna is the most advanced gold prospect at the Wilcherry Project Joint Venture, where high grade gold shoots are associated with a calc-silicate and magnetite skarn system.

Four drilling programs have been completed at Weednanna during 2017-18 (92 holes for 14,345m), in five areas of discrete historic high grade gold intercepts. These drilling programs have demonstrated that the high grade gold shoots are ovoid to rod-like in geometry and have continuity along strike. Close-spaced drilling is required for accurate definition.

This improved understanding of the mineralisation style at Weednanna is being used to better define the distribution of gold at this prospect.